

The Commodities Feed: Solid start to the year for oil

The oil market has had a relatively strong start to the year on the back of a stronger physical market in the Middle East



Energy – Prices off to a strong start

The oil market is off to a strong start in 2025 with ICE Brent trading above \$76/bbl. This is despite the oil balance for 2025 looking comfortable. The strength in the market appears to be on the back of a stronger physical market in the Middle East. This is well reflected in the Brent/Dubai spread which has traded into negative territory recently. There are suggestions that Asian buyers have been looking to other Middle Eastern grades amid broader sanctions against Russia and Iran. There will also be concerns over how hawkish Trump will be towards Iran when he takes office later this month. Stricter enforcement of sanctions against Iran would leave the market tighter than expected. However, it would also leave an opportunity for OPEC+ to increase supply.

The natural gas market has also strengthened. TTF broke above EUR50/MWh last week, although finished the week just below this level. This is after confirmation that Russian pipeline flows via Ukraine were halted with the expiration of Gazprom's transit deal with Ukraine. This means that Europe will lose around 15bcm of annual gas supply. However, this shouldn't come as too much of a surprise. It has been well-telegraphed for over a year that Ukraine had no intention of extending the deal. Adding further support to European gas is the forecast for colder-than-usual weather over the next two weeks, which could see storage falling at a quicker-than-expected pace. At the moment, storage is a little more than 70% full, well below the 85% seen at the same stage last

year and also below the five-year average of around 76%. Storage levels should still mean that Europe gets through this winter comfortably, however, the refilling of storage through the injection season will be a bigger job than last year, which should provide some support to summer prices. This is well reflected in the TTF forward curve with summer 2025 prices trading at a premium to 2025/26 winter prices.

Agriculture – Argentina crop plantings

In its weekly report, the Buenos Aires Grain Exchange shows that Argentina's corn plantings were reported to be 87.4% complete as of 3 January, up from 80.9% a week ago. Similarly, soybean plantings were 92.7% complete, up from 84.6% last week. Meanwhile, the wheat harvest was 94.7% complete. The exchange reported that corn and soybean planting area estimates remain unchanged at 6.6m hectares and 18.4m hectares for the 2024/25 season. However, the lack of rain is starting to have an impact on the condition of the crops.

The USDA released its weekly export sales report on Friday showing that grain shipments remained weak for the week ending 26 December. Weekly export sales of corn stood at 777kt, lower than the 1,721.3kt a week ago but above 367.3kt for the same period last year. For soybeans, the agency reported that US export sales fell to 484.7kt for the week, lower than the 1,103.4kt a week ago but above 202.2kt a year ago. Finally, US wheat export sales fell to 140.6kt compared to 625kt a week ago and 135.9kt a year ago.

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