The Commodities Feed: The US scrambles to rein in oil prices

Amid fast-developing events in the Middle East, the US government is temporarily allowing India to resume some purchases of Russian oil in an attempt to take pressure off surging oil prices

Energy- Refined product volatility

ICE Brent settled above US$85/bbl yesterday, up 4.9%, the highest close since the Middle East conflict began. The market remains well supported with few signs of de-escalation in the Middle East and a resumption of energy flows in the region. Clearly, with every day that goes by without flows resuming, the oil market will reprice the amount of supply lost, leaving room for prices to move higher.

However, in early trading in Asia today, prices gave back some of yesterday's gains. This follows the US's announcement that it would allow the sale of Russian oil to India for 30 days. The waiver allows the sale of Russian crude and products to India that were loaded onto vessels before 5 March and remains valid until 4 April. This essentially allows floating Russian oil to reach India. According to Bloomberg, there are at least 9.5m barrels of Russian oil floating in Asian waters. While this might help put some immediate downward pressure on the market, it is not a game-changer. The only way for prices to come down on a sustained basis is a resumption of oil flows through the Strait of Hormuz.

This action by the US is part of the administration's plan to try to cap oil prices. The US is also considering tapping the strategic petroleum reserve (SPR), which currently sits at 415m barrels. If the US government were comfortable drawing down the SPR to the levels seen in 2023, we could expect a release of around 68m barrels.

Refined product markets remain volatile amid disruptions in the Persian Gulf. Jet fuel cracks have seen the biggest moves amid concerns over jet fuel supply from the region. Around 23% of the global seaborne jet fuel trade moves through the Strait of Hormuz. In addition, refiners in other regions facing disruptions in crude supply will be forced to reduce run rates. This will further tighten the jet fuel and broader refined-product markets. It is difficult to see the recently elevated levels and volatility in cracks disappear until there are signs of an imminent resumption of flows through the Strait of Hormuz.

China telling refiners to stop exporting diesel and gasoline added support to refined product cracks yesterday amid ongoing supply concerns. China exported 8m tonnes of gasoline and 6.7m tonnes of diesel in 2025. The risk is that other countries take similar action. It would not be unreasonable to expect India to make a similar move, given its track record of taking protectionist measures amid supply concerns (though more so in food and agri markets). This would provide further upside to middle distillates.

Metals – Copper slips amid inventory surge

Copper prices softened on Thursday as a sharp rise in exchange inventories reinforced concerns that supply is outpacing demand. LME copper fell around 1.2% to settle near $12,900/t, while stocks tracked by the exchange jumped almost 8% on the day to a 16 month high.

The inventory build reflects strong inflows into LME warehouses, driven by shifting regional pricing incentives. LME copper has been trading at only a narrow premium to Comex, reversing last year's structure that encouraged metal to flow into US warehouses. As these pricing signals normalise, metal is increasingly being redirected back into global exchange stocks.

The inventory surge creates a tougher near term backdrop for prices. The key things to watch are whether LME stocks continue to build at this pace, the evolution of LME-Comex spreads, and signs of restocking from China once price pressure eases—all of which will determine whether copper can stabilise or remains vulnerable to further consolidation.

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