Article | 20 August 2026

COMMODITIES DAILY

The Commodities Feed: Oil advances as US tightens pressure on Iran

Oil prices extended their rally amid growing concerns over tighter US sanctions on Iran

The EIA's latest weekly inventory report showed US commercial crude oil inventories rising for the third consecutive week, marking the highest level since May

Energy – EIA reports surprise increase in crude inventories

Oil extended its rally for a fifth consecutive day after US President Donald Trump announced measures to intensify economic pressure on Iran. ICE Brent climbed above $92/bbl, while NYMEX WTI traded above $86/bbl on Thursday morning, supported by concerns over tighter sanctions enforcement. Trump also warned of tougher economic penalties for entities supporting Iranian economic activities, signalling a further escalation in US efforts to isolate Iran.

The EIA's latest weekly inventory report showed US commercial crude oil inventories increased by 4.4m barrels to 428.8m barrels, marking a third consecutive weekly build and the highest level since May. This contrasted sharply with API's reported 328k barrel draw and market expectations for a 74k barrel decline. Meanwhile, the Strategic Petroleum Reserve fell by 5.3m barrels, leaving total US crude oil inventories down by a modest 0.9m barrels.

The commercial stock build was driven by higher domestic supply despite strong export demand and lower imports. Crude exports rose by 1.01m b/d week-on-week to 4.07m b/d, while imports fell by 746k b/d to 6.59m b/d. Refinery activity remained robust, with crude throughput increasing by 216k b/d and utilisation rates rising to 97.2%, close to seasonal highs. Strong refining margins continue to incentivise refiners to maximise run rates.

Refined product inventories showed a mixed picture. Gasoline stocks increased by 0.69m barrels to 209.4m barrels, while distillate inventories fell by 1.5m barrels to 105.6m barrels. The decline in distillate stocks was driven by lower imports and reduced domestic production, tightening supply in the US market. Middle distillate markets remain relatively tight, supported by resilient international demand and ongoing supply constraints across key exporting regions.

Metals – Copper squeeze eases as LME stocks rise

Tightness in the copper market eased after more than 35kt of metal was added to available LME inventories yesterday, following an increase of over 20kt in the previous session. The cash-to-three-month spread narrowed to a backwardation of $176/t, from as much as $545/t on Monday. However, continued tightness at the very front of the curve suggests the squeeze has not fully run its course. The market remains vulnerable after months of inventory outflows, driven partly by the diversion of metal to the US ahead of expected tariffs. We expect copper prices to remain supported by tight physical supply, although further inventory inflows could ease near-term pressure and trigger additional volatility.

Meanwhile, data from China's National Bureau of Statistics showed refined copper production rose 1.3% year-on-year to 1.3Mt in July, supported by higher sulphuric acid by-product prices, which boosted smelter margins and encouraged increased operating rates. Elsewhere in the base metals complex, lead output fell 7.3% YoY to 580kt, while zinc production edged down 0.8% YoY to 629kt over the same period.

The US and Canada are reportedly discussing cutting tariffs on certain Canadian aluminium and steel shipments to 25% from 50% as part of a tentative trade deal. Details remain under negotiation, including possible exemptions and product-specific rates.

The move would offer some relief to US aluminium consumers. Canada is the largest supplier of primary aluminium to the US, which remains heavily reliant on imports to meet demand. A lower tariff should put downward pressure on the US Midwest premium and reduce costs for downstream manufacturers, although tight global supply and uncertainty over the deal's scope may limit the decline. Canadian steel would also become more competitive in the US, potentially weighing on domestic steel prices.

Agriculture – White sugar premium hits multi-year high amid supply concerns

The white-to-raw sugar premium widened to around US$154/t, its highest level since March 2024, reflecting increasingly tight supply conditions. Both raw and white sugar prices strengthened after reports that India could cut or remove its 100% sugar import duty to boost domestic availability. Concerns over supply have intensified as monsoon rainfall during the June-September period is running 13% below average. White sugar has also outperformed raw sugar, supporting refining margins, amid weather-related declines in European beet sugar production.

In addition, disruptions in the Strait of Hormuz have constrained refining activity in the Middle East, while higher energy and freight costs have provided further support to white sugar prices.

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