

The Commodities Feed: Shifting war outlook

Oil prices slid on ceasefire hopes, while gold recovered as easing energy prices and a softer dollar offset still elevated geopolitical risks



Gold extended gains for a second session, trading back above \$4,600/oz in early trading

Energy – Oil falls on ceasefire hopes

Oil prices fell sharply on reports of renewed ceasefire efforts, with Brent sinking as much as 7% toward \$97/bbl before paring losses, while WTI traded near \$89/bbl. Markets reacted to reports that the US has drafted a 15 point proposal aimed at ending the conflict, reportedly delivered to Iran via Pakistan, although details remain unclear.

Despite the initial market relief, uncertainty remains high. Tehran fired a fresh wave of missiles at Israel and signalled little willingness to compromise, while Iran also reiterated that foreign ships can transit the Strait of Hormuz only if they comply with Tehran's regulations and are not supporting acts of aggression. Earlier, the US ordered the deployment of around 2,000 troops from the 82nd Airborne Division to the region, underscoring the risk of further escalation.

The oil market was also weighed down by a bearish inventory report from the American Petroleum Institute. US crude inventories rose by 2.3m barrels last week, versus expectations for a modest draw of around 190k barrels. Gasoline stocks increased by 0.5m barrels and distillate inventories rose by 1.4m barrels, with markets now awaiting official EIA data later today.

Overall, volatility remains elevated and a geopolitical risk premium persists. Ongoing tensions

continue to support higher prices, stoke inflation concerns, and reinforce expectations that policymakers may delay easing, or even tighten, monetary policy.

In gas markets, European gas prices fell for a third consecutive session, ending Tuesday nearly 5% lower as markets reassessed the outlook for the conflict. While any ceasefire would ease immediate risks to global energy trade, markets remain braced for prolonged supply disruptions after Iran's attack on Qatar's Ras Laffan Industrial City damaged around 17% of LNG capacity. QatarEnergy has warned repairs could take up to five years and confirmed it is unable to meet contractual obligations with customers in Italy, Belgium, South Korea and China.

Profit-taking has weighed on prices following comments from the US president suggesting progress toward resolving the conflict. However, a swift recovery in LNG flows looks unlikely after QatarEnergy declared force majeure on several contracts. Market participants are also closely watching developments in the Strait of Hormuz, amid reports that Iran has begun charging transit fees on some commercial vessels.

Risks are elevated heading into the European gas storage refill season, which officially starts next week, with inventories still below 30%. Separately, the EU reiterated it will not reverse its ban on Russian fossil fuel imports or slow its transition to renewables, despite higher energy costs, with a proposal to ban Russian oil expected later this year.

Metals – Gold recovers

Gold extended gains for a second session, trading back above \$4,600/oz in early trading after snapping a nine day losing streak. Support came from comments by US President Trump suggesting Iran had offered a goodwill gesture linked to energy flows through the Strait of Hormuz, alongside diplomatic signals from China encouraging negotiations. Easing oil prices and a softer US dollar added support.

Near term, gold remains highly sensitive to Fed policy expectations, currency moves and geopolitical developments. Risks remain elevated as Iran retains control over the Strait of Hormuz and Israel continues operations against Iranian assets. Regional tensions were further underscored by the US decision to deploy an additional 2,000 troops from the 82nd Airborne Division. There are also tentative signs that some central banks, particularly those exposed to higher energy import costs, may tap gold holdings to stabilise currencies, with Turkey's central bank preparing measures to limit war related volatility in the lira.

Copper and other base metals also recovered, as optimism around Washington's diplomatic push to end the Middle East conflict lifted broader risk appetite.

On the supply side, the International Aluminium Institute reported a sharp drop in GCC aluminium output in February, down 5.3% MoM to 448kt, from 524kt in January and 473kt a year earlier. While major Middle East disruptions only began in early March, the data already points to weakening regional supply, with a more pronounced hit likely in the next release. Globally, aluminium production edged lower to an annualised 74.1Mt (0.3% m/m), while ex China output fell 1% MoM to 29.5Mt, reinforcing a tightening supply backdrop that should keep physical markets and regional premiums supported despite ongoing macro volatility.

Positioning data also points to a tentative rebound in risk appetite across base metals. LME COTR data show speculators increased net bullish bets in copper by 8,243 lots to 41,031, while zinc net

longs rose for a second consecutive week. In contrast, aluminium net bullish positions fell for a sixth straight week to their lowest level since April 2025, reflecting reduced participation amid heightened volatility.

Agriculture – Coffee rises on tight Brazilian supplies

Arabica coffee futures climbed more than 3% yesterday, supported by tight near term supply and resilient demand. Brazilian growers are reportedly holding back sales in anticipation of higher prices, while the expected bumper crop has yet to reach the market as harvesting remains pending. ICE monitored US port inventories continued to decline, falling to 533.7k bags, underscoring tightening deliverable supply. Elevated geopolitical risks in the Middle East are also disrupting trade routes and pushing up freight costs, adding further upward pressure.

Fertiliser markets face additional strain after Russia announced a one month suspension of ammonium nitrate exports (21 March–21 April), aimed at securing domestic supply ahead of the spring planting season. The move comes amid ongoing disruptions linked to the Iran conflict and reduced shipments through the Strait of Hormuz, a key corridor for global fertiliser trade, alongside continued Chinese export controls. With Russia accounting for around 20% of global nutrient trade and exports capped by quotas through May 2026, these constraints risk tightening global fertiliser availability, supporting prices and raising cost pressures for farmers.

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