

The Commodities Feed: Supply risks subside for now

The oil market sold off aggressively yesterday after Israel's measured response over the weekend. While it is still not clear if and how Iran will retaliate, the market is clearly of the view that supply risks have eased for now



Oil prices have sold off aggressively

Source: Shutterstock

Energy – SPR refill

The oil market came under significant pressure yesterday as the market digested Israel's long-awaited response to Iran's recent missile attack. ICE Brent settled more than 6% lower on the day leaving it at just below \$72/bbl. [As we mentioned yesterday](#), the targeted response from Israel does leave the door open for de-escalation, which would allow fundamentals once again to be the dominant driver for the market. And fundamentals are expected to be bearish through 2025. Given the geopolitical uncertainty, many market participants have been protecting themselves from potential spikes higher through the options market. This was not only reflected in traded volumes and open interest in the options market, but also the option's skew. However, this skew has narrowed significantly since the end of last week, highlighting the broader market view of reduced upside risk.

The Biden administration is looking to buy up to 3m barrels of crude oil for the Strategic Petroleum Reserve (SPR) for delivery at the Bryan Mound site from April-May 2025. The Department of Energy has so far bought more than 55m barrels of crude oil for the SPR at an average price of \$76/bbl, compared to the roughly \$95/bbl the DoE received from emergency sales in 2022.

The jet fuel market in Asia is showing a lot of strength at the moment and this is reflected in the jet regrade which has spiked higher in recent days. The strength in the regrade has been attributed to run cuts at refineries, while earlier this week there was a rare Chinese import tender for two cargoes of jet fuel.

Metals – Norilsk Nickel output guidance raised

Russia's MMC Norilsk Nickel increased production guidance for the main metals it produces after finishing repairs on its facilities earlier than expected. The company increased its nickel production guidance from 184-194kt to 196-204kt for the current year. For palladium and platinum, the company raised guidance from 2.3-2.4m ounces to 2.6-2.7m ounces and from 567-605k ounces to 639-664k ounces respectively. Palladium prices surged last week on reports that the US asked other G7 members to consider imposing sanctions on Russian palladium supply.

Agriculture – Excessive rains impact EU crops

The monthly crop monitoring report from the European Commission presents a weaker outlook for crops as intense rainfall over the past few weeks negatively impact both the harvesting (for summer crops) and sowing season (for winter crops). The Commission lowered corn yield estimates from 6.85t/ha to 6.66t/ha, significantly lower than the 5-year average of 7.35t/ha. The prevailing overly wet conditions have also raised concerns about the grain quality in the region.

USDA's weekly export inspection data shows that grain shipments from the US softened last week; although it remains higher than the levels seen a year ago. For corn, US export inspections came in at 823.7kt, compared to 1,001.2kt from a week ago and 540.8kt reported a year ago. Similarly, soybean inspections slowed to 2,394kt for the current week compared to 2,549kt a week ago, although up from 2,051kt a year ago. For wheat, export inspections dropped from 268kt to 249kt over the week.

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