The Commodities Feed: European gas under pressure

European gas prices came under further pressure as ongoing discussions on Russian gas flows via Ukraine, stronger LNG imports and milder weather forecasts eased any immediate supply concerns. Other commodity prices traded steady this morning ahead of the final Federal Reserve meeting for the year

Rotterdam, Netherlands

Energy – European gas falls on easing supply concerns

European natural gas prices came under further pressure yesterday. TTF futures declined for a fourth consecutive session and settled almost 2.3% lower on the day, with front-month TTF losing nearly 18% since making a recent peak in early December. Ongoing discussions to keep Russian gas flowing via Ukraine beyond 31 December are weighing on gas prices currently. Recent reports suggest that gas buyers in Slovakia and Hungary are continuing discussions to keep gas flowing. Meanwhile, demand for gas pipeline capacity through Bulgaria and Turkey has also increased for January 2025, hinting that market participants are preparing for alternatives if Russian gas flow via Ukraine stops as scheduled.

Weather forecasts show that temperatures could turn milder across northwest Europe next week, which could provide some relief to the sharp inventory withdrawals. Liquefied natural gas imports have also increased recently, helping the region to secure fuel for heating demand. This should further help ease supply concerns in the market.

European gas storage is 78% full, down from 89% at the same stage last year and also below the five-year average of 81%. Gas prices might remain volatile over the coming weeks as higher competition from Asia for LNG creates an upside risk, while an extension of Russian flows would be bearish for prices.

Oil prices are trading little changed this morning as demand concerns from China continue following the recent release of poor economic data. ICE Brent was seen trading near US$74/bbl while NYMEX WTI was hovering just below US$71/bbl today. Meanwhile, reports that the European Union sanctioned 52 additional tankers largely shipping Russian crude offered some support for prices.

Metals – LME aluminium falls

LME aluminium three-month prices fell to the lowest level seen in a month yesterday on concerns over weak winter demand and rising output in China. The official data released this week showed that Chinese aluminium production reached record highs last month, at a time when demand is expected to experience a seasonal lull as construction activities slow during the winter months. Other base metals traded mixed as market participants await the conclusion of the final Federal Reserve meeting for the year.

Gold is trading steady, with prices holding above US$2,650/oz this morning as investors remain cautious ahead of interest-rate decisions by major central banks globally. The Fed will also disclose its final rate decision for the year tomorrow, along with an updated outlook on economic growth, inflation and unemployment for next year.

The recent official data shows that gold imports in India rose to a record high of $14.8bn (+331% year-on-year) in November as domestic demand picked up after the government reduced the customs duty to 6% from 15% in July. Additionally, geopolitical uncertainties and higher seasonal demand also helped the overall purchases to move higher.

Agriculture – Ukraine grain shipments rise

Recent data from Ukraine's Agriculture Ministry shows that grain exports for the season so far have risen 22% YoY to 19.5mt as of 16 December, up from 16mt for the same period last year. The increase was driven by wheat, with exports rising by 37% YoY to 9.2mt. Similarly, corn exports stood at 8mt, slightly down compared to last year. However, total grain exports so far this month fell significantly by 60% YoY to 1.1mt, down from 3mt for a similar period a year ago.

The latest estimates from the Brazilian Institute of Geography and Statistics (IBGE) show that the nation's grain, pulse and oilseed production could rise by 7% YoY to 314.8mt for the 2025 season. The growth will be driven by soybean and first-crop maize, with output seen rising by 12.9% YoY and 9.3% YoY respectively. The rise in production estimates could also be attributed to the increase in harvest area, which is expected to expand by 0.8% YoY to 79.8m hectares for the period mentioned above. Meanwhile, the agency estimates 2024 grain production stood at 294.3mt, down 6.7% YoY.

There are suggestions that the Chinese government has requested domestic traders and processors to reduce overseas grain imports this year, in its effort to support local farmers amid a slowdown in domestic consumption. Along with that, officials are taking longer than usual to do quality checks of imported beans, delaying the cargoes at the border for more than 20 days, compared to about five days under normal circumstances.

Weekly export inspection data from the USDA for the week ending 12 December shows that US corn and wheat inspections rose while soybean export eased over the last week. Export inspections of corn stood at 1,129.8kt, up from 1,058kt in the previous week and 959.9kt reported a year ago. Similarly, US wheat export inspections stood at 298.1kt, above 248kt a week ago, and slightly higher than 284.8kt seen last year. For soybeans, US export inspections stood at 1,676.4kt, down from 1,736.8kt a week ago but higher than the 1,425kt seen for the same period last year.

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