The Commodities Feed: Iranian supply risks ease, but have not disappeared

Oil prices came under significant pressure yesterday, with concerns easing over immediate US action against Iran

Source: iStock

Energy – Brent flat price weakens while timespreads hold firmer

After five days of gains, oil prices came under significant pressure yesterday, with ICE Brent settling 4.15% lower. The sell-off came as the US avoided taking immediate action against Iran amid ongoing protests in the country. There had been growing noise in recent days that the Trump administration was considering military intervention, raising concerns not only over Iranian supply, but broader risks to supply from the Persian Gulf. Any escalation with Iran will also raise concerns about potential disruption to oil flows through the Strait of Hormuz, a chokepoint where around 20m b/d passes.

While risks have eased somewhat, they remain significant, keeping the market nervous in the short term. However, the longer this goes on without any US intervention, the risk premium will continue to fade, allowing more bearish fundamentals to dominate.

While we maintain a bearish outlook for the market, we are seeing strength in the prompt ICE Brent timespread. The spread held up relatively well yesterday despite weakness in the flat price.

This suggests some tightness in the spot market, likely due to a decline in Kazakh oil flows from the CPC terminal.

The European gas market continued to rally yesterday. TTF settled more than 4.2% higher on the day, taking the market back above EUR33/MWh. The move was driven by another cold snap forecast for large parts of Europe towards the end of this month. Meanwhile, EU gas storage remains tighter than usual, with it less than 52% full at the moment vs. a 5-year average of 67% full. We have been warning about the potential for a short-covering rally in the market, given the sizeable short position that funds held in TTF through the early part of winter. Investment funds have already reduced their net short in TTF from 92.76TWh in mid-December to 55.14TWh currently.

Agriculture – Cocoa prices decline on weaker grindings

Cocoa prices came under further pressure yesterday, with London cocoa settling 2.3% lower on the day. This follows weaker-than-expected grinding data from Europe. Data from the European Cocoa Association shows that cocoa grindings fell 8.3% year on year to 304.5mt in 4Q25, the lowest for this period since 2013. This leaves total grindings for 2025 down 6.1% YoY.

National Federation of Cooperative Sugar Factories Ltd. data shows that sugar production in India jumped 21% YoY to 15.9mt between 1 Oct 2025 and 15 Jan 2026. Factories crushed 176.4mt of cane over the period compared to 148.4mt a year ago. The average sugar recovery from cane was 9% vs 8.8% in the last season. Meanwhile, around 519 mills were crushing as of 15 January, slightly up from 514 mills last year. The group reiterated its 2025/26 total sugar production estimate of 31.5mt, accounting for volumes diverted to ethanol.

In its monthly update, the International Grains Council (IGC) increased its 2025/26 global wheat output forecasts from 830mt to 842mt. Consumption projections increased to 823mt from previous estimates of 819mt. As a result, global wheat ending stock estimates increased from 275mt to 283mt. For soybeans, ending stock estimates remain unchanged at 77mt. Finally, for corn, the council increased its global ending stocks estimate from 300mt to 305mt on stronger production forecasts.

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