

# The Commodities Feed: Profit taking hits gold

Spot gold prices sold off aggressively yesterday as participants took profits in a market that has been extremely overbought



## Metals- Precious metals sell-off

Spot gold prices came under significant pressure yesterday, with the market settling 5.3% lower on the day. This downward pressure has only continued in early morning trading in Asia today. The catalyst appears to be profit-taking in a market that has been hugely overbought in recent weeks. The scale and pace of the rally in spot gold have been dramatic, with prices having gained as much as \$1,000/oz since late August. Clearly, market participants were getting increasingly nervous over the sustainability of the uptrend. In addition, comments from President Trump that he expects a “good deal” when it comes to trade talks with China have only added to the downward pressure on gold.

The move higher in gold in recent months has been predominantly driven by ETF buying. In dollar terms, investors bought a record volume of gold ETFs over September, while in terms of tonnage, the buying seen over the last month was the largest since March 2022.

Other precious metals have been unable to escape the sell-off. Silver settled more than 7% lower yesterday, while platinum and palladium closed 5.2% and 6.1% lower, respectively.

## Energy – US to buy oil for strategic reserves

Oil prices managed to settle higher yesterday, with Brent closing 0.51% up on the day. However, the scale of the surplus facing the market suggests that any upside is likely limited. We continue to expect oil prices to trend lower in the months ahead.

Trump's trade negotiation comments are likely providing some support to the market. Further support is likely coming from the cancellation of the Trump-Putin summit, which erodes hopes for a Russia-Ukraine peace deal.

US inventory numbers from the American Petroleum Institute were also supportive, with US crude oil inventories falling by 3m barrels, while Cushing crude stocks fell by 400k barrels. Refined products inventories saw declines, with gasoline and distillate stocks falling by 200k barrels and 1m barrels, respectively.

The US administration is looking to take advantage of lower oil prices to refill its strategic petroleum reserve (SPR). The Department of Energy yesterday announced plans to buy 1m barrels of crude oil for delivery in December and January. The US SPR stands at 408m barrels, up from the low of 347m barrels in 2023, but still well below the 656m barrels held in 2020.

## Agriculture – Sugar prices fall on ample supply

Sugar prices came under pressure, with No.11 raw sugar settling more than 3% lower on the day, on expectations for a large 2025/26 supply surplus.

Last week, industry group UNICA reported a 10.8% increase in sugar production during the second half of September, as mills continued favouring sugar over ethanol. Expectations of increased cane crushing in Brazil's Central-South region and rising corn ethanol output for the next crop are lowering the potential floor for sugar prices.

The latest numbers from the Institute for Agriculture Market Studies (IKAR) show that Russia's wheat production could rise to 88mt for the 2025 harvest, higher than the previous estimate of 87.5mt. Wheat exports projections stood at 44.1mt for the 2025/26 season. Meanwhile, the agency raised its corn output estimate from 15mt to 15.3mt, while export estimates were raised to 4.1mt, up from 3.8mt estimated earlier.

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