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COMMODITIES DAILY

The Commodities Feed: Saudis cut prices

Oil prices started the week under pressure as Saudi Arabia cut prices and deflationary signals from China hurt sentiment



Energy – Saudis cut crude prices

Downward pressure on US equities last week spilled over into the oil market, with ICE Brent settling almost 3.9% lower. Though prices managed to creep back above US\$70/bbl towards the end of last week, they're now edging lower. Tariff uncertainty is a key driver behind the weakness. So is Chinese inflation data over the weekend showing that consumer prices fell 0.7% year on year in February. As a result, speculators remain bearish on the oil market. Positioning data shows speculators reduced their net longs in ICE Brent by 61,121 lots over the last reporting week to 159,425 lots as of last Tuesday -- the smallest position since December.

The Saudis released their latest official selling prices (OSPs) for April loadings. It shows cuts across almost the board, although OSPs into the US were unchanged. The flagship Arab Light crude into Asia was cut by US\$0.40/bbl to US\$3.50/bbl over the benchmark. The reduction comes amid growing concern over the market balance with OPEC+ supply set to increase at a moment of increasing uncertainty over demand.

Chinese data on Friday showed that crude oil imports in the first two months of the year totalled 83.85m tonnes -- or around 10.4m b/d -- down 3.4% YoY and below the roughly 11.3m b/d imported in December.

It is a relatively data-heavy week for the energy calendar. On Tuesday, the Energy Information Administration (EIA) releases its latest Short Term Energy Outlook. It will include the EIA's latest US oil and gas production forecasts and assessment of the global balance. In last month's release, the EIA forecast US crude oil production would grow by around 380k b/d YoY in 2025 and 140k b/d YoY in 2026. Recent price weakness poses downside risks to these numbers. OPEC's monthly oil market report will be released Wednesday, followed by the IEA's monthly oil market report on Thursday.

Agriculture – WASDE expectations

The USDA will release its monthly World Agricultural Supply and Demand Estimates (WASDE) report on Tuesday. The market expects the agency to cut its estimate of US corn ending stocks by around 22m bushels to 1,518m bushels. Soybean ending stocks could be left unchanged at 380m bushels. Wheat could see a marginal uptick in ending stock estimates to 799m bushels. Also, the agency may revise downward its Argentine corn and soybean output estimates to 49.3mt (-0.7mt) and 48.9mt (-0.1mt), respectively. There's the potential for Brazilian soybean output to be revised slightly higher (+0.5mt to 169.5mt). Global ending stock estimates for corn are expected to decline from 290.3mt to 289.9mt, while soybean ending stock estimates are seen rising to 124.6mt from 124.3mt.

Recent numbers from France's Agriculture Ministry show that 74% of the soft wheat crop was in good-to-excellent condition as of 3 March. This compares to 73% over the preceding week and 68% for the same period last year. Warmer-than-usual weather has been helpful for the wheat crop.

The latest CFTC data suggests sentiment remains negative amid ongoing trade tensions. Money managers increased their net short position in CBOT wheat by 14,785 lots, to 82,399 lots as of 4 March. For CBOT corn, the net speculative long fell by 117,702 lots to 219,752 lots. Meanwhile, money managers shifted to a net short in CBOT soybeans after selling 43,696 lots over the week, leaving them with a net short of 35,487 lots.

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