The Commodities Feed: European gas prices surge to 15-month high

European gas prices have jumped to their highest level in more than a year. Meanwhile, aluminium rose in yesterday's trading after reports of the EU proposing a phased ban on imports of Russian aluminium to the bloc

The Netherlands saw snowy and icy conditions last week

Metals – Aluminium climbs as EU readies ban on Russian imports

Aluminium rose in yesterday's trading after reports of the EU proposing a phased ban on imports of Russian aluminium to the bloc. The proposal calls for an import quota for a year before the complete ban comes into effect. The plan would allow European buyers to import 275,000 metric tonnes of the Russian metal under a quota system for one year before a full ban comes into effect.

Although the EU continues to import Russian aluminium, volumes have fallen over the past two years. The EU imported more than 320kt of unwrought aluminium from Russia in the first 11 months of 2024, accounting for around 6% of total imports, a relatively small fraction of the global aluminium market. This is down from 11% in 2023 and 19% in 2022. The gap left by Russian supplies has mostly been filled by imports from the Middle East, India and Southeast Asia and this trend is likely to continue. The US and the UK banned the import of metals produced in Russia in 2024. The EU has so far banned aluminium products, including wire, tube, pipe and foil, which account for less than 15% of EU imports.

Meanwhile, Russia has steadily increased sales to Asian consumers over the last three years, particularly China. China is now importing half of its aluminium imports from Russia. We expect this trend to continue in 2025.

Spot gold prices were trading little changed this morning after settling lower yesterday following the latest comments from Fed Chair Jerome Powell suggesting that "the US central bank doesn't need to rush to lower interest rates". He added that policymakers want to see further progress on inflation following rate reductions last year. The latest CME data shows that swap markets have trimmed their expectations for rate reductions this year by pricing in 43bp of cuts compared with 48bp before, with the first reduction not expected until mid-2025.

Meanwhile, the latest data from the Shanghai Futures Exchange (SHFE) shows that weekly inventories for most of the base metals rose over the reporting week primarily due to weak consumption just ahead of the Lunar New Year holidays. Copper stocks rose by 3,789 tonnes for a third consecutive week to 101,838 tonnes as of 29 January, the highest since 29 November 2024. Zinc inventories increased by 1,282 tonnes after declining for ten consecutive weeks to 21,781 tonnes and nickel inventories increased marginally by 101 tonnes for a third consecutive week to 36,150 tonnes (the highest since 14 February 2020) over the reporting week.

Energy – European gas prices surge

European gas prices jumped to the highest level since October 2023 yesterday as unexpected supply disruptions and colder weather forecasts worsened the supply threats in an already tight market. TTF front-month futures rose over 6% to close above EUR51/MWh as of yesterday as market participants remained concerned about volatile supplies of liquified natural gas following the recent production issues at some export facilities affecting fuel flows. Meanwhile, the heating demand is expected to increase as temperatures are forecasted to drop over the coming days. Additionally, a rise in carbon prices is also supporting the upward rally in gas. Looking at inventories, the European gas storage is now only about 55% full, down from 72% at the same stage last year and below the five-year average of 62%.

The oil market traded little changed in the morning session after falling sharply yesterday as oil inventory rose while uncertainty continued over US trade policy. Meanwhile, trading volumes were relatively subdued as the Chinese market has been closed for the Lunar New Year Holidays.

US weekly inventory numbers from the EIA yesterday remained fairly bearish for the oil market. US commercial crude oil inventories (excluding SPR) increased by 3.5m barrels over the last week, well above the 2.86m barrels increase the API reported the previous day. This was the first weekly build reported since November. When factoring in the SPR, the build was even larger, with total US crude oil inventories rising by 3.7m barrels. Total US commercial crude oil stocks stand at 415m barrels, the highest level since late December.

In refined products, stocks of gasoline increased by 2.9m barrels, against a forecast for a build of just 0.35m barrels. However, distillate fuel oil stockpiles fell by around 5m barrels last week, compared to the market expecting a drawdown of 2.2m barrels. Meanwhile, refineries operated at

83.5% of their capacity following the declines in East Coast and Midwest refining rates along with lower refining rates on the Gulf Coast. This was down from the refining rates of 85.9% seen in the previous week.

Agriculture – coffee hit fresh record highs on supply woes

Arabica coffee futures surged to record highs yesterday amid adverse weather conditions in key producing regions and concerns over declining global stockpiles. There are suggestions that more than 80% of the current season coffee was sold in December, resulting in limited ending stocks for Brazil's 2024/25 season.

Meanwhile, recent forecasts from CONAB suggest that Arabica coffee production in Brazil would decline by 12.4% YoY to 34.7m bags (the lowest level since 2022) for 2025. Additionally, the latest data shows that total coffee stocks at the US port warehouse monitored by the ICE exchange have dropped to the lowest since 5 December 2024 as of yesterday, weighing on the global supply outlook.

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