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The Commodities Feed: Oil trades higher on Iranian risk

Oil markets continue to strengthen amid growing concern over a possible escalation between the US and Iran

Energy – Concerns grow over US/Iranian escalation

Oil prices continue to firm, with ICE Brent settling a little more than 1.2% higher yesterday -- its highest level since September. The strength in the flat price and timespreads is at odds with the large oil surplus view. However, a torrent of geopolitical risks, along with recent USD weakness, are supporting the flat price. So are some recent supply disruptions, which are also supporting spreads.

The key uncertainty facing the market is the potential for escalation between the US and Iran. President Trump warned Iran that time is running out to strike a deal, as US ships move towards the region. Clearly, this more aggressive rhetoric has left the oil market nervous about the potential for supply disruptions. Iran pumps around 3.3m b/d of crude oil, while exporting around 1.5m b/d. This will be the most immediate supply concern. However, there are also concerns about what this could mean for regional oil supplies. Any escalation may pose a risk to Persian Gulf oil flows through the Strait of Hormuz, where around 20m b/d of crude oil passes. In the absence of an escalation, bearish fundamentals should once again take centre stage, leading the market to trend lower.

EIA inventory data shows that US crude oil inventories fell by 2.3m barrels over the last week. This was driven by an 805k b/d decline in imports, while exports grew 901k b/d WoW. The initial impact from the recent winter storm appears to be reflected in the numbers, with crude oil output in the Lower 48 estimated to have fallen 42k b/d week-on-week, while refineries reduced operating rates by 2.4 percentage points over the week to 90.9%. Refined product stocks saw marginal increases, with gasoline and distillate inventories increasing 223k barrels and 329k barrels, respectively.

In the US natural gas market, the Feb'26 Henry Hub contract expired yesterday. It had a very volatile final trading session, settling 7.28% higher on the day at $7.46/MMBtu. The expiry of the contract sees the March contract become the front-month contract, which is trading at a little over $3.7/MMBtu (settling 2.3% lower yesterday). The significant backwardation between the contracts reflects the impact of the recent US winter storm. We continue to see the gas market recovering from this disruption. US natural gas output is trending upwards following the shut-ins seen over the weekend. In addition, gas flows to US LNG plants are recovering, easing concerns about the impact on LNG supplies to global markets.

Metals - Aluminium jumps to record high in Shanghai

Aluminium surged to a record high on the Shanghai Futures Exchange, while LME prices climbed to their strongest level since April 2022. The move comes amid a broader metals rally, supported by a weaker US dollar and tightening supply conditions. Shanghai prices rose nearly 6%, with London gaining close to 2%.

The aluminium market is moving into deficit in 2026, with supply remaining the key constraint. Outside Indonesia, production growth is subdued. China continues to show discipline on capacity additions, and neither Europe nor the US is seeing meaningful smelter restarts. Aluminium prices have also drawn support from the broader rally in copper.

In precious metals, gold continues to surge to record highs, closing almost 4.6% higher yesterday. This strength continued in early-morning trading in Asia, with spot gold hitting a fresh record high of $5,588/oz at one stage. Geopolitical tensions, a weaker dollar, and investor rotation out of currencies have boosted the precious metal. Gold is now up around 27% year‑to‑date, while silver has gained almost 65%. ETF flows remain supportive. Total known gold ETF holdings rose by 128koz on 28 January. This marks the sixth consecutive daily inflow and lifting holdings to 100.6moz, the highest level since August 2022.

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