

The Commodities Feed: Brent back above \$80

Brent broke back above \$80/bbl with the oil market set to tighten in the third quarter, while US natural gas prices strengthened on forecasts for warmer weather



Energy - Henry Hub breaks above \$3

Oil prices moved higher yesterday as the market continued its post-OPEC+ meeting recovery. ICE Brent settled more than 2.5% higher yesterday, which saw it close well above \$81/bbl. [As we mentioned following the meeting](#), the action taken by the group leaves the market with a sizeable deficit in the third quarter of the year, supporting the view that prices trend higher. A recovery in refinery margins would leave us even more confident that prices move meaningfully higher from current levels. The weakness in refinery margins over the second quarter will have raised concerns over demand.

Front-month Henry Hub futures have broken above \$3/MMBtu for the first time since January. Prices have strengthened on the back of forecasts for warmer weather across parts of the US. In addition, the US market is set to tighten in the medium to longer term. Low prices have weighed heavily on drilling activity, and US natural gas output is expected to fall marginally this year. Lower output comes ahead of the ramping up of new US LNG export capacity later this year and through 2025.

In Europe, TTF settled almost 3.5% higher yesterday. This strength is despite Norwegian flows returning to normal levels following an unplanned outage last week. EU storage is also very comfortable at 72% full, similar to the level seen at the same stage last year and well above the 5-year average of 61%. In addition, Bloomberg is reporting that the EU is in talks to keep Russian gas flowing via Ukraine. Gazprom's transit deal with Ukraine expires at the end of this year, and Ukraine has made it clear on several occasions that it has no intention to extend the deal. Russian gas flows via Ukraine total around 15bcm on an annual basis.

Metals – LME aluminium queue returns

The wait time to take delivery of aluminium on the London Metal Exchange jumped to over five months from zero following a huge delivery of metal from Trafigura Group last month. The latest data from the exchange released on Monday shows a wait time of 159 days for the delivery of aluminium at warehouses in Port Klang, Malaysia at the end of May, compared to no delivery queue in April. This is the longest wait queue reported in the LME system since June 2021. Net inflows for aluminium at LME warehouses totalled 625,900 tonnes in May alone, compared with net outflows of 63,725 tonnes in the preceding month. The majority of the inflows were reported at the Malaysian warehouses.

Agriculture – ISO raises global sugar deficit estimates

In its latest report, the International Sugar Organization revised up its 2023/24 global sugar deficit estimate to 2.95mt primarily due to stronger demand. This compares to a previous forecast for a deficit of 689kt. The group expects global consumption to increase to 182.2mt in 2023/24, up 1.8mt from its previous estimate. This has been largely driven by stronger demand from Asia, particularly India.

The USDA's weekly US crop progress report for the week ending 9 June shows that domestic corn plantings stood at 95% complete, up from 91% planted last week and in line with the five-year average. However, this is still below the 98% planted at the same stage last year. US soybean plantings are 87% complete as of 9 June, up from 78% last week but below 95% seen a year ago. The agency also rated around 47% of the winter wheat crop in good-to-excellent condition, down from 49% a week ago, but up from 38% last year. The winter wheat harvest also continues to progress well, with 12% of the crop harvested, up from 7% last year and above the 5-year average of 6%.

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