The Commodities Feed: Oil jumps on reports of potential Israel strike on Iran

Oil prices surged this morning on media reports that Israel is planning a possible strike on Iranian nuclear facilities

Energy – Geopolitical risks grow

The oil market spiked in early morning trading on media reports suggesting that Israel could be planning a strike on Iranian nuclear facilities. The news, based on US intelligence, may signal a significant escalation, prompting the oil market to price in a larger geopolitical risk premium for the region. Such an escalation would not only put Iranian supply at risk, but also in large parts of the broader region. However, with NYMEX WTI up only a little over 2% at the time of writing, it seems the market is not entirely convinced by these reports -- at least for now. Iran currently produces around 3.35m b/d of crude oil. There are indirect nuclear talks between the US and Iran, which, if successful, could give the market further upside. However, these talks appear to be running out of steam.

Numbers overnight from the American Petroleum Institute show US crude oil inventories increased by 2.5m barrels over the last week. Stock changes in refined products were more constructive, with gasoline and distillate inventories falling 3.2m barrels and 1.4m barrels, respectively. Inventory data continues to suggest a tightening middle distillate market. Energy Information Administration (EIA) data last week already showed that US distillate stocks are at their lowest in 20 years for this time of year.

European natural gas prices had a strong day yesterday, with the Title Transfer Facility (TTF) settling almost 5% higher. Outages from Norway, a key supplier to the EU, boosted the market. An unplanned outage at the Kollsnes processing plant has been a concern; its duration remains uncertain. Meanwhile, seasonal maintenance is scheduled this week at some Norwegian fields and facilities. Gas Infrastructure Europe data shows that LNG send-outs in recent days hit their lowest level since February. Asian LNG prices have been trading mostly at a premium to European gas prices in recent months. This helps explain the lower LNG send-outs.

Metals - China gold imports surge

China's gold imports surged to an 11-month high last month despite record-high prices, according to customs data. Total gold imports reached 127.5 metric tonnes, a 73% jump from a month earlier, after the People's Bank of China allocated fresh quotas to some commercial banks in April. Gold prices are up by more than 20% this year, after peaking at a record $3,500/oz in April. Key drivers of the rally are geopolitical risks and central bank buying.

In other metals, China's copper output rose to a monthly record in April. Production of refined copper was up 9% from a year earlier to 1.25 million tonnes. This is despite weak treatment charges. Meanwhile, lead output in April fell 1% year-on-year to 664,000 tonnes, while zinc output rose 0.3% to 576,000 tonnes.

Global aluminium output was unchanged month-on-month in April at 201,100 tonnes per day, according to the International Aluminium Institute. Year-on-year, production rose 2.24%.

Agriculture– Supply concerns push wheat higher

CBOT wheat futures extended their upward rally for a second session, with prices settling 3.2% higher on the day. Dry weather conditions raise some concerns about the US wheat crop. This saw the USDA cut the percentage of the winter wheat crop rated good-to-excellent to 52%, compared to 54% a week ago.

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