

The Commodities Feed: OPEC+ supply vs. Russia sanction risk

Oil is firmer this morning amid the prospect of further sanctions against Russia, overcoming yesterday's downward price pressures



Source: iStock

Energy- Sanction risks grow

Crude oil prices came under pressure yesterday, with USD strength providing some headwinds for the market. Participants are taking a wait-and-see approach to Saturday's OPEC+ meeting, when members will decide on July output levels. The meeting, originally scheduled for Sunday, has reportedly been brought forward. Another committee within OPEC+, the Joint Ministerial Monitoring Committee, is scheduled to meet today, though it's not expected to result in any policy changes.

The market is better supported in early morning trading today, possibly following comments overnight from President Trump about Russia. In a social media post, Trump said President Putin is "playing with fire", suggesting frustration with Putin's intensified attacks on Ukraine in recent days. This is despite a US push for a ceasefire. This increases the risk of further sanctions against Russia, putting Russian energy flows at risk.

The ICE gasoil market continues to show signs of tightness. The prompt gasoil timespread saw its

backwardation widen to US\$8/t. The crack is holding relatively firm, despite broader demand concerns. Over the last two weeks, speculators have become more constructive towards the market, switching from a net short to a net long position. As for inventories, distillate stocks in the US remain tight, at the lowest for this time of year since 2003, even as gasoil stocks remain comfortable in the ARA region in Europe.

The rally in European natural gas took a breather yesterday, with the Title Transfer Facility (TTF) settling 0.66% lower on the day. Some weakness in the JKM-TTF spread is dragging TTF lower. Meanwhile, outages in Norway have led to lower gas flows to Europe over the last week. The Troll field had power-related issues following maintenance last week; the outage might persist until this weekend. EU gas storage continues to tick higher, standing at just under 47% full, down from 69% at the same stage last year and below the 5-year average of 58% full.

Agriculture– Wheat falls on better supply prospects

CBOT wheat prices are under renewed pressure in recent days following improving weather conditions in China, the US and Europe. Reports of rainfall eased drought conditions in some growing regions within China, and further rain is expected in the coming days. In the US, rains in Southwest Kansas are expected to improve soil moisture for the winter wheat crop. This follows the European Commission raising its wheat yield estimates despite a rainfall deficit in North-Western Europe.

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