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COMMODITIES DAILY

The Commodities Feed: Oil surges as market reprices Middle East escalation

Oil prices surged again yesterday as tensions intensified in the Red Sea, while a sharp drop in Saudi output added another layer of supply anxiety

Energy - Saudi oil production falls in August

Oil prices surged, with ICE Brent settling more than 6% higher. In early morning trading today, prices neared $110/bbl. Oil's resilience reflects a market now repricing both the duration and severity of the conflict, along with a clearer recognition of the mounting threat to regional supply. And while meaningful volumes are still moving through the Strait of Hormuz, flows remain well below pre‑war levels, underscoring how fragile the situation has become. Saudi energy infrastructure and crude oil exports from the Red Sea are increasingly at risk, with the Houthis in Yemen targeting Saudi Arabia. As the Houthis have taken control of the Red Sea port of Mokha in Yemen, recent events increase the threat to shipping around the Bab al-Mandeb Strait.

Another market concern will be the August production numbers Saudi Arabia reported to OPEC. The latest monthly report shows Saudi Arabia produced 6.24m b/d, the lowest level since the 90's. Saudi Arabia did supply more to the market than it produced. The producer supplied 7.12m b/d to the market, suggesting that it relied on inventory over the month. Meanwhile, secondary sources show Iraq increased supply by 664k b/d MoM to 3.38m b/d in

August.

These renewed supply concerns coincide with stronger Chinese buying in the physical market. Independent refineries in China have been steadily increasing run rates after bottoming in July. Data from JLC shows independent refiners running at almost 63%, up from 45% in July. State refiners increased runs over this period. Signs of increased buying appetite from China will concern markets. China has helped the market since the start of the war by reducing imports.

The latest EIA inventory data show US commercial crude oil inventories fell by just 391k barrels last week. After accounting for SPR releases, total US crude oil inventories declined by 1.64m barrels. In a sign of relief to refined product markets, gasoline and distillate stocks increased by 1.27m barrels and 2.09m barrels, respectively. US refineries continue to operate near capacity amid strong margins on offer, with many choosing to defer maintenance season.

Metals – Copper slumps on tariff uncertainty

Copper has fallen sharply from a fresh record after Reuters reported that the US has not yet made a decision on refined copper tariffs. It fell more than 3% on Thursday after hitting a record $14,875/t on the London Metal Exchange earlier in the session.

The sell-off followed a Reuters report that officials are weighing support for domestic production against the risk of higher costs for US manufacturers.

Until now, the market had largely assumed that tariffs would go ahead. The latest news has challenged that view and removed some of the tariff premium from copper prices. The move shows how a growing tariff premium has pushed prices ahead of current fundamentals.

Either way, the arbitrage will eventually close. If tariffs are ruled out, the US premium should narrow, and some metal could return to international markets. If they go ahead, imports could rise again before the duties take effect but should slow afterwards.

Copper's longer-term outlook remains positive. But the latest reversal shows that prices remain vulnerable to any further weakening in tariff expectations.

Agriculture – Sugar prices rise amid supply concerns

Sugar prices extended gains for a fourth consecutive session, settling 1.8% higher on the day. Indian import demand and disruptions to cane crushing in Brazil will be supportive, while El Niño has clearly raised risks to Asian production. Market attention remains on India's duty-free import quota introduced in August to rebuild domestic supplies amid record-high sugar prices. This is an unusual step for the world's second-largest sugar producer. In Brazil, heavy rainfall across the Center-South region, including key growing areas in São Paulo, is delaying crushing operations and raising supply concerns.

The USDA is scheduled to release its monthly WASDE report later today. The market expects the agency to increase its wheat ending stock estimates for 2026/27 by just 1m bushels to 718m bushels. It trimmed its US corn and soybean ending stock estimates by 142m bushels and 29m bushels to 1,511m bushels and 291m bushels, respectively. The agency could revise up its Argentina corn and soybean output estimates to 63.5mt (+0.5mt) and 49.6mt (+0.1mt). Brazilian corn and soybean output estimates could also rise to 140.4mt (+0.4mt) and 180.7mt (+0.2mt), respectively. Global ending stock estimates for corn are expected to decrease from 274.7mt to 272.1mt. Ending stock estimates for soybean and wheat are expected to fall by 1mt and 0.3mt to 123.2mt and 273mt, respectively.

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