The Commodities Feed: Renewed peace talks weigh on oil prices

Reports that the US and Russia are working on a peace plan for Ukraine put downward pressure on oil and European gas prices yesterday

Source: Shutterstock

Energy – Russia- Ukraine peace talk noise

Oil prices came under pressure yesterday, with ICE Brent settling about 2.1% lower. Some of the downward pressure is derived from reports that the US and Russia are working on a new peace plan for Ukraine. However, with suggestions that the plan is favourable towards Russia, it may be unlikely that Ukraine will back it. Signs that the US is still trying to work on a deal eases some concerns over further sanctions against Russia and also how strongly current curbs will be enforced.

The Energy Information Administration (EIA) released its weekly US inventory data yesterday, reporting that US commercial crude oil inventories fell by 3.43m barrels over the week. The decline was driven by stronger crude exports, which grew 1.34m b/d week on week. Refiners also increased run rates, leading to stronger crude oil inputs. Stronger run rates shouldn't be too surprising, given the strength in refinery margins, while refiners are also exiting maintenance

season. Changes in inventory for refined products were more bearish. Gasoline inventories increased by 2.33m barrels, while distillate stocks edged up by 171k barrels. Implied gasoline demand was also weaker, falling by 500k b/d WoW. The more bearish gasoline numbers saw the Reformulated Blendstock for Oxygenate Blending (RBOB) crack coming under some pressure yesterday.

European gas prices also traded lower yesterday, with the Title Transfer Facility (TTF) settling almost 2.4% lower. Reports of peace talks between Russia and the US weighed on prices. However, colder weather has led to gas storage falling at a faster pace over the last few days. EU gas storage is now 81% full, down from a peak of just over 83% in mid-October. Meanwhile, the latest positioning data shows that investment funds cut their net long in TTF by 8.7TWh to 15.6TWh, the smallest net long since March 2024. This was driven by fresh shorts entering the market, with the gross short rising by 19TWh to 434.3TWh, yet another record gross short. It leaves the market vulnerable to a short-covering rally in the event of any supply surprises or extended cold snaps over the winter.

Metals – Chile lifts copper price forecasts

Chile, the biggest copper producer, raised its price forecasts for this year and next. The country's copper agency Cochilco cited global supply disruptions, lower interest rates, a weaker dollar and global economic resilience. Copper is expected to average $4.45 a pound this year and $4.55 in 2026, according to Cochilco's quarterly report. It previously forecast $4.30 for both this year and next.

Copper supply has been hit by a wave of disruptions this year, including an accident at El Teniente mine in Chile in July.

Cochilco now expects no production growth in Chile for the year, down from a previous forecast of 1.5%. In 2026, Chilean production is forecast to grow 2.5% to 5.6 million metric tonnes. However, a key assumption about next year's growth is that El Teniente will operate as normal, which Codelco says is unlikely.

Agriculture – Sugar and ethanol dynamics

Sugar prices rose yesterday before giving back all of these gains. Reports that India is considering raising ethanol prices provided support, as it could mean more sugar being diverted to ethanol production, helping to eat into the large global surplus expected. Meanwhile, in Brazil, mills should also be moving to favouring ethanol over sugar production, with sugar prices trading below ethanol parity.

Author

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@ing.com

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("**ING**") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.