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The Commodities Feed: Oil falls as Trump signals Iran deal is close

Oil prices are under pressure this morning as President Trump says a ceasefire deal that resumes energy flows through the Strait of Hormuz could be signed this weekend

Energy – Peace deal hopes re-emerge

What a week on the geopolitical front. It started with a re-escalation between the US and Iran, only to end with President Trump saying a deal could be signed this weekend. It's not the first time we've been in this position. Trump has said many times before that a deal is very close, only for hostilities to resume. However, there does appear to be more positive noise around the deal this time, not just from the US but also from other parties involved in the negotiations. Obviously, the key is the message coming out of Tehran. And for now, it has been very quiet. Therefore, we would be cautious about assuming that the extension of the ceasefire is a done deal. Even if it is, it could be fragile. And clearly, if nuclear talks do not progress, it could very easily fall apart.

The price action in oil markets is no surprise, with Brent falling below $90/bbl on the latest developments. The relatively benign price action in recent weeks masks the scale of the supply disruptions from the Persian Gulf. However, in the absence of a deal, this is unlikely to last. We believe the market reaches an inflection point in late July if we do not see oil flows resuming before then. This is when inventory levels and seasonally stronger demand push prices significantly higher towards $120-130/bbl.

OPEC released its latest monthly oil market report yesterday. The group's production continued to decline in May, with output falling 177k b/d month-on-month to 18.8m b/d. Iran saw the biggest decline, falling 546k b/d, as the US blockade puts pressure on its oil industry. This large decline was offset by signs of supply increases from other Persian Gulf producers, which ties in with recent reports that more oil is flowing through the Strait of Hormuz. Saudi output increased 157k b/d MoM, while the UAE and Iraq increased output by 87k b/d and 75k b/d MoM, respectively. OPEC remains fairly constructive on global oil demand, expecting it to grow just shy of 1m b/d YoY in 2026. This is down from a previous forecast of 1.17m b/d year-on-year, though. Most other agencies forecast a contraction in demand this year amid supply disruptions in the Middle East.

US natural gas futures sold off yesterday, with Henry Hub settling a little more than 3% lower. This is after the EIA's storage report showed a larger-than-expected increase in US natural gas storage over the week. Gas inventories increased by 108bcf, above the expected 100bcf and the 5-year average of 95bcf. While total storage levels are marginally lower YoY, they are 6% above the 5-year average. With increased oil drilling activity, we are likely to see stronger associated natural gas production in the longer term. This should keep the US natural gas market very comfortable.

Agriculture – USDA lowers US wheat ending stock estimates

In its latest monthly WASDE report, the USDA left US corn production and usage estimates unchanged at 15.6bn bushels and 13.0bn bushels, respectively. Beginning stocks were revised up by 3m bushels, reflecting adjustments to imports, ethanol use, and exports for 2025/26. With no changes to 2026/27 supply, demand, or exports, ending stocks increased by 3m bushels to 1,960m bushels, above market expectations of 1,947m bushels. Globally, the USDA raised its corn production and consumption estimates to 1,300.4mt and 1,322.5mt, respectively, from 1,295.4mt and 1,314.8mt. Higher beginning stocks and production drove ending stocks up to 281.2mt, compared with the previous estimate of 277.5mt and also above market expectations of almost 279mt.

The USDA maintained its 2026/27 US soybean ending stocks estimate at 310m bushels, slightly below expectations of 311m bushels. Production and demand forecasts were also unchanged at 4,435m bushels and 2,860m bushels, respectively. Globally, the 2026/27 soybean outlook reflects modest increases in both beginning and ending stocks. Beginning stocks were raised by 0.4mt, primarily due to higher output in Argentina. Minor revisions to global production (-0.2mt) and consumption (+0.1mt) have resulted in a slight increase in ending stocks to 124.9mt, compared with expectations of 125.3mt.

The USDA reduced its 2026/27 U.S. wheat production estimate by 18m bushels to 1,543m bushels, reflecting a decline in yields from 47.5bu/acre to 47bu/acre. As a result, ending stocks were lowered to 744m bushels from 762m bushels. For the global wheat market, the USDA marginally increased 2026/27 ending stocks to 275.4mt from 275mt. Higher inventories in Egypt and Turkey more than offset reductions in Ukraine, Australia, Russia, and the United States. Global demand was revised to 824.6mt from 823.2mt, primarily due to increased feed and residual use in Russia. However, this was largely balanced by output estimates rising from 819.1mt to 820.1mt.

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