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The Commodities Feed: Oil spikes as US-Iran conflict concerns intensify

Oil prices are rallying as the market becomes increasingly concerned over the potential for imminent US action against Iran

ICE Brent is back above USD 97/bbl

Energy – Middle East supply risks grow

Oil prices surged higher yesterday, with the market increasingly worried about the potential for imminent US action against Iran. ICE Brent rallied 4.35% to settle above $70/bbl. This strength continued in early morning trading today. While talks in Geneva between the US and Iran were constructive, US Vice President JD Vance said that Iran is ignoring key US demands. Furthermore, there were reports that if the US were to take military action, it would likely be a lengthier process (continuing for several weeks) than the strikes seen last year on Iranian nuclear facilities. Meanwhile, Iran temporarily closed part of the Strait of Hormuz on Tuesday, amid military drills, which would have only added to concerns.

With a deal looking increasingly difficult to reach, it also means it will be more challenging to find a route to de-escalation, especially following the US military build-up we have seen in the region. And if de-escalation is not possible, the key question will then be what type of action the US takes and how Iran responds to this.

For oil markets, the concern is clearly what action would mean not only for Iranian oil supply,

but also broader Persian Gulf oil flows, given the risk of disruption to shipments through the Strait of Hormuz. Iran exports roughly 1.5m b/d of crude oil, and total oil flows through the Strait of Hormuz are around 20m b/d, which includes refined products.

Russia-Ukraine talks in Geneva saw very little progress, with a second day of meetings ending just after 90 minutes with no breakthrough. While there was little detail from the meeting, the Ukrainian President Volodymyr Zelenskiy said that Russia is trying to drag out negotiations. For oil markets, any sign of meaningful progress in talks would start to raise the prospect of an easing in US sanctions. However, it seems we are very far away from that happening.

As for oil fundamentals, the shape of the ICE Brent forward curve continues to suggest that the market is tighter than what many analysts have been expecting, including us. The forward curve is in backwardation through 2026 and 2027. And while geopolitical uncertainty can provide some support to the front end of the curve, it's more difficult to use this to justify the backwardation seen all the way through to the end of 2027 and into early 2028. Our balance sheet shows a significant surplus through the first half of this year, which should be putting pressure on nearby contracts. However, with a large amount of oil supply sanctioned and the growing unwillingness of some buyers to take this sanctioned oil (Indian refiners increasingly reluctant to buy Russian oil), the market in reality is tighter than what many balance sheets are showing.

A preliminary loading schedule shows that Angolan crude oil exports are set to fall to 896k b/d in April, which would be down from a final plan for March of 1.12m b/d. The final plan for April loadings is scheduled for later this month.

European natural gas prices also rallied, with geopolitical risks growing in the Middle East. TTF settled almost 5.6% higher on the day. The concern for the gas market over escalation in the Middle East is what it would mean for LNG flows that move through the Strait of Hormuz. Qatar is the second-largest LNG supplier, having exported in the region of 104bcm of LNG in 2025, which is 19% of global LNG trade. While there are also smaller volumes from Oman and the UAE. These supply risks are building at a time when EU gas storage continues to tighten, with it falling closer towards 30% full.

Given the significant sell-off seen in EU allowances (EUAs) over the last month, with the market sinking below EUR70/t earlier this week, after trading above EUR/90/t in mid-January, it is no surprise that we have seen a significant reduction in the investment fund net long. Funds sold 11.6k contracts over the last reporting week to leave them with a net long of 82.4k contracts, down from 126k contracts in mid-January. Funds have been selling the market aggressively, given concerns over potential policy shifts when it comes to the EU ETS. The large amount of fund selling has intensified the move in the market, particularly given that funds came into 2026 with a sizeable long position.

Metals – Copper rebounds

Copper rebounded from losses earlier in the week, with LME prices edging back toward $13,000/t yesterday, while trading volumes remained thin amid the Lunar New Year holiday.

On the supply side, the backdrop remains heavy. Readily available inventories in LME‑tracked warehouses rose for a 26th consecutive day. At the same time, combined stocks across Shanghai, the LME and Comex have climbed back above one million tonnes, the highest level since 2003, continuing to weigh on sentiment despite the price rebound.

Near‑term price action is likely to remain choppy, with elevated inventories capping upside even as prices stabilise. Further gains may require clearer signs of inventory drawdowns or stronger demand signals once Asian markets fully reopen.

Agriculture – Cocoa prices slump on weaker demand

The selloff in the cocoa market continued yesterday, with London cocoa falling 7% to settle at its lowest level since May 2023. London cocoa has had nine consecutive down days, falling by 26% over this period. Weaker demand and improving crop prospects in West Africa have weighed heavily on prices. Meanwhile, buyers continue to delay purchases in major producing regions (Ivory Coast and Ghana), even after Ghana reduced its farmgate price by nearly 30% to align more closely with international prices. There are suggestions that the Ivory Coast might consider cutting its farmgate prices as well.

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