The Commodities Feed: Secondary sanction noise fails to push oil higher

Oil prices settled lower on Friday, and remain under pressure in early morning trading today, despite France and Germany pushing for secondary sanctions on Russian energy buyers

Energy – Speculators continue to sell WTI

Oil prices settled lower last week despite growing European calls for secondary sanctions on buyers of Russian oil and gas. The mild reaction may suggest the market is becoming increasingly numb towards sanction risks. And that to be effective, sanctions would likely need US backing. Up until now, the US has only imposed secondary tariffs on India for its purchases of Russian oil, not other key players like China. While some leaders in Europe are pushing for sanctions on buyers of Russian energy, the EU remains a significant buyer of natural gas from Russia, both in the form of pipeline gas via TurkStream, as well as LNG shipments.

The latest positioning data show that speculators bought 23,848 lots of ICE Brent over the last reporting week, leaving them with a net long position of 206,543 lots, a move predominantly driven by fresh buying. Meanwhile, for NYMEX WTI, speculators continue to sell, reducing net longs by 5,461 lots to 24,225 lots. This is the smallest position that speculators have held since January 2007. The market remains focused on expectations for a substantial surplus through 2026.

Ukraine continues to target Russian energy infrastructure; it claims to have struck refineries in Krasnodar and Syzran. Ukrainian drone attacks on Russian energy infrastructure through August led to a spike in domestic fuel prices and saw the government extend a ban on gasoline exports. If these attacks intensify, it could support product cracks. This could potentially lead to lower export volumes of refined products and increased exports of crude oil, resulting from lower domestic refinery runs.

Metals – US jobs report later this week is key for gold

Gold prices continued their upward move on Friday, with growing noise surrounding potential secondary sanctions providing further support to the market. This is after US personal consumption expenditure data came in line with expectations, keeping hopes alive that the Federal Reserve will cut interest rates at its 16-17 September meeting. However, much will depend on Friday's jobs report for August. Another weak reading would reinforce the view that a September rate cut is likely. Meanwhile, speculators increased their net long in Comex gold by 6,363 lots to 148,122 lots over the last reporting week.

Agriculture– CS Brazil sugarcane harvest picks up pace

The latest fortnightly report from the Brazilian Sugarcane and Bioenergy Industry Association (UNICA) shows that sugarcane crushing in Central-South Brazil stood at 47.6mt over the first half of August, an increase of 8.2% year-on-year. The sugar mix over the fortnight was 55%, up from 49.15% a year ago. Output over this period rose 16% YoY to 3.6mt. The cumulative cane crush so far this season still lags last year, down 6.6% to stand at 353.9mt, while cumulative sugar production totals 22.9mt, down 4.7% YoY.

Export data from Ukraine shows that grain and legume exports in 2025/26 stood at 4mt as of 29 August, a decline of 40% compared to the same period last year. Total corn shipments stood at 882kt (-61% YoY), while wheat exports fell 25% YoY to 2.55mt.

Author

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

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com