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MONDAY MORNING QUARTERBACK

ENERGY MARKETS WEEKLY BRIEFING NOTE

"Don't Fight The Fed: The Old Wall Street Adage is Scaring Commodity Bulls Away Despite Ongoing Geopolitical Risks"

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ENERGY MARKETS WEEKLY BRIEFING NOTE – Nov. 16th

Don't Fight The Fed: The Old Wall Street Adage is Scaring Commodity Bulls Away Despite Ongoing Geopolitical Risks

By Sean Evers, Managing Partner, Gulf Intelligence

As oil, metals, agricultural commodities and freight rates retreat from recent highs, global commodity markets are confronting an uncomfortable reality: the biggest threat to prices may no longer be geopolitical disruption or physical supply shortages, but the determination of central banks to defeat inflation.

For much of 2026, commodity bulls appeared to have everything going their way. War in the Middle East disrupted energy supplies, shipping costs soared, inventories were depleted, and geopolitical risk premiums became embedded across global markets. From crude oil to agricultural commodities, the prevailing assumption was that persistent supply disruptions would keep prices elevated.

Yet, as November unfolds, that consensus is rapidly unraveling. Brent crude has retreated approximately 20% from its October highs, wheat has fallen around 25% since September, and corn has declined approximately 15%. Tanker freight rates, which surged during the Middle East crisis, have also experienced a sharp correction, despite continuing threats to regional shipping and energy infrastructure.

What makes this retreat particularly striking is that the geopolitical risks responsible for driving prices higher have hardly disappeared. Conflicts remain unresolved, infrastructure remains vulnerable, and global inventories are still recovering from months of disruption. The explanation for falling prices may therefore lie in one of Wall Street's oldest warnings: Don't fight the Fed.

The Inflation Victory That Never Came

For much of the year, commodity markets were dominated by supply-side inflation. Higher oil prices, expensive freight, disrupted trade routes and shortages of refined products threatened to push consumer prices higher across the global economy. But the very inflation that initially supported commodity prices is now threatening to undermine them.

Central banks, particularly the US Federal Reserve, face an uncomfortable choice between allowing inflation to remain elevated and maintaining restrictive monetary policy at the expense of economic growth. Recent US inflation readings have reinforced expectations of further monetary tightening, pushing Treasury yields higher, strengthening the dollar and forcing investors to reassess the outlook for global demand.

For commodity bulls, this creates a dangerous contradiction. Higher prices may be justified by supply shortages, but those same prices erode purchasing power, increase production costs and ultimately destroy demand. Oil producers may be able to withstand another geopolitical shock, but they cannot so easily escape a global economy slowing under the weight of expensive credit.

The Dollar Becomes the Commodity Market's Enemy

The Federal Reserve's influence extends far beyond the American economy. Most internationally traded commodities are priced in US dollars, meaning a stronger dollar makes oil, metals and agricultural products more expensive for buyers using other currencies. Higher US interest rates also increase the opportunity cost of holding commodities, particularly non-yielding assets such as gold.

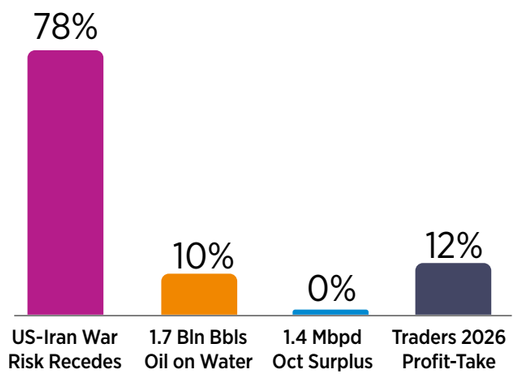
This combination creates selling pressure across otherwise unrelated markets. A weaker Chinese consumer, declining European industrial activity and elevated borrowing costs in emerging economies may have different underlying causes, but a stronger dollar and tighter global financial conditions can amplify all three simultaneously.

That helps explain why commodities with fundamentally different supply dynamics can decline together. It is not necessarily that every market has suddenly become oversupplied, but rather that the financial environment supporting higher prices has changed. When that environment shifts, investors often move considerably faster than physical markets.

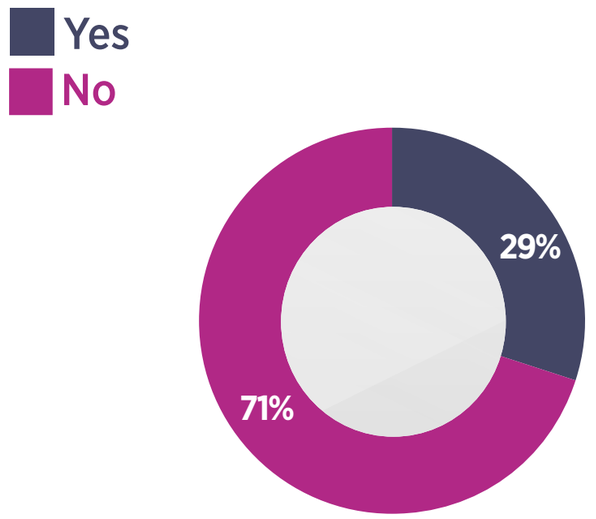
Hedge Funds Are Heading for the Exit

Recent speculative positioning data offers particularly revealing evidence of this shift. During the week ending November 3, hedge funds were net sellers across all 25 major commodity futures contracts tracked in a widely followed market analysis, reducing their combined bullish exposure by approximately 33% in a single

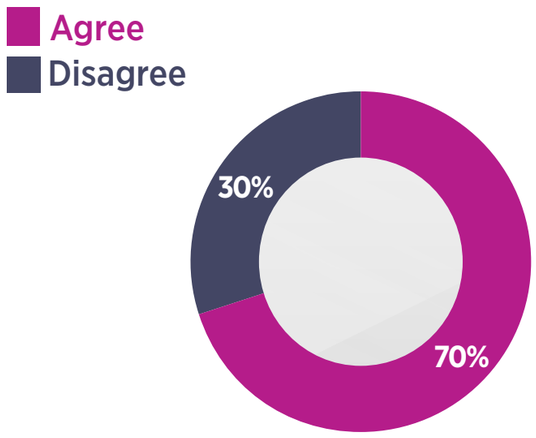
What is the biggest reason Brent Crude Oil has Fallen 22% since Oct. 23rd Six-Month High?



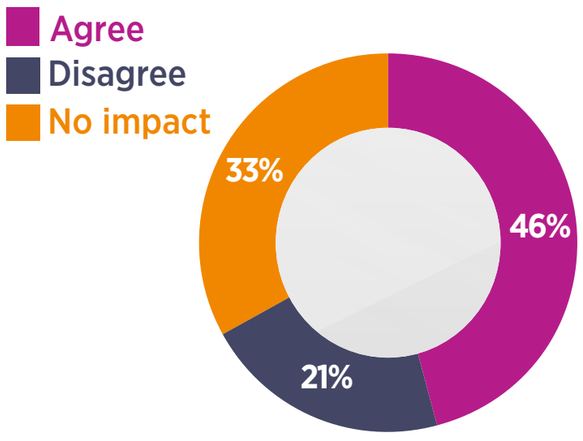
Do you expect the US - Iran to agree a new MOU this year to end conflict?



Oil markets have fallen to a limbo no war no peace floor level at $90 Brent?



AI market turbulence is bearish for energy markets?



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Brent crude has already priced in no return to war this Year before new Congress takes office in January?



week. The retreat extended across energy, precious metals, industrial metals and agriculture. Speculative positioning in grains and oilseeds had fallen dramatically over the preceding six weeks, while bullish exposure to crude oil and copper also contracted. The breadth of this liquidation suggests that the correction is not simply a story about weakening physical consumption, but also about investors abandoning a previously successful trade.

Commodity markets are particularly vulnerable to this phenomenon because speculative positions often become crowded during periods of geopolitical uncertainty. When prices begin falling, investors who accumulated bullish positions rush to protect profits, while trend-following funds reinforce the decline by selling into weakening markets.

The result can be a correction that becomes increasingly self-sustaining, with falling prices triggering further selling regardless of underlying supply conditions. The Federal Reserve does not necessarily need to raise interest rates dramatically to frighten commodity bulls; sometimes the expectation of tighter monetary policy is sufficient.

China Is No Longer Coming to the Rescue

For more than two decades, China's appetite for raw materials provided a powerful foundation for global commodity demand. Whenever prices weakened, investors could reasonably expect Chinese industrial expansion, infrastructure spending or consumer growth to provide support. That assumption is becoming increasingly difficult to defend.

China's economic recovery remains uneven, consumer spending is subdued, and crude imports have disappointed despite the retreat in international prices. Weakening domestic demand and slower manufacturing activity are raising concerns about the country's ability to absorb the volumes of energy and raw materials that global producers have traditionally expected it to purchase.

The implications extend beyond oil, as slower industrial production threatens metals consumption while sluggish construction activity undermines demand for steel and other industrial materials. Meanwhile, the rapid adoption of electric vehicles is introducing structural changes to petroleum demand that cannot simply be reversed by lower crude prices.

If China cannot provide its traditional demand stimulus, commodity markets become increasingly dependent on growth elsewhere. That growth, however, is precisely what restrictive monetary policy threatens, particularly as higher borrowing costs constrain investment and household consumption across developed and emerging economies.

Freight Markets Are Sending Their Own Warning

The retreat in shipping costs adds another dimension to the commodity correction. During the Middle East crisis, disrupted routes, longer voyages and heightened security risks dramatically increased demand for tanker capacity, driving freight rates to extraordinary levels.

As expectations of renewed large-scale conflict receded, freight futures experienced sharp declines. Disruption had previously increased tanker requirements by an estimated 30–40% for comparable cargo flows, meaning that even a partial normalization of shipping routes could substantially reduce demand for vessels This distinction is important because lower freight costs do not necessarily indicate collapsing international trade. They may instead reflect the unwinding of exceptional logistical inefficiencies, while marine insurance premiums remain dependent on specific security risks rather than broader commodity-market sentiment.

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Nevertheless, cheaper transportation can reinforce the disinflationary impulse by reducing the delivered cost of commodities. Falling freight rates, lower crude prices and reduced speculative risk premiums can collectively ease inflation expectations, even if physical supply chains remain vulnerable.

Could the Fed Become the Bulls' Best Friend?

There is an irony at the center of the current commodity correction. If higher interest rates and a stronger dollar are contributing to falling commodity prices, those same declines could eventually help reduce inflation and create the conditions for monetary policy to become less restrictive.

Cheaper oil lowers transportation and production costs, falling agricultural prices can ease food inflation over time, and reduced freight rates help contain costs across international supply chains. Together, these developments could gradually relieve some of the inflationary pressure that prompted central banks to tighten policy in the first place.

Should inflation moderate sufficiently, the Federal Reserve might gain greater flexibility to pause or reverse monetary tightening. Lower yields and a weaker dollar could then restore investor appetite for commodities, potentially triggering a reversal of the speculative liquidation now weighing on prices.

However, that outcome remains far from guaranteed. Refined fuels, natural gas, fertilizer and other critical inputs continue to face significant supply constraints, while infrastructure damage and geopolitical uncertainty threaten renewed inflationary pressures. Central banks could therefore remain restrictive even as headline commodity prices weaken.

Don't Fight the Fed, but Don't Ignore the Fundamentals

The bearish narrative is not without its contradictions. Oil inventories remain depleted, geopolitical tensions are unresolved, and infrastructure bottlenecks continue to support prices in selected energy markets. Agricultural products, precious metals and crude oil also have distinct fundamentals that cannot be explained entirely by monetary policy.

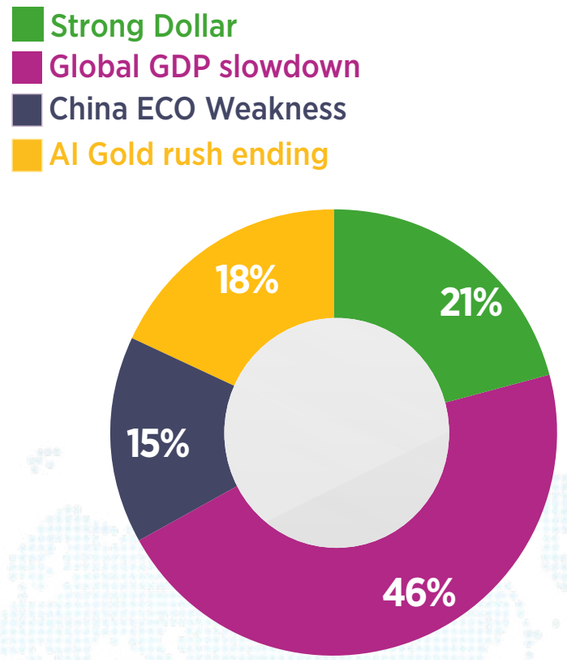
Financial markets can overshoot in both directions, particularly when speculative positioning becomes extreme. A broad liquidation of commodity futures does not automatically signal an abundance of physical supply, just as higher prices during geopolitical crises do not necessarily indicate sustainable demand.

Yet the lesson from recent weeks is difficult to ignore. Commodity bulls spent much of 2026 betting that geopolitical disruption would overpower every other market force, only to discover that monetary policy, currency markets and weakening demand expectations can prove equally formidable.

The question is no longer simply whether the world has enough oil, copper, wheat or shipping capacity, but whether the global economy can afford to consume those commodities at the prices investors previously expected. Until the Federal Reserve signals that its inflation battle is sufficiently under control, commodity bulls may struggle to regain their confidence.

The old Wall Street warning has rarely sounded more relevant: Don't fight the Fed, even when the world appears to be running short of everything.

What is main reason for price declines in commodities since September?



*(*nb. Polling conducted November 9th- 16nd with 100+ Energy Market Stakeholders)*


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