The Commodities Feed: European gas sell-off continues

Oil prices are largely under pressure amid demand concerns, while the European gas market continues to sell off aggressively

Energy – TTF sell-off continues

Oil prices continued to trend lower yesterday amid uncertainty over the outlook for tariffs, a dynamic overshadowing sanction risks. After imposing additional sanctions on Iran's oil industry, the Trump administration is now eyeing Venezuela, ending Chevron's licence to operate in the South American nation. Previously, Chevron was allowed to operate there and, despite sanctions, export crude to the US. This development has boosted differentials for medium sour crude grades, such as Mars Blend. Its differential jumped by more than US$1/bbl to US$1.71/bbl. US imports of Venezuelan crude oil have averaged almost 270k b/d so far this year.

US Energy Information Administration (EIA) weekly inventory data were fairly neutral. Over the last week, US commercial crude oil inventories fell by 2.33m barrels, the first decline in stocks since mid-January. It's also the largest decline in inventories since December. Strong refinery activity is behind the drop in inventories; refiners increased their utilisation rates by 1.6pp week on week. However, we only saw a marginal build in gasoline stocks, which rose 369k barrels. A stronger build was seen in distillate inventories, which grew by 3.91m barrels.

European natural gas prices came under additional pressure yesterday. TTF fell by almost 6.7%, leaving prices at their lowest level since mid-December. From a technicals perspective, the scale of the move in recent weeks has left the market in oversold territory. Investment funds have been aggressively reducing their net long in TTF, selling 27.4TWh over the last reporting week. This left funds with a net long of 231.3TWh. Recent mild weather has contributed to the weakness. However, with storage at just 40% full, the region faces challenges in refilling storage, relying more on LNG imports. The recent price weakness has TTF trading below spot Asian LNG, which should see slower flows into Europe. The scale of the move lower also suggests the market is starting to price in prospects for a Russia-Ukraine peace deal, one that could include the resumption of some Russian pipeline gas to Europe. If this happens, it changes the outlook for the European market significantly.

Metals – US copper surges on tariff risks

COMEX copper futures surged after President Donald Trump ordered the US Commerce Department to investigate possible import tariffs on copper. The department has up to 270 days to report back to Trump. Copper prices on the LME and COMEX continue to diverge. LME copper is up around 8% year-to-date, while prices on COMEX have surged around 14%. Renewed tariff threats saw the COMEX-LME arbitrage spread widen back towards $900/t. There's additional upside risk for copper in New York if tariffs are applied. The spread risks a pullback if tariffs fall short of expectations.

The US produces around 5% of global copper mining output. Its reserves are also at around 5% of the total, according to the US Geological Survey (USGS). The country's production has been on a downtrend -- dropping about 20% over the last decade, according to USGS. Meanwhile, the US imports roughly 45% of copper needs. It might be challenging to fill that gap with domestic production.

Agriculture – Rising coffee stocks pressure prices

Arabica coffee prices fell for a third consecutive session yesterday, as persistent growth in certified stockpiles overcame supply concerns -- at least temporarily. Data show that total coffee stocks at US port warehouses, monitored by the ICE exchange, rose for a fifth consecutive session to 803.1k bags as of 25 February.

London cocoa prices saw something of a recovery yesterday. This follows the broader weakness seen recently. A tight market following three consecutive years of deficit is likely to keep prices trading volatilely. Meanwhile, cocoa arrivals to warehouses in Ghana are up around 70% year on year, thanks to a better 2024/25 crop. For the top producer, Ivory Coast, arrivals are up around 17% YoY.

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