The Commodities Feed: Sanctions push oil higher

Additional sanctions hitting Iranian oil exports are pushing oil prices higher

Energy – US tightens sanctions on Iranian oil exports

Oil prices rallied yesterday with ICE Brent settling more than 1.7% higher on the day at US$72/bbl, the highest close this month. And this strength has continued in early morning trading in Asia.

The US further tightened the screws on Iranian oil exports, including sanctioning Chinese refiner, Shandong Shouguang Luqing Petrochemical Co., Ltd, for buying Iranian crude oil. The refinery's CEO was sanctioned, too. The US Treasury Department also sanctioned an oil terminal in China for handling and storing Iranian oil, as well as a handful of tankers linked to a shadow fleet transporting Iranian oil. Increased enforcement of US sanctions on Iranian oil exports is an upside risk to the oil market. Iran exported roughly 1.4m b/d of crude oil in February and President Trump has vowed to drive these volumes even lower.

OPEC+ members issued a schedule for making oil output cuts to compensate for overproduction. The cuts will run until June 2026. These monthly cuts will range between 189k b/d and 435k b/d. Importantly, they more than offset the monthly supply increases set to start in April. However, while the group shares a plan for compensation cuts, it certainly doesn't mean members will follow it. A handful of members have consistently produced above their target production levels.

US natural gas prices sold off heavily yesterday, with the front-month Henry Hub contract settling 6.4% lower. The downward pressure has continued this morning. This is after the Energy Information Administration (EIA) reported that US natural gas storage increased by 9 bcf over the last week, above the expected 5 bcf increase. However, total storage levels are still tight, standing at 1.71 tcf, down 26.8% year on year and 10% below the five-year average.

Agriculture – Global grain production estimates raised

In its first estimates for 2025/26, the International Grains Council (IGC) forecasts corn production to increase from 1,217mt in 2024/25 to 1,269mt in 2025/26. This reflects expectations for greater output from Brazil, Argentina, Ukraine, and the US. As for consumption, the council thinks demand will increase to 1,263mt from 1,238mt. Corn ending stocks are forecast to rise from 274mt to 280mt in 2025/26. Similarly, global soybean production and consumption are estimated to rise to 427mt (+2.2% YoY) and 426mt (+4.2% YoY), respectively. This will see 2025/26 soybean ending stocks rising from 82mt to 83mt. As for wheat, the IGC expects output to increase from 799mt to 807mt in 2025/26 amid rising production from the EU and UK. However, ending stocks are still forecast to drop from 265mt in 2024/25 to 259mt in 2025/26.

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