The Commodities Feed: Trump's 'Project Freedom' pause weighs on oil prices

The oil market has come under renewed pressure as the US-Iran ceasefire appears to still be holding despite a recent flare-up in tensions

Energy - Saudis cut oil prices

Oil prices are under renewed pressure as the ceasefire between the US and Iran appears to be holding despite recent escalation in the Persian Gulf. Meanwhile, the market sold off further in early morning trading today after President Trump paused "Project Freedom" as the US seeks a deal to end the war with Iran. Trump said "great progress" has been made towards a "complete and final agreement". "Project Freedom" is Trump's plan to guide stranded commercial vessels in the Persian Gulf through the Strait of Hormuz. Its implementation led to a flare-up in tensions between the US and Iran. Looking ahead, developments in the Middle East will remain key to price direction.

A deal that normalises oil flows through the Strait of Hormuz is crucial. Roughly 13 mb/d of disrupted supply is being largely offset by inventory, which is clearly declining rapidly. This leaves the market more vulnerable with each passing day. Tighter stocks will only leave the oil market trading in an ever more volatile manner.

US oil inventory numbers from the American Petroleum Institute (API) show that crude oil inventories fell by 8.1m barrels over the last week. Gasoline and distillate stocks fell by 6.1m barrels and 4.6m barrels, respectively. The more widely followed Energy Information Administration (EIA) inventory data will be released today. Ahead of the release, US commercial crude oil inventories remain comfortable, at 459m barrels, slightly over 1% above the seasonal 5-year average. Yet this can change quickly, particularly if we continue to see record US crude oil exports.

US refined product stocks are a lot tighter heading into the release. US gasoline inventories stand at a little more than 222m barrels, down from 259m barrels in early February and at the lowest level for this time of year since 2014. Distillate stocks stand at a little under 104m barrels, the lowest level for this time of year since 2005. Tighter product markets should continue to see refined product cracks trading at elevated levels.

Saudi Arabia cut its official selling price for its flagship Arab Light to Asia for June. The OSP was cut from a record US$19.50/bbl premium over the benchmark in May to US$15.50/bbl. This is still the second-highest OSP on record. Crucially, this price assumes loadings from Ras Tanura, which sits in the Persian Gulf. This is clearly not happening. Instead, crude is being loaded at Yanbu on the Red Sea coast. As a result, final prices may be higher to reflect the logistical costs of shipping from the Red Sea.

Metals – Geopolitical risks keep copper volatile

Copper edged higher as markets assessed whether the US-Iran ceasefire can hold. LME copper recovered on Tuesday afternoon from earlier losses in the session to trade back above $13,000/t. It's supported by improved risk sentiment but capped by still-elevated exchange inventories, now close to the highest level since 2013.

The main risk for metals remains a prolonged closure of the Strait of Hormuz. That would lift energy costs, add inflation pressure and weigh on manufacturing demand, limiting upside for industrial metals. Copper is likely to stay headline-driven, with stronger physical demand or inventory drawdowns needed for a more sustained move higher.

In precious metals, gold rose as the US-Iran ceasefire appeared to hold. This is easing fears of a broader conflict while keeping some safe-haven demand intact.

A more durable truce would reduce energy-led inflation risks and lower the chance of further Federal Reserve tightening, which is supportive for non-yielding assets. For gold, the next driver will be the outlook for interest rates, with US Treasury borrowing plans and key economic data likely to shape expectations for Fed policy. The main downside risk is a stronger dollar or renewed Fed pushback on easing.

Meanwhile, World Gold Council data showed central banks turned net sellers of gold in March, with net sales of around 30t, although purchases in the first quarter still totalled 27t. Turkey led the selling, cutting holdings by 60t as part of efforts to support FX liquidity, taking its 1Q net sales to 79t. Buying remained concentrated, with Poland adding 11t in March and 31t year to date. China extended its buying streak to a seventeenth month, adding 5t. This points to a slower but still positive trend in official-sector demand, with reserve diversification remaining supportive for gold over the medium term.

Agriculture – Cocoa rallies on supply concerns

London cocoa surged more than 15% yesterday, with prices breaking back above GBP3,000/t, as market attention turned to growing supply risks for the upcoming season. Early indications for the 2026/27 crop point to weaker than normal pod development, suggesting a slower start to the main harvest beginning in October. These concerns are reinforced by the potential for a return to stronger El Niño conditions. This could bring hotter and drier weather to key producing regions such as Ecuador and Indonesia, further threatening output.

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