The Commodities Feed: Saudi Arabia raises official selling prices

Despite oil prices facing downward pressure yesterday due to a significant drop in US oil inventories, the market has found stronger support this morning as Saudi Arabia raised its official selling prices for crude

Energy – Saudis boost official selling prices

The oil market sold off yesterday despite US President Trump's directive to increase economic pressure on Iran, which would include targeting oil exports from the country. Instead, the market focused on the tariff story, a theme likely to dictate sentiment for much of this year. In addition, the EIA's weekly inventory report was fairly bearish with a large increase in crude oil stocks over the last week.

EIA data showed that commercial US crude oil inventories increased by 8.66m barrels over the last week, the largest build since February 2024. The increase was driven by strong imports, which grew by 467k b/d WoW with stronger flows from Canada, which increased 347k b/d. In addition, oil output recovered last week, following the impact of winter storms. Crude oil output in the Lower 48 is estimated to have grown by 232k b/d. Refiners also increased their utilisation rates by 2.4pp over the week, which saw gasoline inventories rising by 2.23m barrels. However, distillate stocks fell by

5.47m barrels over the week. Cold weather boosted distillate demand, with implied demand hitting its highest level since early 2022.

So far today, oil prices are holding up better as Saudi Arabia has increased its official selling prices for all grades and to all regions for March loadings. This ties in with the strength that we have seen in the Middle East physical market since the start of the year. Aramco's flagship Arab Light into Asia was increased by US$2.40/bbl to US$3.90/bbl over the benchmark – the highest level since December 2023. It is also the largest monthly increase since August 2022.

European natural gas prices saw renewed strength yesterday with TTF settling almost 2.7% higher on the day. Forecasts for colder weather have raised concerns that we will see steeper draws in gas storage in the coming days. Speculators also appear to remain supportive towards the market with the latest positioning data showing that investment funds increased their net long by 5TWh over the last reporting week to 283TWh. However, with the investment fund long making up more than 31% of total open interest, the position is starting to look a bit stretched. In addition, current gas prices leave us deep in the gas-to-coal switching range for the power generation sector, while LNG cargoes should continue to be diverted towards Europe, with European prices trading at a premium to Asia through until the end of the summer. This all suggests we could be due a pullback in the absence of any surprises.

The latest positioning data also shows that speculators increased their net long yet again in EU allowances (EUAs). Investment funds increased their net long by 2.5k contracts over the week to 55.57k contracts – the largest net long held since September 2021. EUA prices have moved significantly higher this year, breaking above EUR80/t, supported by the strength seen in European gas prices. However, demand may provide resistance further ahead, particularly if we see an escalation in trade tensions.

Metals – Gold hits another fresh record

Gold rallied to a new all-time high amid trade war concerns that risk higher inflation and slower economic growth, spurring demand for safe-haven assets. Gold is already up by more than 9% so far this year and has hit a series of consecutive record highs along the way. While the uncertainty over trade and tariffs continues to boost gold prices, Trump's latest comments that the US take over the Gaza Strip and assume responsibility for reconstructing the territory have added to gold's bullish momentum.

Meanwhile, central banks' buying last year exceeded 1,000 tonnes for the third year in a row, accelerating sharply in the fourth quarter to 333 tonnes and bringing the net annual total to 1,045 tonnes, according to the latest data from the World Gold Council. The National Bank of Poland led the charge, adding 90 tonnes to its gold reserves last year, but demand was seen from a broad range of emerging market banks.

Agriculture – Coffee rallies further

Arabica coffee extended gains for an eleventh consecutive session, hitting a new all-time high yesterday due to ongoing supply concerns (especially in Brazil). There are suggestions that market conditions remain tight as exchange inventories continue to fall while the next harvest is expected to be impacted by bad weather. Previously, CONAB forecast that Arabica coffee production in Brazil will decline by 12.4% YoY to 34.7m bags (the lowest level since 2022) for the 2025/26 season.

Looking at inventories, the latest official data shows that total coffee stocks at the US port warehouses monitored by the ICE Exchange fell for a fifth straight session to 855k bags – the lowest since 12 November 2024.

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