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COMMODITIES DAILY

The Commodities Feed: Middle East tensions ease slightly

The oil market came under some pressure this morning after reports of a potential breakthrough on the Middle East peace deal. Higher oil inventory in the US further added to the pressure on oil prices



Energy – Oil edges lower

Oil prices traded under pressure this morning following reports of easing tensions in the Middle East and a build reported in the weekly US oil stockpiles. Recent reports suggest that Israel and Hamas have reached a ceasefire agreement (phase 1 of the peace deal) after around two years of conflict, with Hamas agreeing to release all hostages while Israel will withdraw troops from the Gaza Strip.

Meanwhile, US inventory data from the Energy Information Administration (EIA) shows that crude oil inventories increased for a second straight week by 3.7m barrels over the last week, as production increased and exports fell from the week before. This is also higher compared to the 2.8m barrels increase that the American Petroleum Institute (API) reported the previous day. Total oil stocks stood at a little over 420m barrels, 4% below the five-year average. Meanwhile, crude stocks at Cushing fell by 763k barrels for a second consecutive week to 22.7m barrels over the reporting week, the lowest since late August. Crude imports rose by 570k b/d to 6.4m b/d, and exports declined by 161k b/d to 3.6m b/d.

For refined products, gasoline stocks fell by 1.6m barrels, higher than the average market expectation of a draw of 1.46m barrels. Meanwhile, distillate stocks declined by 2m barrels, higher than the market's expected fall of 905k barrels. This was the largest weekly decline since late June. Furthermore, refinery utilisation rose by 1pp WoW to 92.4% over the reporting period.

Metals – Copper edges higher

LME copper prices moved above \$10,800/t (the highest since May 2024) as supply concerns keep the market in tight supply. In the latest supply disruptions, Tech Resources cut its output forecast for the Quebrada Blanca mine in Chile, worsening global supply concerns. The company revised its 2025 production estimate from 210kt – 230kt to 170kt – 190kt and lowered its annual production targets for the next three years. This was largely due to challenges with tailings storage at the high-altitude site in the Andes, along with ship loader damage and instability in the mine pit. Copper has surged around 23% so far this year, driven by supply disruptions at major mines that outweigh weak demand in major industrial economies.

Meanwhile, the international Copper Study Group (ICSG) forecasts the global copper market to witness a supply deficit of 150kt in 2026 compared to its earlier forecast of a surplus of 209kt. For 2025, the group lowered the surplus estimates to 178kt in 2025, compared to its previous estimates of 289kt of surplus. Global mine supply is forecasted to rise by 1.4% YoY this year and 2.3% YoY in 2026.

Meanwhile, refined copper supply growth was revised up from 2.9% YoY to 3.4% YoY for the current year, mainly due to continued expansion in Chinese capacity and new capacity additions in the DRC, India and Indonesia.

For 2026, refined output is expected to increase by just 0.9% YoY, supported by ramped-up capacity but offset by limited copper concentrate availability. On the consumption side, global refined copper usage is expected to rise by 3% YoY this year and 2.1% YoY in 2026.

Agriculture – Cocoa prices decline on weak demand prospects

Cocoa prices in the US and London edged lower, with prices falling more than 3.5% DoD at one point yesterday, in anticipation of a sharp decline in global demand and improved weather conditions in West Africa. Cocoa bean processing has declined over the last three quarters in Asia, Europe, and North America, and is widely expected to drop further in the upcoming quarterly reports due next week.

Meanwhile, good rains have boosted crop development in the Ivory Coast and Ghana, while both nations have raised farmgate prices this season, encouraging farmers to increase deliveries to warehouses.

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