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# The Commodities Feed: Brent builds geopolitical premium as Gulf risks rise

Oil rallied yesterday as markets grow increasingly concerned about the risk of a renewed escalation in tensions between the US and Iran



## Energy – European gas storage draws start

Oil prices surged yesterday, with front-month ICE Brent settling 4% higher at just above $113/bbl. The rally is being driven less by current fundamentals than by mounting supply concerns. Markets are increasingly worried about renewed escalation in the Persian Gulf, a scenario that could threaten oil flows that have so far remained remarkably resilient.

Reports suggest President Trump is considering fresh strikes on Iran, while the US is reinforcing its military presence in the region with the deployment of a second aircraft carrier. Meanwhile, there are reports that US troops have been evacuated from some bases in the Middle East. Clearly, these developments don't paint an optimistic picture. They call into question our long-held view that the US midterm elections would bring de-escalation and normalisation in flows and oil prices. If anything, re-escalation seems the most likely path. As a result, our expectation that ICE Brent would average $80/bbl over 4Q26 is looking unattainable. Even if tensions don't re-escalate, the mere possibility is likely to keep a sizeable geopolitical risk premium embedded in prices.

European gas prices also remain extremely sensitive to developments in the Persian Gulf, with LNG flows increasingly likely to be largely absent from the market for at least much of the Northern Hemisphere winter. TTF rallied 3% yesterday, settling above EUR90/MWh, its highest since December 2022. EU gas storage also appears to have peaked at just under 75% full, with

storage falling marginally on Tuesday.

## Metals — Gold falls as energy risks reignite inflation concerns

Gold prices failed to benefit from yesterday's equity sell-off and the significant fall in US Treasury yields, with the 10-year yield falling back below 5%. Instead, gold prices came under pressure. Spot prices fell 2.8% and are nearing $4,000/oz. The gold market appears more focused on higher oil prices and what it could mean for inflation — and ultimately central bank policy. With US inflation still above the central bank's 2% target, higher energy prices could intensify price pressures and strengthen the case for tighter monetary policy.

LME copper prices declined for a second consecutive session, falling more than 1.9% yesterday, as rising exchange inventories and a selloff in AI-related stocks weighed on broader risk sentiment. LME data showed copper inventories increased by 27,675 tonnes for a fourth consecutive session to 272,950 tonnes as of yesterday, the highest level since 27 July 2026.

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