

The Commodities Feed: Saudi infrastructure attacked

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Energy

Oil prices have surged this morning, with Brent trading above US\$70/bbl after reports that Iranian-backed Houthi rebels attacked a Saudi oil export facility over the weekend. The target was in fact, the Ras Tanura export facility, which is the world's largest export facility, capable of shipping around 6.5MMbbls/d of crude oil, and with a storage capacity of around 33MMbbls. The Saudis have said that the attack did not lead to any injuries, loss of life, or damage to the facilities targeted. This is the second attack on the country's oil infrastructure this month, with an attack on oil facilities in Jeddah on 4 March. Clearly, the market was already digesting the surprise decision from OPEC+ to keep output levels over April largely unchanged (with the exception of Russia and Kazakhstan). Then, adding only further support to the market was the constructive Chinese trade data released over the weekend, along with news that the US\$1.9t US stimulus package was passed by the Senate. This suggests that we could see further upside in the market in the near-term, particularly as the market probably now needs to be pricing in some sort of risk premium, with these attacks picking up in frequency.

But while sentiment in the paper market is clearly bullish, the physical market is not showing the same sort of tightness. Oil demand still appears pretty weak. Investors appear to be looking further forward to expectations for a strong demand recovery over the second half of this year. This obviously means that if this stronger demand does not materialize as we move through the year,

the market could be in store for a rather hefty downward correction.

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