

# The Commodities Feed: Oil spikes with no US-Iran resolution in sight

Oil prices move higher as the market loses hope of any quick resumption in energy flows from the Persian Gulf



## Energy – Reality sets in

The oil market has moved from over-optimism to the reality of the supply disruption we are seeing in the Persian Gulf. ICE Brent traded above \$122/bbl yesterday, its highest levels since the start of the Iran war. The breakdown of talks between the US and Iran, along with President Trump reportedly rejecting Iran's proposal for a reopening of the Strait of Hormuz, has the market losing hope for any quick resumption in oil flows. While we estimate demand destruction in the region of 1.6m b/d, which is significant, it's clearly not enough to fill the supply gap we are currently facing. The longer this disruption persists, the less the market can rely on inventory, and the greater the need for further demand destruction. The only way to drive this would be through higher oil prices.

Energy Information Administration (EIA) data continues to show buyers turning to the US for alternative supplies amid the ongoing Persian Gulf disruptions. US crude oil exports jumped 1.64m b/d WoW to 6.44m b/d over the last week. This is a record high, surpassing the previous record of 5.63m b/d in February 2023. Total oil and refined product exports hit a record 14.18m b/d over the week, marking the fifth consecutive week of record export volumes. These strong export volumes are increasingly tightening up the US domestic market, with commercial crude oil inventories

falling by 6.23m barrels over the week. When you factor in releases from the strategic petroleum reserve, total crude inventories declined by 13.36m barrels. For now, implied demand data shows that US oil demand is holding up well despite higher prices. Total implied oil demand rose 1.43m b/d week-on-week.

While the oil market is increasingly accepting the reality of ongoing supply disruptions, the gas market has been more measured. While European gas prices have moved higher in recent days, with TTF still trading below EUR50/MWh, they don't appear to fully reflect the scale of LNG disruptions. The seasonally weaker demand period we are currently in will provide some comfort. There has already been a fair amount of demand destruction in the LNG market, which will help to take some pressure off prices. Clearly, the longer this persists, the tougher the job Europe will face refilling storage ahead of the 2026/27 winter. For now, EU gas storage continues to tick higher, with it a little more than 32% full, while LNG send-outs remain at seasonally high levels. These strong send-outs won't continue if supply disruptions persist, particularly with JKM trading at a premium to TTF.

The latest positioning data shows that investment funds increased their net long in TTF by 3.37TWh to 263.6 TWh over the last reporting week. The gross long position remains some distance from the peak seen in January, suggesting funds still have further room to increase their positioning.

## Metals - Copper steady, gold extends losses

Copper held near recent highs, supported by pre-holiday restocking in China, which is offsetting macro and geopolitical uncertainty. Buying ahead of the Labour Day holiday has provided near-term support following the recent pullback.

The focus remains on the Iran conflict and potential implications for global growth. In particular, risks to energy flows through the Strait of Hormuz, which continue to cap upside. In China, stricter enforcement around invoicing may weigh on spot activity and slow inventory draws. Supply-side risks linked to war-related disruptions, especially constraints on inputs such as sulphur, continue to underpin the market.

In precious metals, gold edged lower, extending recent losses. Market attention remains on diplomatic efforts and US enforcement around Iranian ports. This is keeping energy-related inflation risks elevated but limiting support for non-yielding assets. Firmer energy prices are reinforcing expectations that central banks may keep policy restrictive for longer, pushing real yields higher and weighing on bullion. Near-term price action remains sensitive to developments around Hormuz, with any de-escalation likely to cap upside.

## Agriculture– EU weighs suspension of duty-free sugar imports

The European Commission plans a temporary halt to the EU's inward sugar processing scheme, citing concerns that rules allowing duty-free sugar imports for re-export after processing are being misused. Member states are scheduled to vote Thursday on a one-year pause. Beet farmers and processors point to a discrepancy between roughly 700kt of sugar imported under the scheme and the smaller volumes later exported. They argue that freezing these imports would help support prices and ease pressure on beet growers.

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