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The Commodities Feed: Oil trades lower on de-escalation hopes

Oil prices continue to move lower amid signals that a ceasefire between the US and Iran will be extended

Energy- US oil exports jump to record levels

The oil market continues to edge lower amid hopes that the US and Iran extend their ceasefire by another 2 weeks, along with a potential resumption in talks to bring an end to the war. However, the physical market is becoming tighter every day that passes without a restart of oil flows through the Strait of Hormuz. After taking into consideration pipeline diversions and the trickle of tankers through the Strait of Hormuz, we estimate that roughly 13m b/d has been disrupted. But with the US blockade, this number could creep higher. The divergence between the futures and physical markets is clear: dated Brent traded around $117/bbl, while front-month Brent futures settled a little below $95/bbl yesterday. The key upside risk for the market is that peace talks between the US and Iran break down. This isn't an unrealistic scenario, given that US and Iranian demands remain fairly wide apart.

The latest data from the Energy Information Administration (EIA) shows that US crude oil exports jumped by 1.08m b/d week-on-week to 5.23m b/d- the highest volume since September 2025. However, total oil and refined product exports surged by 1.03m b/d WoW, hitting a record 12.74m b/d. These stronger US exports reflect buyers turning to other markets for supply amid disruptions in the Middle East. Despite strong exports, US crude oil inventories declined only marginally over the week, falling by 913k barrels. Refined product stocks saw more meaningful declines, with gasoline and distillate inventories falling by 6.33m barrels and 3.12m barrels, respectively.

With buyers shifting toward US barrels, the domestic market is set to tighten as long as Middle East disruptions persist, likely prompting a supply response from US producers. US drilling activity, however, has barely moved since the start of the conflict. According to Baker Hughes data the US oil rig count stood at 411 last week, up from 407 prior to the war. The lack of drilling activity also ties in with the EIA's domestic crude oil production forecasts, which suggest little change in output this year. If we see a pickup in US drilling activity, it would have a more meaningful impact on oil output over 2027.

European gas prices continue to edge lower amid hopes of de-escalation in the Middle East, while EU gas storage levels move closer to 30% full as the region moves deeper into the injection season. High LNG send-outs in Europe have kept the market comfortable. Investment funds also reduced their net long in TTF by 37.4 TWh over the last week to 271.8 TWh. Clearly, the longer disruptions in the Middle East persist, the more competition we'll see from Asia as buyers seek alternative supplies. JKM continues to trade at a premium to TTF, so we should be seeing cargoes being redirected towards Asia.

Metals – Copper trades near one month high on Iran optimism

Copper rose to around a one-month high this week, with broader gains across industrial metals as markets priced in easing macro risks. Optimism that the US and Iran could restart talks helped unwind some of the recent pressure from fears of higher energy costs and weaker growth.

However, the market remains highly headline-driven. Any escalation in the conflict, renewed spikes in energy prices or signs of softer demand could quickly reverse sentiment. In a de-escalation scenario, copper would likely outperform, supported by expectations of eventual rate cuts, a weaker dollar and a broader improvement in risk appetite.

Downstream supply risks are also gaining attention. Sulfuric acid is emerging as a bottleneck for SX-EW copper output, with around half of seaborne sulfur transiting the Strait of Hormuz. China's sulfuric acid prices have risen around 90% since the start of the Iran war. Export bans introduced following the Hormuz shipping halt are raising disruption risks to acid-dependent supply in Chile, Peru and the Democratic Republic of the Congo.

Positioning data points to improved sentiment. Speculators increased their bullish LME copper bets by 2,329 net-long positions to 48,225, the most bullish stance in more than three months, according to weekly futures and options data.

In precious metals, gold remains supported amid renewed optimism around de‑escalation. The pullback in oil prices is easing some of the inflation concerns that weighed on prices earlier in the conflict. The move reflects a broader shift in market focus. While gold initially fell sharply as liquidity pressures forced selling, losses have since partially recovered as growth concerns have re‑emerged and price swings have become less extreme. While higher real rates, a firmer dollar, and profit-taking could weigh on near-term price action, recent pullbacks suggest underlying demand remains resilient.

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