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COMMODITIES DAILY

The Commodities Feed: Oil stronger on Saudi pipeline shutdown

Oil prices are trading stronger this morning as Saudi Arabia's east-west pipeline shutdown, coming on the heels of last week's attacks, exacerbates supply concerns



Energy - Middle distillate cracks hit record highs

Following last week's developments, it's not surprising that oil prices are trading higher this morning, with ICE Brent up around 3%. This follows a step-up in attacks on Saudi Arabian energy infrastructure, including targeting the crucial east-west pipeline, a vital bypass route for Saudi oil exports during disruptions through the Strait of Hormuz. The Saudis have shut down the 7m b/d pipeline. It's unclear how severe any potential damage is, or how long it will be out of action. Clearly, the recent escalation poses risks to our forecast, pushing us closer to our more pessimistic scenario. For now, we're sticking with our base case of Brent averaging \$80/bbl in 4Q26. The situation is fluid as we continue to see sizeable volumes of oil still moving through the Strait of Hormuz.

Meanwhile, a meeting between Gulf states, scheduled for today, was postponed due to a lack of consensus. Foreign ministers from the Gulf states, including Iran, were set to meet in Oman to discuss managing the Strait of Hormuz. The delay pushes any prospect of de-escalation even further out of reach.

In its monthly oil market report on Friday, the IEA made additional aggressive cuts to its demand forecasts for this year, given ongoing disruptions in the Middle East. It now forecasts global oil demand to fall by 2.5m b/d YoY this year, 940k b/d more than its previous forecast. For 2027, the agency expects demand to recover, growing by 2.6m b/d YoY. Despite more aggressive cuts to its forecast, the IEA estimates that global observed oil inventories fell by 95m barrels in August. This takes cumulative draws since February to 507m barrels, or 2.8m b/d.

The latest positioning data shows that speculators increased their net long by 4,318 lots over the last reporting week to 265,753 lots. It was driven almost entirely by short covering, rather than fresh longs entering. This reflects market participants' reluctance to take on too much risk amid market uncertainty.

Middle distillate markets continue to scream tightness. The ICE gasoil crack is trading at fresh record highs of around \$84/bbl this morning; US diesel cracks have broken above \$110/bbl. Strength in the middle distillate market prompted President Trump to pressure Ukraine to stop targeting Russia's refinery infrastructure. The growing scale and intensity of Ukrainian attacks on Russian refineries this year have pushed Moscow to ban diesel exports. This has only tightened global markets, following Persian Gulf disruptions. The ban, extended twice since taking effect in July, is set to expire at the end of September. But clearly, there is the potential for further extensions.

Agriculture – USDA lowers corn ending stock estimates

The USDA's latest WASDE trims 2026/27 US corn ending stocks by 86m bushels to 1.57bn, driven by weaker production and lower beginning inventories. This is still above the market expectation of 1.51bn bushels. The agency lowered its 2026/27 US corn production forecast by 213m bushels to 15.8bn bushels amid lower yields. Globally, the USDA cut its 2026/27 corn ending stocks estimate by 2.6mt to 272.1mt, broadly in line with market expectations. World corn production was also revised down by 7.9mt to 1,291mt. The decline was driven mainly by lower crop forecasts for India, Kenya, and Russia.

The USDA increased its 2026/27 US soybean production forecast to 4,535m bushels from 4,519m bushels, reflecting a modest increase in harvested acreage. The revised estimate exceeded market expectations. Despite the larger crop, US ending stocks were lowered by 10m bushels to 310m bushels due to stronger export demand. Export forecasts were raised by 25m bushels to 1,685m bushels. Meanwhile, for the global balance, there was little change, with 2027/27 ending stocks cut to 124mt from 124.2mt previously.

Lastly, the USDA kept its domestic wheat ending stocks estimates for 2026/27 unchanged at 717m bushels. It also left production and demand estimates unchanged at 1,531m bushels and 1,099m bushels, respectively. For the global market, the USDA increased its 2026/27 global inventory estimates from 273.3mt to 276.3mt, with higher ending stocks for Russia, Australia

and Ukraine. Disruptions to Black Sea exports will result in inventory builds in both Russia and Ukraine. Meanwhile, the agency raised its global production estimate to 822.4mt from 819.3mt, driven by increased supplies from Australia (+3mt), Canada (+1mt), and Ukraine (+0.6mt).

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

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