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# Tight Copper, Soft Grains, Volatile Oil

## Diverging trends across industrial metals, agriculture and energy this week

- Physical copper markets showed clear signs of stress this week as prices surged into backwardation following major inventory withdrawals in Asia and growing expectations of supply shortages.
- U.S. corn futures fell on Wednesday and wheat futures also dipped as fears eased about a military escalation in the Black Sea grain export region, according to Reuters analysts.
- Oil and gas extend their decline as warm weather, rising inventories, and fading geopolitical risk pressure prices.

The official physical benchmarks this week showed increasing stress in the world's copper supply, which was the most obvious indication of escalating tension in the metals market. This week we saw the key reference for industrial copper buyers, the LME Copper "Official Cash" price surge from \$11,299 per tonne on Monday (Dec 1) to \$11,645 by Friday (Dec 5). There is a clear signal of tightness within the copper market, and it seems like buyers are bracing for lack of access to copper. This is further highlighted with copper entering backwardation, with cash price trading above the three-month future contract. This signal is significant because it shows buyers' willingness to pay a premium for immediate delivery. The rally in price can be attributed to large and sudden inventory withdrawals from Asian warehouses, with Mercuria cancelling or earmarking an estimated \$460 million in copper. A removal of this caliber tightened already historically low LME inventories, and it is a particularly hard hit on the power and construction industries, with fears of near-term shortages looming. Citigroup also came out with a warning that copper price could hit an average of \$13,000 per tonne next quarter driven by supply disruptions and accelerating global demand.

This week's grain futures were Chicago Board of Trade March corn futures CH26 were down 6-1/2 cents at \$4.43-1/2 per bushel and March wheat WH26 was down 2-3/4 cents at \$5.38-1/4 a bushel. CBOT January soybeans SF26 were down 9 cents at \$11.15-3/4 a bushel. Nothing here signals a structural shift; rather a "soft weakness" across the grain complex. This cross market fall seems to stem from markets drifting lower, rather than repricing based on hard information. Corn and wheat prices subsided after the rally on Tuesday, which analysts attribute to Russian President Vladimir Putin's threat to cut off Ukraine's access to the Black Sea after drone attacks on Russian vessels. Furthermore, due to large global supplies stemming from bumper crops in Australia and Argentina, the bearish sentiment for wheat is intensified. Soybean futures declined as traders continued to monitor U.S. soy sales to China. However, an agreement seems near and U.S. shipments to China are gaining momentum, with cargo vessels scheduled to load with soybeans through mid-December.

This week's energy markets were defined by a persistent drift lower in both oil and natural gas prices, as traders struggled to balance soft seasonal demand with evolving geopolitical signals. Brent and WTI slipped to lower bounds but remained within narrow trading ranges as unseasonably warm weather across Europe and the northern United States continued to suppress heating demand. The weakness in fundamentals was reinforced by increase in US crude and product inventories, cementing the narrative that oversupply is likely to persist into early 2026. Meanwhile, natural gas extended its decline as European storage levels hovered near record highs and Asian LNG demand failed to materialize, keeping the spot prices and overall volatility in the lows. Adding to the cautious tone was the renewed diplomatic momentum surrounding a potential Russia-Ukraine agreement. Although it is still in early stages, investors interpreted the discussions as a credible path toward the reintroduction of currently constrained Russian exports. This possibility injects an additional level of uncertainty, particularly for crude, where risk premia have been on the decline. As a result of this, market participants are hesitant to price in any meaningful tightening until weather patterns shift or negotiations deliver clearer outcomes.

Chart 1. Copper Cash Official LME



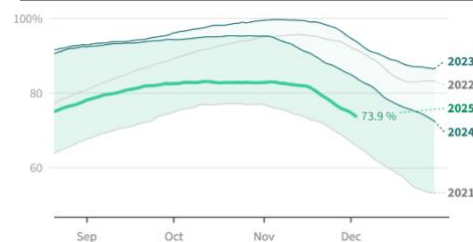
Source: FactSet

Chart 2. Chicago Wheat Futures (CME)



Source: CME Group

Chart 3. EU reserves of gas across years



Source: Gas Infrastructure Europe

**Analyst, Macro**  
Maximilian Tomko  
maximilian.tomko@student.uva.nl

**Analyst, Macro**  
Ties den Hollander  
ties.den.hollander@student.uva.nl

**Analyst, Macro**  
Eric Halkola  
eric.halkola@student.uva.nl

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