

The Commodities Feed: Oil increasingly nervous about potential US action in Iran

Oil prices continue to move higher as tensions build between the US and Iran amid President Trump's threats to attack



Energy- Brent breaks above \$70/bbl

Oil prices continued their ascent yesterday with ICE Brent rallying 3.38% to settle above US\$70/bbl, and its highest level since August. A range of factors is contributing to the move, including broad USD weakness, Kazakh supply disruptions, and developments in the Middle East.

The market is becoming increasingly nervous over potential US action in Iran, with US vessels moving into the region and President Trump threatening an attack if Iran doesn't make a deal regarding its nuclear programme. Given Trump's recent rhetoric, one would have to be fairly brave to head into the weekend short the market. Iran's foreign minister will be visiting Turkey today, with the Turkish government offering to mediate talks between the US and Iran.

The oil market is also tighter than many had expected. The strength in the timespreads is at odds with expectations of a large surplus. The forward curve has moved deeper into backwardation this month, with the curve backwardated all the way through to the Aug-27 contract. Meanwhile, the 12-month ICE Brent spread is trading at \$5/bbl. This is the strongest level since June 2025, when we last saw US attacks on Iranian nuclear infrastructure. Disruptions to Kazakh oil flows have

certainly added to market tightness. There's been a significant reduction in loadings at the CPC terminal, while repair work was carried out due to drone attacks towards the end of last year. Yet with this repair work complete, loadings should normalise, helping to ease some of the tightness.

Another factor contributing to a tighter market than the balance sheet shows includes reduced appetite among some refiners to buy Russian oil amid US sanctions and the EU ban on refined product imports from Russian oil. The latter would see some refiners, particularly in India, choose to process non-Russian oil. This is to ensure they can continue selling refined products into the EU. The difficulty Russia has in finding willing buyers is reflected in the large volume of Russian oil floating at sea. Generally, growing storage is considered a bearish factor. Yet if there are limited willing buyers for this oil, it might not be so bearish after all.

European natural gas prices also rallied yesterday, with TTF settling more than 4% higher. The European gas market has rallied this month amid tighter storage levels, colder weather, and the severe winter storm in the US. However, developments between Iran and the US will provide a further boost. Escalation between the US and Iran puts a significant portion of LNG supply at risk. Qatar, the second-largest exporter, ships volumes through the Strait of Hormuz. Qatar accounted for approximately 19% of global LNG export volumes in 2025.

In the US, the latest storage data from the EIA shows that natural gas storage fell by 242Bcf over the last week. This is relatively aligned with market expectations. It leaves total storage 7.9% higher year-on-year and 5.3% above the 5-year average. Given that this data covers through 23 January, we will need to wait for next week's release, which will reflect the impact of the recent winter storm.

Metals - Copper surges past \$14,500/t in a volatile session

Copper soared above \$14,500/t for the first time on Thursday. It marked the largest one-day gain in more than 16 years during an exceptionally volatile trading session. The early surge, driven largely during Asian hours, coincided with a spike in activity across China's exchanges. This helped propel both LME and Comex prices to fresh record highs. LME prices gained as much as 11%, before the market later gave back part of those gains.

The afternoon pullback reflected a broader shift into risk-off positioning, with global equity markets under pressure and the US dollar moving higher. Other metals on the LME followed a similar pattern, rallying sharply in the morning only to retreat later in the session.

This volatility comes amid a powerful, broad-based rally across the metals complex since the start of the year. Investors are piling into the sector as fundamentals tighten. Copper in London has risen about 21% since the start of December.

Despite the sharp intraday swings, the underlying backdrop for copper and the wider metals complex remains constructive. Expectations of a weaker dollar, anticipated rate cuts, firm investor appetite for real assets, and persistently tight supply-demand conditions continue to provide support.

Gold and silver also reversed sharply after setting fresh records earlier in the session. Spot gold climbed above \$5,595/oz, while silver briefly surged past \$120/oz, before both came sharply lower. In this environment, gold is increasingly being used as a source of liquidity rather than a traditional safe-haven asset.

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