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COMMODITIES DAILY

The Commodities Feed: Oil eases as report suggests war could end without Hormuz reopening

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Energy – Oil eases as report suggests war could end without Hormuz reopening

Oil edged lower Tuesday morning after the Wall Street Journal reported that US President Donald Trump told aides he would be willing to end the military campaign in Iran even if the Strait of Hormuz remains largely closed. The pullback came despite another Iranian attack on a tanker in the Persian Gulf, with Brent trading around \$107 a barrel in early trade.

On Monday, President Trump said a deal to end hostilities remains possible. He also threatened potential attacks on Iran's energy infrastructure, including the Kharg Island export terminal. Despite pulling back, Brent is on track for a record monthly gain, with prices up around 60% in

March. The US benchmark is up more than 50% in March after closing yesterday above \$100 a barrel for the first time since July 2022.

Crude opened the week higher after Iran-backed Houthi militants in Yemen entered the conflict and additional US troops arrived in the region, raising concerns over shipping disruptions. The risk to the Bab el-Mandeb Strait – a critical chokepoint linking the Red Sea to global markets – has resurfaced, with the Houthis having previously shut the Red Sea to most Western shippers after war in Gaza began in 2023.

Meanwhile, Iran has moved to formalise its control over the Strait of Hormuz, restricting vessel movements while allowing limited traffic, including ships from Pakistan, Thailand and Malaysia. Two state-owned Chinese container ships were also trying to exit Hormuz on Monday. A toll or selective access through Hormuz would keep a persistent risk premium in oil, as flows could be curtailed at short notice, while higher insurance and freight costs lift delivery prices even without a full shutdown.

In refined products, US retail gasoline prices are hovering around \$4 per gallon, according to the American Automobile Association. A sustained move above this level would mark the first breach of this psychological threshold since 2022, adding pressure on both household and business fuel costs.

Metals – Aluminium rallies on Middle East supply risks

Aluminium prices rallied on Monday, briefly nearing \$3,500/t on the LME, as Middle East supply risks escalated. Emirates Global Aluminium (EGA) said it sustained significant damage at its Abu Dhabi smelter, while Aluminium Bahrain (Alba) is assessing the impact at its facility, after Iran's Revolutionary Guard said the sites were targeted in retaliation for US-Israeli strikes. Together, the two smelters account for around 3.2Mt of annual capacity, and any prolonged outage would further tighten an already constrained market, where restarting smelters is costly, complex and time-consuming.

Both companies have yet to provide details on the extent of the damage.

Aluminium is on track for a monthly gain of 10%.

The escalation comes on top of already tightening supply conditions across the Gulf. Recent curtailments at Alba and reduced operations at Qatalum have already affected around 560kt of annual capacity, equivalent to roughly 8-9% of regional supply.

The Middle East produces around 6-6.5Mt of aluminium per year, accounting for roughly 9% of global primary aluminium supply. Gulf Cooperation Council (GCC) smelters are highly export-oriented, with a large share of output sold into international markets rather than consumed domestically.

Agriculture – White sugar rises on supply disruptions

White sugar prices briefly hit their highest level since October 2025 before easing by the close. Escalating geopolitical tensions in the Middle East are tightening supply, as Gulf refiners rely heavily on steady raw sugar inflows from Brazil and other key exporters. Shipping delays and cargo diversions have created supply gaps across the Middle East, East Africa and parts of Asia. With the conflict now in its fifth week and no clear signs of de-escalation, risks to traffic through the Strait of Hormuz have increased, further constraining flows. The white-to-raw sugar premium rose to \$109.4/t, from around \$92/t before the conflict.

CBOT soybean futures also advanced, while soybean oil rebounded toward its strongest level since 2022. Higher crude prices are supporting demand for biofuel feedstocks, while disruptions to fertiliser and fuel shipments linked to the Strait of Hormuz are adding upward pressure on grain and edible oil prices. Additional support came from the Trump administration's newly released biofuel blending rules, which raise mandated usage versus last year's proposal and bolster demand for biofuel-linked crops.

In Europe, the European Commission may convene an urgent stakeholder meeting on 13 April to discuss near-term and structural fertiliser measures. An action plan, expected shortly, aims to lift EU fertiliser production, cut import dependency, improve on-farm nutrient efficiency and accelerate the shift toward bio-based and low-carbon alternatives.

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THINK economic and financial analysis

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