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COMMODITIES DAILY

The Commodities Feed: Oil rises amid US-Iran conflict

Oil prices rose for a fourth consecutive session on Wednesday, supported by ongoing uncertainty surrounding the US-Iran standoff and the potential implications for shipping through the Strait of Hormuz

Energy – Oil inventory draws support prices

Oil prices extended gains for a fourth consecutive session on Wednesday as uncertainty over a resolution to the US-Iran conflict continued to support risk premiums. US President Donald Trump reiterated that no talks were underway with Tehran and signalled that additional sanctions could be announced this week. Reports of reduced vessel traffic through the Strait of Hormuz have also raised concerns over potential oil supply disruptions.

The oil market also drew support from a slightly bullish API inventory report. US crude inventories fell by 328k barrels last week, compared with market expectations for a 74k-barrel draw. Stocks at the WTI delivery hub in Cushing declined by 1.4m barrels. Product inventories were mixed, with gasoline stocks rising by 1.1m barrels while distillate inventories fell by 2.8m barrels. The more closely watched EIA inventory report is due later today.

US diesel crack spreads climbed above $100/bbl yesterday, reaching a record high as global refining constraints and supply disruptions tightened the market. Diesel cracks have more than doubled since the start of the US-Iran conflict and are up more than 20% month-to-date. Export restrictions from Russia, following repeated Ukrainian drone attacks on refineries, have reduced diesel availability, while disruptions affecting energy infrastructure elsewhere have added to concerns over supply and helped support prices.

Metals – Copper retreats as LME stocks jump

LME copper prices fell below $14,000/t yesterday, posting their sharpest decline since 23 July, as fresh deliveries into LME warehouses eased a prolonged supply squeeze. On-warrant copper inventories rose by 20,025 tonnes, the largest daily increase since 7 April, extending gains for a sixth consecutive session to 123,100 tonnes. Most of the inflows were directed to warehouses in Asia and the US.

The increase in stocks helped alleviate tightness after inventories had been depleted by strong shipments to the US, driven by tariff-related arbitrage opportunities. Reflecting the improved supply situation, the LME cash/3M copper spread narrowed to $248/t, while the tom-next spread also retreated after recently reaching levels last seen during the 2021 copper squeeze.

The latest COTR data showed speculators cut net long copper positions by 6,340 lots to 53,914 lots, ending a two-week streak of increases despite higher copper prices. In aluminium, money managers reduced net longs by 2,267 lots to 78,492 lots, largely driven by a 22,874-lot increase in gross short positions. Zinc net longs also declined, falling by 7,602 lots to 37,759 lots as of last Friday.

Agriculture – Sugar climbs on mounting supply concerns

Sugar prices extended their rally for a second consecutive session yesterday, with ICE No.11 raw sugar settling nearly 3.6% higher at its strongest level since May 2025. Gains were driven by reports that India is considering reducing or scrapping its 100% import duty to help replenish domestic supplies ahead of a seasonal increase in demand.

Sugar prices are now up more than 16% this month, supported by tightening global supplies. Meanwhile, speculative net long positions rose to 58,990 lots, the most bullish positioning since April 2025. Additional support has come from weather risks, with El Niño threatening sugar production across Asia, while above-average rainfall in Brazil has disrupted sugarcane processing, further tightening supply expectations.

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