Article | 7 October 2026 COMMODITIES DAILY

The Commodities Feed: Oil stuck between improving supply and Persian Gulf risks

Oil supplies from the Persian Gulf continue to improve. Yet the market is reluctant to get too carried away given that supply risks from the region remain elevated



Energy - Persian Gulf supply risks offset stronger oil flows

The oil market traded under pressure for much of the session yesterday, with ICE Brent trading down towards $97/bbl. However, with supply risks from the Persian Gulf still very real — with continued attacks on ships — the market still managed to settle above $100/bbl. There is a clear tug-of-war at the moment between improving supply from the region and lingering threats to supply. Clearly, it's looking as though the only way to see prices trade sustainably lower is for lingering risks to be addressed. For now, the market is likely to remain nervous to any potential supply disruptions.

One part of oil market seeing more weakness recently: middle distillates. The ICE gasoil crack is trading around $73/bbl, down from a little more than $90/bbl in September. The prospect of diesel releases from European strategic reserves, along with the reduced risk of a US diesel export ban, has taken some pressure off the market. However, it's only the front-end of the curve which has seen weakness, with cracks further along the curve remaining better supported. This reflects diesel releases being being frontloaded. The market is also of the view that this is a temporary fix that doesn't solve the underlying tightness in the middle distillate

market. In order to solve this, the market needs to see a normalisation in Persian Gulf and Russian diesel flows. This clearly seems unlikely anytime soon.

The latest US inventory numbers from the API overnight show that crude oil inventories fell by 2.1m barrels over the last week. Crude stocks at the WTI delivery hub, Cushing, increased by 866k barrels. For refined products, gasoline inventories fell by 1.4m barrels. Distillate stocks increased by 461k barrels. The more widely followed EIA inventory numbers will be released later today.

Metals – Central banks keep buying gold

Gold edged higher on Tuesday, recovering early losses as lower oil prices and stronger bond markets eased inflation concerns and tempered expectations of further interest rate increases. Persistent central bank buying also continued to provide support.

World Gold Council data showed central banks remained net buyers in August, adding 39 tonnes and bringing year-to-date purchases to 170 tonnes. China led purchases with 20 tonnes, extending its buying streak to 22 consecutive months, while Poland and Uzbekistan each added 8 tonnes to their reserves.

Turkey returned as a net buyer in August, purchasing 3 tonnes after three consecutive months of net sales. Other buyers included Kazakhstan, the Czech Republic, Bolivia and Ghana. Russia reduced its gold holdings by 6 tonnes.

The latest data suggests official-sector demand remains resilient despite elevated gold prices, with purchases continuing to be driven by longer-term reserve diversification objectives rather than short-term market movements.

With China, Poland and several emerging-market central banks continuing to accumulate gold, official-sector demand is likely to remain an important source of support for the market in the months ahead.

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