Article | 1 October 2026

COMMODITIES DAILY

The Commodities Feed: Oil falls as Middle East supply fears ease

Oil prices declined after recovering Middle East export flows and a surprise build in US crude inventories offset concerns over tighter global supplies



Bearish sentiment has been reinforced by the latest EIA data, which showed US commercial crude inventories rising by 922k barrels last week

Energy - EIA reports increase in crude oil inventories

Oil prices edged lower in early trading, with NYMEX WTI remaining below $90/bbl as recovering Middle East export flows helped ease supply concerns. Reports indicate that Saudi Arabia has resumed tanker loadings at its Yanbu Red Sea terminal following the near-complete restoration of operations along the East-West Pipeline.

Bearish sentiment was reinforced by the latest EIA data, which showed US commercial crude inventories rising by 922k barrels last week. While this was below the 1.02m-barrel build reported by the API, it contrasted with market expectations for a 455k-barrel draw. SPR stocks fell by 785k barrels, leaving total crude inventories up by a modest 137k barrels. At Cushing, stocks increased by 553k barrels. Crude imports declined by 179k b/d week-on-week, while exports rose by 289k b/d. Refinery utilisation also eased, falling 1.5 percentage points to 92.5%.

Refined product markets remained relatively tight. US gasoline and distillate inventories fell by

1.68m barrels and 2.25m barrels, respectively, with lower production and firm export demand lending support to distillates. US distillate exports rose to 1.53m b/d, while global middle distillate markets continue to be underpinned by supply disruptions in the Middle East and ongoing Russian diesel export restrictions.

US natural gas prices fell nearly 2% day-on-day, with Henry Hub futures slipping below $3/MMBtu. The move was driven by expectations of another storage build amid milder weather and weaker power sector demand. Export demand was little changed overall, as strong pipeline exports to Mexico offset softer LNG feedgas demand linked to maintenance-related outages.

Metals – Supply concerns keep copper supported

LME copper posted a third consecutive monthly gain, supported by expectations of tighter refined copper supply ahead of China's week-long National Day holiday and persistently low exchange inventories. Treatment charges for copper concentrates remain deeply negative, while weaker sulphuric acid prices continue to squeeze Chinese smelter margins. Planned maintenance at several Chinese smelters in the coming months has added to concerns over refined output.

On the supply side, Chilean copper production fell 12.8% year-on-year and 8.4% month-on-month to 369.5kt in August, according to the National Statistics Institute, marking the lowest monthly output since February 2011. The decline reflects severe winter weather and port disruptions, adding to longer-term challenges including declining ore grades, operational setbacks and accidents at major mining operations.

SHFE data showed inventories falling across all major base metals last week. Copper stocks declined by 8,403 tonnes for a second consecutive week to 38,744 tonnes, their lowest level since January 2024, supported by robust physical demand ahead of the holiday period. Aluminium inventories fell by 17,262 tonnes for the sixteenth week straight to 288,764 tonnes, the lowest since February 2026, reflecting resilient downstream demand. Lead and zinc inventories also continued to trend lower, falling 5.9% week-on-week and 1.8% week-on-week, respectively.

In nickel, LME on-warrant inventories fell by 8,322 tonnes yesterday, the largest daily decline since May 2025, extending losses for a second consecutive session. Most of the metal was withdrawn from warehouses in Taiwan and Singapore. Total nickel inventories remained unchanged at 284,898 tonnes, while cancelled warrants rose by 8,322 tonnes to 26,706 tonnes, their highest level since June 2025, signalling stronger appetite for physical deliveries.

Agriculture – Larger US corn stocks weigh on prices

CBOT corn extended its losses for a fourth consecutive session, falling 0.4% this morning after

the USDA reported larger-than-expected US corn inventories. Corn stocks stood at 2.1bn bushels as of 1 September, up 35% year-on-year and above market expectations of 1.9bn bushels. The data reinforced concerns over ample supply, while uncertainty over the timing and scale of potential Chinese purchases continues to weigh on sentiment despite last week's US-China agreement to reduce tariffs on several agricultural products, including corn and wheat.

For soybeans, US inventories were reported at 315m bushels, down 3% year-on-year and below market expectations of 321m bushels. The tighter stock level reflects strong export demand, particularly from China, supported by Beijing's longer-term commitment to US agricultural purchases. However, the latest tariff-reduction agreement excluded soybeans, raising concerns that Chinese demand may soften and limiting upside potential for US exports.

In the sugar market, data from the Indian Sugar and Bio-Energy Manufacturers Association (ISMA) showed that sugar inventories at Indian mills at the start of the 2026/27 season fell to 3.8mt, the lowest level in more than a decade, following weaker domestic production. Gross sugar output, excluding ethanol diversion, reached around 30.9mt, well below the initial estimate of 34.5mt as adverse weather, lower cane yields and weaker recovery rates reduced production. Although India allowed around 1mt of sugar exports last season, export restrictions introduced in May are due to expire at the end of September. Nevertheless, industry expectations are that the government will maintain export curbs given tight domestic supplies.

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