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COMMODITIES DAILY RUSSIA

The Commodities Feed: Oil weaker on Ukraine peace talks

Oil prices are under renewed pressure amid ongoing peace talks to end the war in Ukraine



Energy – Russia/Ukraine peace talks weigh on energy markets

Oil prices ended last week on a weak footing, with ICE Brent down more than 2.8%. This downward pressure continued in early morning today, with Brent trading at its lowest level in over a month. Ongoing talks to reach a Russia-Ukraine peace deal are weighing on the market. Yet while the US said progress has been made, there's been significant criticism of the 28-point plan, particularly from EU leaders, who see it as favourable to Russia. It's unlikely a deal will be reached anytime soon. Likely sticking points include Ukraine having to give up territory and cap its military size. In addition, Ukraine would want clear, explicit security guarantees as part of any deal. While President Trump set a Thursday deadline for a deal, Secretary of State Marco Rubio said it could be extended by several days.

Developments related to a potential peace agreement are important for the oil market, particularly amid significant uncertainty about the impact of recently imposed sanctions on Russia's Rosneft and Lukoil. Clearly, a peace deal increases the likelihood that sanctions will be lifted, or at least not enforced strictly. Middle distillate cracks have also eased since Tuesday, as talks soothed concerns over Russian diesel exports. Both sanctions and continued Ukrainian drone attacks on Russian refiners have led to plenty of supply worries in the middle distillate market.

The latest positioning data shows speculators increased their net long in ICE Brent by 13,497 lots over the last week to 178,364 lots as of last Tuesday. The move was driven by fresh longs entering the market. It's also no surprise that speculators increased their net long in ICE gasoil over the last reporting week, given the market's strength. The managed money net long increased by 3,909 lots to 102,195 lots as of last Tuesday.

Reports suggest that the 615k b/d Al-Zour refinery in Kuwait is set to start increasing output through December, after facing issues since October that kept it operating at only around a third of capacity. A ramp-up in output should help ease some of the lingering supply concerns in the refined products market.

Agriculture – Coffee prices weaken on tariff cuts

Arabica coffee prices declined on Friday, falling more than 6.5% at one point (although they ended the day 1.9% lower), after Trump expanded the tariff exemption for Brazilian food products, easing supply concerns. Last week, Trump signed an executive order exempting several food items, including coffee, from a 40% tariff on Brazilian goods. The removal of tariffs is expected to unlock major volumes of Brazilian coffee.

The latest estimates from the Western Australia Grain Association show that the wheat harvest from the nation's top wheat-producing state could rise 4.8% year on year to 13.1mt (the highest level since 2022) in 2025, up from its previous estimate of 12.6mt. The increase in estimates was largely driven by the heavier-than-expected rainfall across key growing regions.

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