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The Commodities Feed: Oil slides despite stalled US-Iran talks

The oil market continues to trade on expectations of an imminent resumption in energy flows from the Persian Gulf. This leaves significant upside risk as inventories fall and we move closer towards the stronger demand period of the third quarter

Energy - Oil product inventories fall in Europe and Singapore

While there are few signs of progress in US-Iran talks, the oil market continues to trade on expectations of an imminent deal that would resume flows through the Strait of Hormuz. This seems overly optimistic as Hezbollah rejects the Lebanon-Israel ceasefire. This development will not help US-Iran negotiations.

Sizeable inventories in the lead-up to the war have provided a buffer for the market. This buffer is shrinking with every passing day. With the seasonally stronger summer still ahead of us, we could see demand grow by more than 3m b/d quarter-on-quarter in the third quarter. The pace of inventory declines will only intensify through the July-September period. This will leave the market increasingly vulnerable and would require significantly higher prices to ensure demand destruction through the summer. As we've seen since the war began, demand destruction does not need to come solely from higher crude oil prices -- a lot of damage can be done by higher refined product prices.

In Europe, refined product inventories in the ARA region fell by 17kt week-on-week to 4.4mt, according to Insights Global. Gasoline and jet fuel saw the largest declines, with stocks falling 81kt and 49kt, respectively. The drop in jet fuel inventories left stock levels at their lowest since 2020. The market has been worried over availability through the summer. Still, increased inflows from the US and other regions, combined with refiners boosting jet fuel output, helped ease much of the expected market tightness. However, as refiners shift yields toward jet fuel, other products—especially gasoline and diesel—face a heightened risk of further tightening.

Aligned with the inventory-tightening narrative, Singapore oil product stocks fell by a significant 6.14m barrels over the last week. This is the largest weekly decline since December 2024. It also leaves total stocks at their lowest level since October 2024. While the decline was led by light distillates, product inventories across the barrel saw declines over the week.

US natural gas futures moved higher over the latter part of this week, with the latest storage data from the EIA providing a further boost. US natural gas storage increased by 95bcf last week, below the 99bcf increase expected and also lower than the 5-year average increase of 101bcf. Gas flows to LNG export plants have been picking up following seasonal maintenance, supporting prices. In the medium- to long-term, the outlook for Henry Hub is less constructive than it was pre-Iran war. Increased drilling activity on the oil side will lead to higher associated natural gas production, leaving the US natural gas market relatively better supplied through 2027.

Metals – Gold rebounds

Gold rose nearly 2% in yesterday's session, briefly pushing above $4,500/oz, as a tentative ceasefire between Israel and Lebanon reduced immediate geopolitical risk. Yet prices have come under pressure once again as Hezbollah rejects the ceasefire. Despite the recent rebound, gold remains well below its earlier peak and has been trading in a relatively narrow range in recent weeks. In the near term, gold will likely remain range-bound, with direction driven by US rates, the dollar, and inflation.

In base metals, LME copper edged higher, supported by tightening availability. Cancelled warrants increased sharply, driven by activity in New Orleans, and now account for around 37% of total LME inventories (vs. 5% pre-conflict). On-warrant inventories fell to their lowest since late February, reinforcing the tighter physical backdrop and supporting prices alongside ongoing tariff-related arbitrage flows.

In ferrous metals, SGX iron ore fell for a second consecutive session, hitting its lowest level since early March. Prices remain under pressure from rising supply and weak seasonal steel demand in China, as well as from margin compression due to higher coking coal costs. Steel Inventories at major Chinese steel mills fell to 15.8mt in late May, down 15.7% compared to mid-May, according to data from the Chinese Iron and Steel Association (CISA). However, steel inventories are still 3.5% higher than in the same period last year. Crude steel production at major mills fell 4.3% from mid-May to 2.01mt/d in late May.

Agriculture – Corn weakens on improving US crop prospects

CBOT corn prices declined for a fifth consecutive session to their lowest level since late January. Improved yield prospects, driven by wet weather across key US growing regions, weighed on prices and eased global supply concerns. The USDA reported that most planting was completed last week, with 67% of the crop rated good-to-excellent. Additionally, weather forecasts indicate continued rainfall across the US Midwest, which will support soil moisture and reduce drought risk. Wheat prices also softened as improving crop conditions offset earlier dryness, easing concerns. Drought coverage in winter wheat regions declined to 67% (week ending 2 June), down from 69% the prior week, though still significantly above 12% a year earlier.

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