Commodity Update

January 13, 2026

Index

Commodities

Impact of Iran on global commodity markets

Summary

- Crude oil prices have risen due to Iranian and Venezuelan risk premiums, with escalating protests in Iran raising concerns about further price volatility.
- Geopolitical tensions in Iran affect not only crude oil but also metals, as the country is a significant producer of zinc and lead.
- The Strait of Hormuz, controlled by Iran, is a critical shipping route accounting for 12-15% of global trade and 25–30% of global sea-borne crude exports, 20% of LNG, and 23% of aluminum exports, amplifying supply risks.
- Yet, OPEC's strong supply position is dampening premiums, keeping the outlook for WTI and Brent modestly negative amid oversupplies.

Crude oil forecast ($)	Q1-2026	Q2-2026	H2-2026
WTI	62	55	49
Brent Crude Oil	66	60	54

Source: Company; Mirae Asset Sharekhan Research

Overall outlook for Brent crude oil is negative due to a supply overhang from OPEC.

Geopolitical risks: Iran is considered to have a larger near-term impact on oil prices than Venezuela because its production volume roughly around 3.3 mbpd, is ~3x that of Venezuela. Protests in Iran have intensified, leading to questions about a potential regime change. Global crude oil prices could swing roughly $5 on expectation of 1 mbpd of surplus/deficit, with Iran roughly exporting 2 mbpd, commanding a risk premium of $8-10.

Exports sanctions: Iran's crude oil exports have dropped from 2 mbpd to ~1.4 mbpd since last December as US sanctions tighten on its "shadow fleet". As of 2023, an estimated 89% of Iran's crude oil exports go to China.

Scenario 1 - Oil on the boil

- In the near term, we see the main potential upside coming from supply disruptions, in Russia, which could lift Brent prices closer to $70/bbl.
- There could also better OPEC+ compliance, around compensation plans from Iraq, Kazakhstan, or other supply disruptions (Iran/Venezuela). Combined with an economic rebound, this could potentially lift Brent to over $70/bbl and WTI crude prices to $64/bbl.
- We would expect to see OPEC+ bring back production aggressively though if prices were to start to rise that much. As OPEC+ spare capacity comes down and if the non-OPEC+ group does not respond to price signals while US supply growth slows down, this could set the stage for prices to move into a higher $80s/bbl over time.

Scenario 2 – Southbound run

- Our near-term downside scenario revolves around resolutions of current supply disruptions. A Russia/ Ukraine agreement would have the potential to bring Brent prices below $60/ bbl by reducing the risk premium and adding some (modest) Russian supply.
- A faster rebound in Venezuelan production could also contribute to taking Brent to the mid-$50s.
- There could also be a greater negative impact on oil demand from a global economic slowdown to the tune of 0.5 mbpd. A recession could increase the risk of OPEC+ more aggressively chasing market share.
- Further, OPEC+ ramp-up combined with this economic slowdown could drive prices even lower, potentially briefly under $50/bbl.

Metal story to heat up as well

Iran's political turmoil poses a significant risk to global metal supply chains too. The Strait of Hormuz, controlled by Iran, is a critical passage for Middle Eastern exports, including aluminium from the UAE, which accounts for 22% of global production.

Recent instability has already pushed aluminium prices up 15% over the past three months. If regime change fears escalate, prices could surge toward $3,400 per tonne on the LME. This disruption underscores the vulnerability of metal markets to geopolitical tensions in the region.

Iran has around 400,000 tonnes of annual refined zinc capacity and 450,000 tonnes of annual refined lead output, any prolonged disruption could have a severe dent to the metal supply chains in short term. LME Zinc prices could move towards $3350, but the longer-term outlook for zine remains weak due to a slowdown in China.

PRAVEEN KUMAR SINGH
Digitally signed by PRAVEEN KUMAR SINGH
Date: 2026.01.13 18:07:04 +05'30'

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Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

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Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

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