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COMMODITIES DAILY

The Commodities Feed: Oil holds firm as Middle East breakthrough remains elusive

Oil is holding firm as Middle East tensions refuse to cool. Meanwhile, IEA members agreed to release the rest of the emergency stockpiles they pledged earlier this year



Energy – IEA member to release remaining oil

Oil remains well-supported. A pattern has set in: prices slide early in the session, then claw back most of those losses by the close. As a result, ICE Brent continues to comfortably trade above $100/bbl. Uncertainty in the Middle East and concerns over the sustainability of oil flows through the Strait of Hormuz has the market pricing in a significant risk premium. The longer this pickup in flows continues, the more likely the market will start giving back some of this risk premium. In order to see a full removal, there needs to be some kind of agreement between the US and Iran. This would provide the market with more confidence that stronger oil flows from the region will continue.

International Energy Agency members agreed to release the remaining 100m barrels of oil from strategic reserves. It's part of the initial 400m barrels that members agreed back in March to help with the Persian Gulf supply shortfall. According to the IEA, members have distributed around 330m barrels to date. From the 100m barrels to be released, 20m barrels will be diesel, and will make its way onto the market as soon as possible. The US probably

won't be happy with the scale of the release, particularly regarding diesel. Initial suggestions were that we could see around 50m barrels of diesel released. The risk is that if the US believes these volumes are not enough, the administration may mull restrictions on US diesel exports once again.

The Financial Times reports that the US is considering easing sanctions on Russia's shadow tanker fleet in bid to reduce fuel costs. Tanker freight rates surged to record levels recently due to the growing inefficiency in trade flows out of the Persian Gulf. Since the start of the Russia-Ukraine war, Russia has built a significant fleet of tankers, which are largely sanctioned. The idea is that easing sanctions on these vessels would free up tanker capacity for the broader market. The key question is how effective it might be in bringing down spot tanker rates. It's unclear how much of this capacity is actually available. Given UK and EU sanctions, insurance could still be an issue.

The latest data from the EIA shows that US commercial crude oil inventories fell by 8.56m barrels over the last week, which is the largest weekly decline since February. Hurricane activity in the Gulf played part in the inventory decline, with offshore production shut in due to the storm. US output is estimated to have fallen by 300k b/d week-on-week. Crude oil imports fell by 791k b/d WoW, a key driver behind the fall in stocks. For refined products, US refineries increased their utilisation rates by 0.8pp to 93.5%, leaving utilisation rates at their highest seasonal levels in at least 20 years. Despite this, distillate fuel stocks still fell by 2.53m barrels over the last week. This leaves distillate inventories at record seasonal lows as we head into winter. Meanwhile, gasoline stocks increased by 3.52m barrels.

Metals — Iron ore breaks below $90...briefly

Iron ore prices fell briefly below $90/t yesterday, the lowest since November 2022, as weak Chinese demand and abundant global supply continued to weigh on sentiment. Prices have declined more than 14% this year, pressured by the prolonged weakness in China's property and construction sectors. This is undermining steel demand. China's crude steel production during the first eight months of 2026 fell to its lowest level for the period since 2018, highlighting the impact of the country's real estate downturn. With steel mills operating on thin margins, further production cuts remain possible. Additional supply entering the market has kept iron ore fundamentals well supplied. As a result, prices are expected to remain rangebound, with near-term risks skewed to the downside.

Steel inventories at major Chinese mills rose to 17mt in early October, up 8.4% from late September, according to CISA data. Inventories were 6.9% higher than a year earlier, indicating subdued underlying demand. Meanwhile, crude steel production at major mills increased 3.1% from late September to 1.94mt/d in early October.

Agriculture —Cocoa demand recovery support prices

Cocoa prices firmed yesterday, with London cocoa settling a little more than 1% higher amid firmer demand numbers. Data from the European Cocoa Association showed European cocoa grindings rose 3.2% year-on-year and 10% quarter-on-quarter to 348.2kt in 3Q26, marking the first annual increase since 2Q24. Similarly, the Cocoa Association of Asia reported a 29.2% YoY increase in grindings and a 4.1% QoQ rise to a record 233.8kt.

In its monthly update, the International Grains Council (IGC) raised its 2026/27 global corn production forecast to 1,307mt from 1,301mt, while consumption was revised up to 1,323mt from 1,321mt. This saw global corn ending stocks increase to 297mt from 289mt. For wheat, the council left production unchanged at 820mt but marginally increased consumption to 827mt from 826mt. Despite the higher demand estimate, wheat ending stocks were revised up to 279mt from 278mt. For soybeans, 2026/27 global ending stocks were raised to 74mt from 73mt as weaker demand (-3mt) more than offset lower production (-1mt). Global soybean production is still projected to reach a record 439mt, supported by large crops in the US and South America.

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