# The Commodities Feed: Iranian sanctions threat boosts oil

Oil prices moved higher amid threats of tougher sanctions on Iran in the absence of a nuclear deal

## Energy – Iranian sanctions

ICE Brent rallied by almost 2.6% yesterday, reaching its highest since late April. A weaker USD following a cooler-than-expected US consumer price index (CPI) provided some tailwinds to the oil market. However, the key catalyst is the threat of further sanctions on Iranian oil exports. Yesterday, the US Treasury sanctioned a network that facilitates shipments of Iranian crude oil to China. Also, President Trump said tougher sanctions are possible if an Iran nuclear deal isn't struck. Trump has repeatedly threatened to drive Iranian oil exports to zero. While this is unlikely, there's certainly room for a sizable reduction, with Iran currently exporting in the neighbourhood of 1.6m b/d. In 2019, Iranian oil exports averaged around 600k b/d after Trump reimposed sanctions in late 2018.

Lower Iranian oil flows should be welcomed by other OPEC+ members, as it provides room to increase output. For now, all signs suggest that OPEC+ will likely continue with aggressive supply hikes. We'll have to wait until 1 June to see what the group decides for its output policy for July. Already announced supply hikes by OPEC+ should be welcomed by Trump, given his desire to see lower oil prices. However, he may want to be careful on how low prices go, given the impact it will have on the US oil industry, causing a pullback in drilling activity.

Overnight, numbers from the American Petroleum Institute show that US crude oil inventories increased by 4.29m barrels over the last week, very different from the roughly 2m barrel draw the market expected. Meanwhile, crude stocks in Cushing fell by 850k barrels, while gasoline and distillate stocks fell by 1.37m barrels and 3.68m barrels, respectively. The more widely followed Energy Information Administration (EIA) inventory report will be released later today. Other releases include OPEC's monthly market report, which will include their latest market outlook

## Agriculture – UNICA reports lower sugarcane crush

The latest fortnightly report from the Brazilian Sugarcane and Bioenergy Industry Association (UNICA) shows that sugar cane crushing in Central-South Brazil stood at 17.7mt over the second half of April, down 49.4% from a year ago. This leaves the cumulative sugar cane crush for the season at 34.3mt, down 33% year on year.  The sugar mix so far this season stands at 45.27%, slightly lower than the 46.98% over the same period last season. This is despite sugar continuing to trade at a premium to hydrous ethanol. Cumulative sugar production so far this season stands at 1.58mt, down 38.6% YoY. The lower crush numbers provided a boost to sugar prices yesterday, with No.11 raw sugar settling 2.94% higher on the day.

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