The Commodities Feed: Oil and gold surge on Trump's Tehran warning

Oil and gold are rising again after President Donald Trump called for the evacuation of Tehran following earlier optimism that the Israel-Iran conflict would remain contained

Energy – Oil remains on edge

Oil prices are rising again after President Donald Trump called for the evacuation of Tehran. His comments, which stood in contrast with previous optimism that the Israel-Iran conflict wouldn't escalate into a broader regional conflict in the Middle East, renewed volatility in financial markets. On Monday, there were reports that Iran had signalled that it wanted to deescalate hostilities with Israel and was willing to restart nuclear talks as long as the US doesn't join the Israeli attack. The US President has cut short his G-7 visit, reportedly due to escalating tensions in the Middle East, which has sparked speculation about potential US involvement in the conflict.

The market remains on edge with the biggest fear a potential blockage of the Strait of Hormuz, which would lead prices to soar further. Almost a third of global seaborne oil trade moves through the Strait of Hormuz. So far, oil-exporting infrastructure has been avoided and there has been no blockage of the Strait of Hormuz.

Meanwhile, European natural gas prices rose to their highest level since early April on Monday, after jumping by 4.8% last Friday. Similar to oil, the biggest concern is that a further escalation would disrupt the Strait of Hormuz. Any disruptions to shipping through the Strait of Hormuz would also have a significant impact on the global LNG market. Qatar, which makes up around 20% of global LNG trade, uses this route to export LNG. There is no alternative route. This would leave the global LNG market extremely tight, pushing European gas prices significantly higher.

The European Commission is expected to propose a measure today to end the EU's reliance on Russian pipeline and LNG supplies by the end of 2027, with a gradual ban on Russian gas imports starting next January and prohibit services to Russian companies at EU LNG terminals.

Metals – Gold moves higher

Gold is moving higher again as Trump's Tehran warning has sparked haven buying. Prices rose above $3,400/oz in early Asian trading on Tuesday after a 1.4% slide on Monday – the biggest one day decline in a month.

The focus for the gold market will remain on geopolitical tensions in the Middle East. With uncertainty lingering, safe-haven bid for gold is likely to be supported. Prices gained almost 4% last week as the conflict in the Middle East escalated.

Meanwhile, exchange-traded funds added 136,032 troy ounces of gold to their holdings in the last trading session. This brought this year's net purchases to six million ounces (according to Bloomberg). SPDR Gold Shares, the largest gold ETF, saw a $285m inflow on Friday, its biggest in weeks.

Later this week, the US Federal Reserve meeting will be in focus on Wednesday, where it is expected to hold interest rates steady.

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