

# The Commodities Feed: European gas rallies

European natural gas prices rallied yesterday despite comfortable storage and a bearish outlook. The move higher in crude oil was more modest, after several bearish developments over the week



## Energy - TTF back above EUR30

The oil market was little changed yesterday. ICE Brent continues to trade below US\$84/bbl after settling 0.28% higher yesterday. It has been a bearish week for the oil market. An easing in tension in the Middle East and bearish US inventory data has weighed on prices. The prompt Brent timespread has also sold off heavily over the week, trending from a backwardation of more than US\$.80/bbl at the beginning of the week to US\$0.64/bbl on Thursday's close. The US jobs report which will be released later today, has the potential to be a key driver for oil prices in the immediate term. The consensus is that the US added 240k jobs in April, down from 303k in March.

Adnoc, the UAE's national oil company, has increased its production capacity by 200k b/d to 4.85m b/d. This leaves the producer with a spare capacity above 1.7m b/d, after producing a little over 3.1m b/d in April. This could see the UAE push for a higher baseline when OPEC+ discusses its output policy for the second half of 2024.

Refined product inventory data from Insights Global was bearish for middle distillates. Gasoil stocks

in the ARA region increased by 72kt over the week to 2.25mt, which continues to see inventories in the region trending above the 5-year average. Naphtha stocks in the region increased by 38kt over the period to 585kt, leaving stocks at their highest level in at least 10 years for this time of year. The change in gasoline inventory was more constructive, falling 34kt over the week to 1.02mt, the lowest level for this time of year since 2019.

US natural gas futures settled a little more than 5.3% higher yesterday after US natural gas storage changes came in below usual levels for this time of year. Storage increased by 59Bcf over the week, roughly aligned with market expectations, but below the 5-year average of 72Bcf. Total US natural gas storage stands at 2.48Tcf, up 21% YoY and 35% above the 5-year average.

European natural gas prices rallied significantly yesterday. TTF settled 7.6% higher on the day taking prices to almost EUR31/MWh. While there are some concerns over increased competition for LNG from Asia, storage data is still extremely comfortable at 63% full, weather forecasts for NW Europe show milder-than-usual weather over the next 2 weeks, and Norwegian flows are slowly recovering after some outages (admittedly the restart at Aasta Hansteen field has been delayed). Therefore, we continue to hold a bearish view on the European natural gas market.

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