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COMMODITIES DAILY

The Commodities Feed: Oil moves higher on latest US-Iran escalation

Oil prices are trading firmer this morning after further escalation in the Persian Gulf, which eroded hopes for an imminent deal between the US and Iran



Energy - US oil inventories continue to decline

After moving higher yesterday, oil prices have continued to rally in early morning trading today amid additional US strikes in Iran. President Trump threatened Iran that more strikes will follow if it doesn't agree to a deal; Iran said the Strait of Hormuz will be closed until further notice. While that isn't something Iran can officially do, it can make vessel crossings a lot more difficult. This leaves shipowners reluctant to navigate the key chokepoint. It once again suggests a deal is still some way off and that energy flows from the Persian Gulf will remain heavily constrained.

There have been media reports of increased oil flows through the Strait of Hormuz, with suggestions of around 2m b/d of crude oil and refined products (compared to pre-war flows of around 20m b/d). This doesn't change our view. We had already been assuming flows of a little over 2m b/d through the Strait of Hormuz. If anything, there's downside risk to this number in the short term, given the more recent re-escalation.

The latest inventory data from the EIA shows that the US oil market continues to tighten, with US commercial crude oil inventories falling 7.23m barrels over the last week. This is the seventh consecutive week of declines. Commercial crude oil inventories stand at a little over 426m barrels, around 5% below the seasonal 5-year average. When factoring in releases from the strategic petroleum reserve, total crude oil stocks fell by 15.15m barrels. Strong refinery activity means gasoline output is increasing. This is allowing for a marginal increase in gasoline inventories, which crept up by 186k barrels. Given the tightness in the global jet fuel market – and price signals to refiners to increase yields – we continue to see US jet fuel production climbing and hitting fresh record highs. Jet fuel output last week was almost 23% above the seasonal 5-year average.

Despite China restricting refined product exports soon after the war in Iran started, the government reportedly issued a second tranche of export quotas. So far, 13m tonnes have been issued in the latest tranche, down just 100kt from the second tranche last year. While further quotas have been issued, it may not translate to an actual increase in refined product export flows.

Metals – Gold extends losses amid stronger yields

Gold prices continued to retreat, extending recent losses as investors reassessed the outlook for US monetary policy. This follows inflation data that, while showing some moderation in underlying price pressures, still pointed to persistent inflationary risks.

The precious metal initially pared losses after softer-than-expected core inflation figures but remained under pressure as Treasury yields firmed.

Gold has retreated sharply from recent record highs, wiping out all year-to-date gains. While geopolitical uncertainty and central bank buying continue to offer longer-term support, near-term price direction is likely to remain closely tied to US economic data, Treasury yields and expectations for Federal Reserve policy.

Markets will continue to focus on incoming US economic data and any shifts in Fed expectations. Developments in the Middle East, meanwhile, remain an important source of headline risk for precious metals.

Agriculture – All eyes on the WASDE

The USDA is scheduled to release its monthly WASDE report later today. The market expects the agency to increase its wheat ending stock estimates for 2026/27 by about 2m bushels to 764m bushels, while trimming its US corn ending stock estimates by 10m bushels to 1,947m bushels. Soybeans could see a marginal uptick in ending stock estimates to 311m bushels. In global supply, the agency is expected to revise upward its Argentina corn and soybean output estimates to 60.8mt (+1.8mt) and 48.5mt (+0.5mt), respectively. Global ending stock estimates

for wheat are expected to decrease marginally from 275mt to 274.8mt, while ending stock estimates for soybeans and corn are expected to rise to 125.3mt (vs. 124.8mt) and 278.5mt (vs. 277.5mt).

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