The Commodities Feed: European gas rallies

European natural gas prices saw significant strength yesterday as we move closer towards the official start of the heating season, whilst there have also been further disruptions to Norwegian gas flows

European gas storage is 95% full as we head closer to the start of the new gas year, which officially starts on 1 October

Energy – European gas rallies

European natural gas prices saw further strength yesterday with TTF rallying by 11.69% to settle at a little over EUR44/MWh, its highest level since April.

Further disruptions to Norwegian supply appear to have provided a boost, with the Troll field seeing a delayed startup after a compressor test. The outage is affecting about 25mcm/day of capacity. This is happening at a time when there is also a planned outage at the Skarv field, impacting a little over 22mcm/day of capacity.

However, fundamentals in the short term remain comfortable, with European gas storage 95% full as we head closer to the start of the new gas year, which officially gets underway on 1 October.

Metals – Crude steel production softens

The latest data from the World Steel Association show that global crude steel production softened further to 152.6mt in August compared to 158.6mt in July. Crude steel production is now at its lowest level since February as demand from China remains weak. Compared to year-ago levels, crude steel production increased by 2.2% year-on-year with China output increasing by 3.2% YoY to 86.4mt, while the Rest of the World's production increased by 0.7% YoY to 66.3mt. Cumulative global crude steel production increased by 0.2% YoY to 1.26bn tonnes over the first eight months of the year.

For the year, major gains come from China and India with production increasing by 2.6% YoY to 712.9mt and 10.5% YoY to 92.2mt respectively. On the other hand, EU production dropped by 9.8% YoY to 85.7mt over the first eight months of the year.

Gold prices softened to US$1,915/oz yesterday as treasury yields continue to move higher on expectations of 'higher for longer' Fed policy rates. The Fed's latest dot plot shows that the tightening cycle may not be over yet and that the economic data could continue to be a major driver of future policy decisions. US 10Y treasury yields have increased to a fresh five-year high and broken above 4.5%, which continues to weigh on gold prices.

Agriculture – Damage to Ukraine's Odessa port

Wheat prices firmed up yesterday on reports that Russia has 'significantly damaged' the Odesa port in Ukraine, one of the major ports for grain export. The latest attacks were reported to have damaged port infrastructure, grain storage facilities and warehouses at the ports. Ukraine's export of grains from the port has largely stopped after Russia pulled out of the export deal. However, recently a few ships were reported to have managed shipments from the port. The latest attacks are likely to stop any residual exports from the port and also lower the possibility of export resumptions from the port in the near term.

The USDA's weekly export inspection data for the week ending 21 September show that US soybean and wheat shipments rose while corn exports slowed over the last week. US weekly inspection of corn exports stood at 661kt, lower than the 676kt over the previous week and up from 550kt reported a year ago. For wheat, export inspections stood at 451kt, up from 423kt last week but lower than the 589kt seen for the same period last year. Soybean export inspections stood at 482kt, higher than 430kt from a week ago and 292kt from a year ago.

The USDA's latest crop progress report shows that 53% of the US corn crop is rated in good to excellent condition, up from 51% in the previous week. Meanwhile, the harvest is progressing well with 15% of the crop harvested, up from 11% at the same stage last year and also above the five-year average of 13%. As for the US soybean crop, 50% of the crop is rated good to excellent, down from 52% the previous week. However, the harvest is progressing well, with 12% of the area harvested, up from just 7% at the same stage last year. It is also higher than the five-year average of 11%. Finally, winter wheat plantings are falling behind last year with 26% of the area planted, down from 30% at the same stage last year and also lower than the five-year average of 29%.

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