Article | 31 August 2026

COMMODITIES DAILY

The Commodities Feed: Oil rallies on fresh Persian Gulf strikes

Energy prices are trading firmer this morning after the US carried out targeted strikes against Iran, drawing retaliatory strikes and reinforcing concerns about a prolonged stalemate in the Persian Gulf

Energy – Russia extends diesel export ban

Oil prices started the week stronger following the first military strikes between the US and Iran in a month. ICE Brent briefly moved back above US$90/bbl in early morning Asia trading. The US struck Iranian launchers over the weekend amid suggestions that Iran was about to launch mines into the Strait of Hormuz. Iran retaliated by launching missiles towards a US base in Jordan (these were intercepted). This reinforces concerns about a prolonged stalemate between both sides and, as a result, disruptions to energy flows from the Persian Gulf.

Obviously, the key is whether this ignites further rounds of strikes from both sides, and whether it leaves shippers hesitant to navigate the Strait of Hormuz. Oil producers in the region have grown more comfortable shuttling crude through the key chokepoint in recent weeks. Reports have 6-8m b/d transiting the strait, although we assume an average of 5m b/d. Further escalation could put these flows under renewed pressure.

The latest positioning data shows that speculators reduced their net long in ICE Brent by 28,299 lots to 223,598 lots as of last Tuesday. The move was driven mainly by longs liquidating. The data covers a period when the market grew more hopeful about a resumption of talks between the US and Iran, along with signs of increasing oil flows from the Persian Gulf.

Unsurprisingly, Russia announced over the weekend that it would extend its ban on diesel exports by another month until the end of September 2026. This move will only add to the supply stress facing the global diesel market amid disruptions from the Persian Gulf and Russia. The market is moving toward stronger demand. This is being driven by harvesting in the Northern Hemisphere and planting in the Southern Hemisphere over the next couple of months, followed by winter demand. Russia is the second-largest diesel exporter. It's battling fuel supply issues amid intensifying attacks by Ukraine on energy infrastructure.

European gas prices are also stronger in early morning trading following this weekend's strikes in the Persian Gulf. LNG flows from the region remain significantly restricted, leaving the global LNG market tight. QatarEnergy also reportedly extended its force majeure for some buyers through until early November, signalling that the Northern Hemisphere is increasingly looking as though it will enter the 2026/27 winter without Qatari LNG supply. Tight supply entering the heating season leaves the market vulnerable to spikes higher later in the year.

Metals - Gold slips as hawkish Fed message boosts dollar

Gold came under pressure on Friday after Federal Reserve Chair Kevin Warsh signalled that policymakers remain focused on returning inflation to the 2% target. This dampens expectations for an imminent easing in monetary policy. The comments supported the US dollar and weighed on gold prices.

Warsh stressed that inflation progress remains insufficient and reiterated that interest rates remain the Fed's primary tool for achieving its objectives. Markets interpreted the remarks as reinforcing a higher-for-longer rates outlook, which tends to weigh on non-yielding assets such as gold.

Gold is likely to remain sensitive to incoming US inflation and labour market data. While central bank buying and geopolitical risks should continue to provide underlying support, a stronger dollar and higher-for-longer rate expectations could limit near-term upside momentum.

Agriculture – Ukraine wheat exports remain under pressure

Ukraine's Agriculture Ministry estimates point to a smaller winter wheat sowing area for the 2026/27 season. The reduction is unlikely to materially affect domestic availability, as local consumption accounts for only around 25% of total wheat production. Meanwhile, grain exports reached 822kt in August. This represents just 21% of potential export capacity, with Danube ports and railways remaining the country's primary export routes amid ongoing attacks in the Black Sea.

France's Agriculture Ministry reported that only 28% of the country's corn crop was rated good to excellent as of 24 August. This is down slightly from the previous week and sharply lower than the 62% a year earlier, reflecting the impact of this summer's heatwave across key growing regions. Meanwhile, 45% of the crops were classified as poor to very poor, nearly three times the level recorded a year ago.

The latest CFTC data shows that money managers decreased their net short position in CBOT wheat by 12,314 lots to 14,171 lots, driven by concerns over Black Sea tensions and tightening global supplies. Meanwhile, speculative net longs in CBOT corn increased by 126,008 lots to 376,513 lots (the most bullish positioning since the week ending 19 April 2022). This strong buying comes amid prospects for a smaller-than-expected US corn crop and ongoing disruptions in the Black Sea. Similarly, speculators increased their net long soybean position by 46,592 lots to 198,254 over the last reporting week.

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