The Commodities Feed: Peace plan hopes continue to weigh on energy markets

Positive signals from both the US and Ukraine regarding a Russia-Ukraine peace deal continue to put pressure on energy markets. However, there's little clarity on where Russia stands on the current plan

Source: iStock

Energy – Peace talks put pressure energy markets

The oil market came under further pressure as hopes for a peace deal between Russia and Ukraine continued to grow. While there have been positive signals from both the US and Ukraine towards a deal, comments from Moscow suggest they will reject a deal if it deviates from what was discussed in Alaska between President Trump and President Putin. We are likely to get more colour on Russia's stance in the coming days, with US special envoy Steve Witkoff set to visit Moscow.

American Petroleum Institute numbers released overnight show that US crude oil inventories fell by 1.9m barrels over the last week, less than the 2.4m barrels decline the market expected. Gasoline and distillate fuel oil stocks increased by 500k barrels and 800k barrels, respectively. Overall, the numbers are largely neutral, with a smaller-than-expected decline in crude inventories and a less-than-expected increase in gasoline inventories.

The ICE gasoil crack continued to weaken yesterday. It fell towards $28/bbl, down from more than $38/bbl last Tuesday. Timespreads in gasoil eased over the last week, falling from more than $43/t to a little over $27/t yesterday. A peace deal between Russia and Ukraine would possibly remove, or at least reduce, a key supply risk for the diesel market related to sanctions and Ukrainian drone attacks on Russian refinery infrastructure.

European gas prices continued to sell off, with the Title Transfer Facility (TTF) settling 1.2% lower on the day, leaving the market at an 18-month low. Peace talks will put pressure on the market, while weather forecasts point to milder-than-usual conditions in early December. Weakness in the European market has widened the Japan-Korea-Marker-TTF spread. If this trend continues, we could see LNG flows into Europe start to slow.

Metals - LME copper nears $11,000/t

Industrial metals extended gains in yesterday's trading, with LME copper approaching the $11,000/t level amid a weakening US dollar. Expectations that the Federal Reserve will cut interest rates at its December meeting are growing once again. The market is pricing in a probability of more than 80% of a cut, up from around 30% a week ago.

Supply-side dynamics added additional support to copper. Chile's Codelco, the world's largest copper producer, is pushing for a sharp increase in annual premiums for refined copper deliveries to Chinese customers. Market sources suggest offers of $335/t over LME prices for 2026 contracts, with some buyers reportedly quoted as high as $350/t during negotiations in Shanghai, Bloomberg reported. This represents a dramatic jump from the $89/t premium agreed for 2025, underscoring concerns of a potential shortage. Last week, Codelco offered a record $330/t premium to South Korean clients.

Meanwhile, investor positioning reflects caution. According to the latest LME Commitments of Traders Report (COTR) for the week ending 21 November, net long positions in aluminium fell by 14,978 lots to 111,129 lots. This marks the least bullish position since early July. Copper saw net bullish bets decline by 10,500 lots to 64,853 lots, the lowest since late September. Zink positions were trimmed for a second consecutive week, down 2,774 lots to 28,638 lots, the weakest since mid-October.

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