The Commodities Feed: Oil climbs on Trump escalation threat

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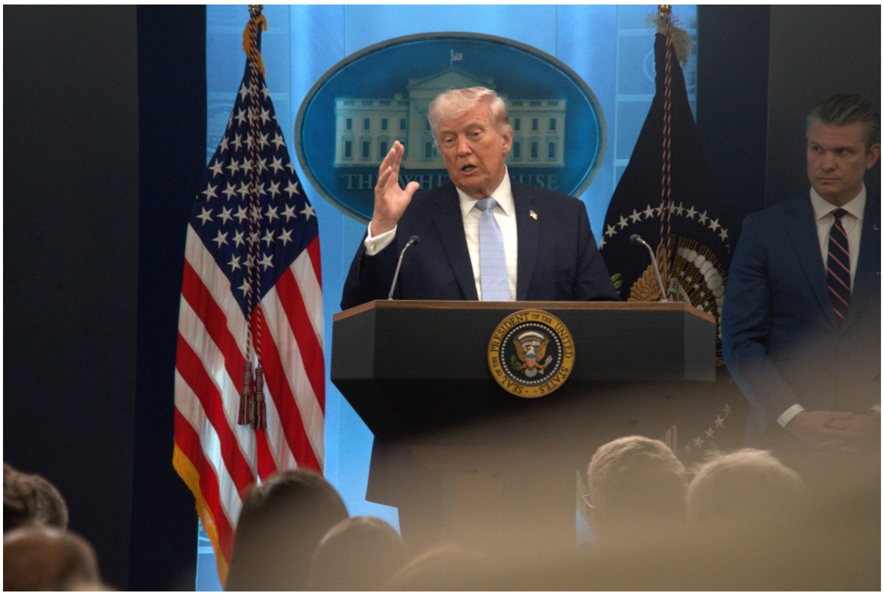

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Energy – Oil climbs on Trump escalation threat

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Brent traded above $111/bbl in Tuesday's morning session, while WTI was around $116/bbl after it closed at its highest since June 2022.

Physical market tightness remains evident, with the NYMEX WTI prompt spread widening to a backwardation of $16.19/bbl, compared with $8.22/bbl at the end of March.

"The entire country can be taken out in one night, and that night might be tomorrow night," Trump said at a press conference on Monday, referring to an ultimatum to Iran set to expire at

8:00pm on Tuesday. He added that free passage of oil through Hormuz must be part of any deal to end the war.

Iran has reportedly told mediator Pakistan that it rejected a ceasefire proposal, demanding a permanent end to the war, sanctions relief, reconstruction efforts, and formal guarantees on safe passage through Hormuz. US allies, including Pakistan, Egypt and Turkey, are said to be pushing for a temporary ceasefire of around 45 days, as Trump extended his deadline for Tehran to reopen the strait.

Traffic through Hormuz remains heavily reduced. 15 ships transited the strait with Iran's permission over 24 hours (according to semi official Fars News), around 90% below pre conflict levels. Iran said on Saturday that Iraq would be exempt from its curbs, while Iraq's state oil marketer SOMO said vessels carrying Iraqi crude are now able to transit the strait.

Meanwhile, OPEC+ raised output targets by 206k b/d in May, a largely symbolic move as the war continues to constrain output and shipments from several key members.

The increase marks a continuation of the gradual unwinding of the 1.65 mb/d cuts introduced in April 2023, following a pause in the first quarter. With the Strait of Hormuz effectively shut, higher quotas remain largely notional for producers, including Iraq, Kuwait, Saudi Arabia and the UAE, until the route reopens. The alliance's next meeting is scheduled for 3 May 2026.

Saudi Arabia also lifted official selling prices to Asia to a record premium, seeking $19.50 a barrel over regional benchmarks, highlighting tight near term supply conditions.

Positioning data show speculative interest remains elevated. Money managers increased net longs in ICE Brent by 22,728 lots to 429,853 lots as of last Tuesday, marking the most bullish positioning since October 2018, as geopolitical risks and supply concerns continue to underpin sentiment in the oil market.

According to US Department of Energy data, the US released around 1.5m barrels from the Strategic Petroleum Reserve (SPR) last week, as the Trump administration moved ahead with plans to tap the stockpile to ease supply tightness and curb price pressures linked to the Middle East conflict. This follows a coordinated commitment by the US and other IEA members to release 400m barrels after US and Israeli strikes on Iran disrupted flows through the Strait of Hormuz.

The administration plans to release a total of 172m barrels over the next four months, potentially cutting SPR inventories to around 243.3m barrels, the lowest level since 1982. As of last Friday, the SPR stood at 413.3m barrels, comprising 153.7m barrels of sweet crude and 259.6m barrels of sour crude.

Metals – EGA says it may take a year to restore full output

Emirates Global Aluminium (EGA), the Middle East's largest aluminium producer, said a full resumption of production at its Al Taweelah smelter could take up to 12 months after it was hit in an Iranian attack at the end of last week. While some output from the refinery and recycling plant may resume earlier, EGA warned that infrastructure repairs and a gradual restart of individual production cells will be required, pointing to a prolonged and uneven recovery in primary supply.

The Middle East accounts for around 9% of global aluminium production, meaning disruptions in the Gulf materially tighten global supply, particularly for the primary metal. Al Taweelah alone produced 1.6 mt of cast metal in 2025, so an extended outage would remove significant volume from the seaborne market.

Supply risks have intensified further after Iran also struck Aluminium Bahrain's (Alba) smelter in the Persian Gulf on 28 March. Alba said it is assessing damage, raising the risk of additional regional outages at a time when spare capacity is already limited.

A halt at EGA's 1.6 mtpa Al Taweelah smelter, Alba's reduced operations and earlier curtailments at Qatalum would take around 3 mtpa of capacity offline – close to half of Middle East aluminium production, lifting our supply deficit to around 2-2.5 Mt.

Against this backdrop, LME aluminium prices are up more than 10% since the start of the Iran war, reflecting a rising geopolitical risk premium and growing concern that Middle Eastern disruptions could translate into sustained tightness rather than short-lived supply shocks.

In precious metals, central banks stepped up gold purchases in February, rebounding after a lull in January, according to monthly data from the World Gold Council. Net buying totalled 19 tonnes, led by Poland.

The trend of sustained accumulation remained intact across several central banks. The Czech Republic reported its 36th consecutive month of net purchases, while China extended its buying streak to 16 months, followed by Uzbekistan with five consecutive months of net buying. A growing number of African central banks have also been reported to be turning to gold as a strategic diversification tool, aimed at strengthening reserves and managing risks linked to international financial markets.

Net sellers in February were Turkey (8t) and Russia (6t).

This could help underpin prices during periods of volatility and limit downside at a time when investor flows soften. This backdrop remains supportive for gold amid elevated geopolitical uncertainty and ongoing concerns over reserve diversification.

Agriculture – US corn planting pace improves

The USDA's first crop progress report of the season shows US corn planting picked up to 3% for the week ending 5 April, running ahead of the five year average of 2%. In contrast, winter wheat conditions deteriorated, reflecting dry weather across key producing regions. The USDA rated 35% of the crop as good to excellent, down from 48% a year ago and below market expectations of 42%. Spring wheat planting reached just 2%, lagging both last year and the five year average of 3%, with total wheat acreage projected at 43.8m acres, the lowest since 1919.

Attention now turns to the USDA's monthly WASDE report later this week. Market expectations point to a modest rise in US corn ending stocks to 2,131m bushels (+4m), while soybean and wheat ending stocks are seen lower at 349m bushels (-1m) and 923m bushels (-8m), respectively. Globally, Brazil's corn output could be revised up to 132.5mt (+0.5mt), while soybean production may edge lower to 179.9mt (-0.1mt). Argentina's corn and soybean output are both expected to increase slightly to 52.1mt and 48.1mt, respectively. Global ending stocks are forecast to rise marginally for corn (293.2mt), soybeans (125.5mt) and wheat (277.4mt).

In fertilisers, India has raised natural gas allocations to urea producers to around 90% of average consumption, up from 70-75%, following improved supply conditions, according to the oil ministry.

Earlier LNG shortages linked to the Iran conflict had disrupted production ahead of the monsoon. Indian Potash Ltd. has also issued a tender for 2.5mt of urea, highlighting continued reliance on imports.

Meanwhile, speculative positioning in cocoa remains heavily bearish. CFTC data show net shorts in London cocoa increased by 3,451 lots in the week ending 31 March, taking total net short positions to 33,827 lots, the most bearish stance since February 2018, amid expectations of favourable production conditions in major growing regions.

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