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COMMODITIES DAILY

The Commodities Feed: Oil nears $100/bbl amid Persian Gulf escalation

Oil prices continue to climb, with ICE Brent approaching $100/bbl as tensions in the Persian Gulf escalate and policymakers offer no credible path to de-escalation

Energy - OPEC output falls in August

The oil market continues to move higher this morning as Middle East tension escalates. ICE Brent is close to breaking above $100/bbl. Given developments in the region, it seems only a matter of time before the market tests this key level.

The US carried out additional strikes on Iranian oil tankers near Kharg Island, hitting 5 vessels in response to Iran attempting to strike a US Navy warship. This resulted in Iran firing ballistic missiles towards Jordan, while also warning vessels in the Persian Gulf could be targeted. Recent developments only reinforce the view that we’re still some way from a restart in talks. In the meantime, the market is likely to continue to price in a sizeable risk premium.

Despite the escalation, estimates on oil flows through the Strait of Hormuz are edging higher, with suggestions that flows are in the region of 10m b/d -- 50% of pre-war levels. These volumes now look far more in line with what the US previously indicated was moving through the vital choke point.

Preliminary production numbers for OPEC are starting to come in. A Bloomberg survey estimates output in August fell 900k b/d month-on-month to 19.91m b/d. The decline was driven by Saudi Arabia, where output is estimated to have fallen by 1.12m b/d amid the escalation seen through August. The Houthis in Yemen disrupting Saudi shipments from the Red Sea and targeting Saudi energy infrastructure. Yet Iraq and Kuwait continue to increase output, rising 270k b/d and 70k b/d, respectively.

Chinese data shows that crude oil imports in August continued to recover from the lows seen in June. Crude oil imports in August averaged 8.88m b/d, up 5% MoM, and well above the low of 7.15m b/d imported in June. However, import volumes remain significantly below year ago levels, down 24% year-on-year. This leaves cumulative imports over the first eight months of the year down 14.7% YoY. China's still-sizeable crude inventories mean lower import levels are broadly sustainable — a dynamic the market may actually need, particularly if Middle East escalation triggers renewed supply disruptions.

Metals – Copper hits another record high

Copper rose to another record on the LME yesterday, with three-month futures nearing $14,800/t. The rally continues to be driven by expectations of US tariffs on refined copper imports.

Tariff positioning has pulled large volumes of metal into the US, with COMEX inventories rising to record levels. Meanwhile, less metal is available outside the US, tightening the London market and putting pressure on short positions.

The market is waiting for President Trump's decision on refined copper tariffs. The proposal is for a 15% duty from January 2027, rising to 30% in 2028. If approved, tariffs would keep drawing metal into the US. Another exemption or delay could unwind the trade and ease tightness elsewhere.

We expect copper prices to remain elevated while tariff uncertainty persists. The rally looks increasingly policy-driven. Prices could correct sharply if tariffs are delayed or ruled out, particularly as demand remains subdued.

Agriculture – China soybeans recover on strong Brazilian supply

China's soybean imports rose to 12.1mt in August, up 3.2% MoM, although volumes remained 1.1% lower YoY. Cumulative imports for the first eight months of the year reached 74.3mt, an increase of 1.3% YoY. Import volumes were supported by a record Brazilian harvest, efficient port operations, and steady demand from the domestic feed sector.

Author

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

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com

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