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The Commodities Feed: Risk-on trade pushes oil higher

Oil prices rose yesterday, in step with a global equity rally. However, peace talks remain a crucial area of uncertainty for the market



Source: iStock

Energy – Oil rises amid risk-on move, but peace talks are crucial

The oil market received a boost from a broader risk-on move, with equities rallying and the market pricing in a higher probability of the US Federal Reserve cutting interest rates on 10 December. As a result, ICE Brent settled almost 1.3% higher on the day. However, the market continues to pay close attention to how peace talks to end the war in Ukraine develop. Reports suggest that there have been significant changes to the proposed peace plan, with the US and Ukraine essentially drafting a new one. The more contentious points, such as those related to territory, will need to be ironed out by President Trump and President Zelensky. Obviously, Russia must agree on any deal. For oil markets, a deal could remove significant supply risk, leaving participants to focus on bearish supply fundamentals through 2026.

European gas prices came under further pressure yesterday, with the Title Transfer Facility (TTF) trading below EUR30/MWh to its lowest level since May 2024. Ukrainian peace talks weighed on prices somewhat, while weather forecasts for December suggest milder-

than-usual temperatures after a recent cold spell. The colder weather in recent days has led to gas storage in the EU falling more rapidly. It's now 79% full, down from a 5-year average of 89%. The large investment fund gross short in the market still leaves plenty of positioning risk, particularly as we move deeper into winter. For now, funds seem to believe that the supply outlook is comfortable, with growing LNG supply.

Metals - Indonesian nickel plant cuts output

A majority Chinese-owned Indonesian nickel plant, QMB New Energy Materials, is cutting back production for at least two weeks because its tailings site is nearly full, according to Bloomberg. Indonesia accounts for around 60% of global nickel production. Its rapid expansion, driven by Chinese investment, is drawing increased local scrutiny. Much of this scrutiny comes from Indonesia's expanding High-Pressure Acid Leaching (HPAL) segment. The combination of intensive acid use, high waste volumes and complex tailings storage raised environmental concerns. This could influence future project approvals and add uncertainty to Indonesia's supply trajectory. Indonesia's nickel strategy relies heavily on the HPAL method, which converts vast reserves of low-grade laterite ore into battery-grade nickel—a critical material for the electric vehicle supply chain.

Nickel is the worst-performing metal on the LME this year. Prices are down more than 4% year-to-date, and the global market is heading for another year of surplus in 2026. However, supply risks do exist, as Indonesia moves to tighten control over its mining sector.

Agriculture— Cocoa prices edge lower

London cocoa came under further pressure yesterday, with the front-month contract falling below GBP3,700/t at one stage, and trading to its lowest level since January 2024. The weather in West Africa has been largely supportive for the crop recently. Meanwhile, robust cocoa arrivals at ports in the Ivory Coast signalled an improving supply outlook. Recent official numbers suggest that Ivorian bean arrivals at ports have topped 100,000 tons for three straight weeks. They are now near last year's pace after a slow start to the season that began in October.

According to the Brazilian Coffee Exporters Council (Cecafé), Brazilian coffee exporters might take at least six months to make up for the volumes they were unable to ship to the US amid steep tariffs imposed by the Trump administration. There are suggestions that Brazil has withheld about 1m bags from the US market since a 40% surcharge took effect in August. Between August and October, exports to the US dropped 51.5% to 983.97k bags. Last Friday, the White House announced it would lift the 40% tariff on Brazilian coffee.

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