

Article | 20 October 2026

COMMODITIES DAILY

The Commodities Feed: Sustained Middle East flows fail to dent oil prices

Oil prices remain firmly supported, with ICE Brent hovering around \$110/bbl as markets stay focused on persistent risks to Middle Eastern supply



Source: iStock

Energy – China continues to draw down crude inventories

Oil prices remain well-supported amid ongoing tensions in the Middle East despite relatively strong Persian Gulf flows. This suggests the market is pricing in a significant risk premium, given the situation's volatility. However, if flows continue uninhibited despite the geopolitical environment, the risk premium would likely erode slowly. Clearly, there are no signs of this yet.

Another major issue in the oil market is logistics. Namely, the record tanker freight rates we are seeing, given the less efficient use of tankers due to developments in the Middle East. The US is considering steps to allow the sale of sanctioned tankers, which would increase tanker capacity in the legitimate market. The idea is to bring freight rates down and reduce the delivered cost of oil to destination. However, uncertainty remains about how much capacity this could add to the legitimate market. The process's duration means it may not offer immediate relief.

China released output data yesterday showing that domestic crude oil production rose 0.6% month-on-month and 2.5% year-on-year to 4.45m b/d in September. Meanwhile, refineries processed a little over 14m b/d of crude over the month, up 0.4% MoM but still down 8.4% YoY. This is the largest amount of crude processed by Chinese refiners since March. Along with previously released trade data, this suggests that China drew down crude oil inventories at a pace of a little more than 500k b/d, or 16m barrels through September. The numbers also suggest that apparent demand fell by 2.7% MoM and 15.2% YoY to 12.75m b/d in September.

Metals — China aluminium supported by strong smelter margins

Data from China's National Bureau of Statistics (NBS) showed primary aluminium production increased 3.1% YoY to 3.9mt in September, supported by high smelter operating rates and healthy profit margins amid global supply disruptions. Cumulative output rose 3.8% YoY to 35mt during January-September 2026, keeping annual production on course to approach the government's capacity cap of around 45mt.

Meanwhile, crude steel production edged up to 73.6mt in September. Demand, however, remained subdued due to the prolonged weakness in China's property sector. As a result, year-to-date crude steel output is still down 2.9% YoY to total 724.8mt in the first nine months of 2026.

Agriculture — India ethanol policy eases sugar supply concerns

Sugar prices fell for a second consecutive session, touching US\$20.5/lb. This followed India's suspension of sugar-based ethanol purchases by state-owned fuel retailers, easing concerns over tight global supplies. The measure, effective from 1 November, follows weather-related reductions in sugarcane output that prompted the government to allow duty-free raw sugar imports. Recent estimates suggest India's gross sugar production could fall from 31mt last season to 28mt in 2026/27, as rainfall deficits in key producing regions weigh on yields.

Despite the recent correction, sugar prices remain more than 30% higher this year because El Niño-related weather risks loom across major producing regions. Investor sentiment also remains supportive, with money managers adding 4,477 lots to net long positions for a third consecutive week, bringing them to 261,841 lots as of last Tuesday, the largest net long since August 2021.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.