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COMMODITIES DAILY

# The Commodities Feed: Oil in focus as Israel-Iran conflict escalates

Commodities markets are focused on escalating geopolitical tensions between Israel and Iran, with the Middle Eastern conflict sparking a surge in oil prices



## Energy – Oil in focus

Oil extended gains on Monday morning as Israel-Iran attacks extended to a fourth day.

On Saturday, Israel temporarily knocked out a natural gas processing facility linked to the South Pars field and targeted fuel storage tanks during strikes. The attack triggered a powerful explosion and fire at the onshore Phase 14 gas processing plant and forced the shutdown of a production platform at the South Pars field, according to the semi-official Fars news agency. The attack was concentrated on Iran's domestic energy system, rather than exports to international markets. However, it still raises concerns over energy security and supply.

On Friday, oil prices surged more than they have in three years. Iran, the third biggest OPEC producer (despite US sanctions), pumps around 3.3 million barrels a day of crude oil and exports roughly 1.7 million barrels a day. The loss of this export supply would wipe out the surplus that was expected in the fourth quarter of this year.

However, OPEC sits on 5m b/d of spare production capacity, and so any supply disruptions could prompt OPEC to bring this supply back onto the market quicker than expected.

[In a scenario](#) where we see continued escalation, there's potential for disruptions to shipping through the Strait of Hormuz, which is the biggest fear for the oil market. This would impact oil flows from the Persian Gulf, and prices could soar further. Almost a third of global seaborne oil trade moves through the Strait of Hormuz.

The latest positioning data shows that speculators increased their net longs in ICE Brent by 29,159 lots for a second consecutive week to 196,922 lots as of last Tuesday, the highest bullish bets since the week ending on 1 April. This was driven predominantly by new longs entering the market and the liquidation of short positions. Similarly, in the NYMEX WTI, speculators boosted their net long by 16,056 lots for the second week straight to 179,134 lots over the reporting week, the highest since the week ending on 28 January.

### Metals – Gold rises toward a record high

Gold is higher at the Monday open, getting closer to a fresh all-time high, with rising tensions in the Middle East fuelling haven demand. Friday saw prices jumping 1.4%.

Gold is still \$50 below a record of \$3,500.10/oz reached in April. If the conflict in the Middle East escalates in the coming days, new highs are likely in sight for gold.

Gold has rallied more than 30% this year, driven by US President Donald Trump's trade policies, geopolitical tensions and demand from central banks.

Copper and other base metals edged lower after China's new-home prices fell the most in seven months. China's property market, a key sector for base metals demand, saw a 0.2% decline in new home prices in 70 cities in April. After several months of relatively encouraging data, where the pace of price declines slowed and more cities saw price stabilisation, we're seeing faster price declines with fewer cities experiencing upswings. This suggests there's a risk that the property market slides backwards again, [says our China analyst](#).

Meanwhile, the National Bureau of Statistics (NBS) numbers released this morning showed Chinese monthly primary aluminium production rising 5% year-on-year to 3.8mt in May, as domestic mills increased production amid rising profit margins. Cumulatively, output increased 4% YoY to 18.6mt over the first five months of the year. In other metals, monthly crude steel production fell 6.9% YoY to 86.6mt last month, as mills responded to the government's pledge to cut production. May's steel production was the weakest seen in seven years, despite the monthly output typically being a peak period for annual production. Cumulative output fell 1.7% YoY to 431.6mt from January-May 2025.

The latest positioning data from the CFTC shows that speculators increased their longs of COMEX copper by 2,807 lots for a second consecutive week to 26,676 lots as of 10 June. The move was largely driven by falling gross shorts by 2,886 lots over the reporting week. In precious metals, managed money net longs in COMEX gold decreased by just 657 lots to

129,851 lots over the last reporting week. In contrast, speculators increased net longs of silver by 3,412 lots for a fourth consecutive week to 48,793 lots as of Tuesday, following a decrease in gross shorts by 2,260 lots to 11,514 lots.

### Author

#### **Ewa Manthey**

Commodities Strategist  
[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

#### **Warren Patterson**

Head of Commodities Strategy  
[Warren.Patterson@ing.com](mailto:Warren.Patterson@ing.com)

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