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The Commodities Feed: Oil lower despite Middle East escalation

Oil prices are trading weaker this morning despite developments in the Middle East over the weekend. Strong Persian Gulf oil flows and the potential for a Russia-Ukraine energy ceasefire appear to be offsetting some of the latest geopolitical risk



It would appear that the move in oil today is less to do with developments in the Middle East and more to do with Russia

Energy – Middle distillate cracks trade lower on Trump diesel deal

After a weekend of escalation in the Middle East and the risk of the conflict broadening, one would think oil prices would be trading firmer this morning. However, this is not the case. ICE Brent has been down more than 2% at one stage this morning, despite the Houthis launching a deadly attack on an airport in Riyadh, Saudi Arabia. Clearly, if the target had been energy infrastructure, price action would look a bit different this morning. Still, events show that risks to supply from the region remain, despite oil flows from the Persian Gulf being at their highest levels since the start of the US-Iran war.

It would appear that the move in oil today is probably less to do with developments in the Middle East and more to do with Russia. US President Donald Trump announced a deal with

Russia over the weekend, which will see Russia export 300kt of diesel immediately, followed by 500kt in November and 1mt in December. This will also see the US temporarily easing sanctions on Russian diesel. However, these initial volumes are still some distance away from the roughly 3mt per month that Russia shipped in 2025, according to LSEG data. And so, while it is not going to solve the tightness in the middle distillate market, it is putting some pressure on the gasoil crack this morning.

President Trump also announced that Russia and Ukraine agreed on an energy ceasefire, which would also put some pressure on the market. However, we have supposedly had an energy ceasefire before, which did not result in a change. This ceasefire still needs to be confirmed by Ukraine and Russia, and if it is, then the question becomes how sustainable it is. Clearly, in the run-up to the midterm elections, pressure is growing on Trump to address high oil and diesel prices – but in order to see a more meaningful move lower in refined product prices, we will need to see normalisation in the Middle East. Not just in the amount of oil flowing from the Persian Gulf, but also in the way this oil is coming out. Inefficient trade flows of oil from the Middle East have led to a significant surge in tanker freight rates, which will likely keep product prices elevated.

On the speculative side, managed money continues to trim its net long with ICE Brent trading above $100/bbl. Speculators sold 3,250 lots, leaving them with a net long of 201, 052 lots, which historically is somewhat of a neutral position in the market. From a risk/reward perspective, it is probably not great to put on too much risk from the long side with Brent trading over $100/bbl and the midterms approaching. There is always the very real risk of President Trump surprising markets.

Agriculture — Bearish WASDE

In its latest monthly WASDE report, the USDA increased its 2026/27 US corn production forecast by 234m bushels to 16.03bn bushels, driven by higher yields. This resulted in US ending stock estimates increasing by 282m bushels to 1,849m bushels, well above the 1,694m bushels the market was expecting. The global balance also saw ending stock estimates for 2026/27 increase from 272.1mt to 280.4mt, leaving it also above market expectations of a little under 274mt. The corn numbers were clearly more bearish than expected, which saw CBOT corn settle more than 4% lower on Friday, taking it well below $5/bu.

The latest numbers for the US soybeans market also pointed to a better-supplied market. The US production estimate for 2026/27 was raised from 4,535m bushels to 4,562m bushels on the back of stronger yields. This increase saw ending stocks estimates revised up by 5m bushels to 315m bushels. Meanwhile, the global soybean balance saw more marginal changes, with ending stocks for 2026/27 edging up from 124mt to 124.3mt.

Finally, the latest wheat outlook also suggests a market that is relatively better supplied US market. Wheat ending stock estimates for 2026/27 were increased by 23m bushels to 740m

bushels, which was predominantly driven by a cut in export estimates. The global wheat balance saw more modest changes in aggregate, with ending stocks revised marginally down to 276mt from 276.3mt.

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