The Commodities Feed: European gas weakens

European gas prices fell yesterday as storage moved past 90% full. While there are still supply risks related to Russian pipeline flows, these flows remain unaffected up until now

Energy – TTF weakens

Oil prices remain under pressure. ICE Brent continues to trade sub-$78/bbl, having traded to more than $82/bbl early last week. Hopes of a cease-fire between Israel and Hamas have weighed on oil, along with lingering demand concerns. While weaker Chinese demand has been well reported, refinery margins around the globe have been under pressure for much of August, suggesting that these demand concerns are not isolated to just China. The weakness in the oil market leaves OPEC+ in a difficult situation. Currently, they are set to start gradually unwinding supply cuts from October. However, the negative sentiment in the market may make the group think twice about sticking to this plan. Unfortunately for OPEC+, the global oil balance is set to be looser next year, suggesting that plans to ease cuts through 2025 may also have to be revisited.

API numbers overnight showed that US crude oil inventories increased by a marginal 347k barrels over the last week, while crude stocks at Cushing fell by 648k barrels. Inventory draws were also seen in products with gasoline and distillate stocks declining by 1.04m barrels and 2.25m barrels respectively. The more widely followed EIA report will be released later today and the market expects a decline of around 2.2m barrels in crude oil inventories.

European gas prices finally saw some weakness yesterday. TTF front-month futures settled more than 4.7% lower on the day, leaving prices a little under EUR38/MWh. European gas storage is now more than 90% full and while risks to Russian pipeline flows via Ukraine remain, up until now these flows have been unaffected. The longer that fighting goes on in the Kursk region without disrupting these flows, the more likely we will continue to see this risk premium in the market erode. However, with some heavy maintenance in Norway ahead of us, the market will likely remain sensitive to supply developments, particularly if any of this maintenance overruns.

Metals – China's gold imports fall

China's gold imports fell 24% YoY to 44.6t (the lowest since May 2022) in July, data from China Customs shows, as record-high prices and a faltering economy weighed on purchases. The PBoC has also been absent from the gold market in recent months, having paused their purchases over the last three months.

In base metals, the daily average global primary aluminium output stood at 199.8kt in July, compared to 199.4kt a month earlier, data from the International Aluminium Institute (IAI) shows. Total monthly output for the metal rose 3.5% month-on-month and 2.4% year-on-year to 6.2mt last month. Cumulative aluminium production over the first seven months of the year rose 3.8% YoY to 42.1mt. Chinese output is estimated to have increased by 3.4% MoM and 2.5% YoY to 3.7mt in July, while year-to-date production rose 4.9% YoY to 25mt in Jan'24-Jul'24. Production in Western and Central Europe also recovered with output rising by 5.2% YoY to 242kt. Aluminium production in Asia (ex-China) rose 3.3 YoY to 408kt in July.

The latest Commitment of Traders Report released yesterday showed that investors boosted their net bullish position in aluminium by 7,735 lots after reporting declines for six consecutive weeks to 104,278 lots for the week ending 16 August. Speculators also marginally increased their net long in copper by 644 lots to 60,029 lots.

Agriculture – Sugar prices ease on higher supply prospects

Sugar prices came under further pressure yesterday with no.11 raw sugar falling 2.5% to settle at USc17.57/lb. Speculators have become increasingly bearish towards the sugar market on the back of expectations of a large CS Brazil crop. However, while the CS Brazil crop is running ahead of last year, the latest fortnightly report from UNICA shows that output in the second half of July was lower YoY. If this trend continues, speculators may have to rethink their bearish attitude towards the market

Weekly data from the European Commission shows that the EU's soft-wheat exports for the 2024/25 season stood at 3.6mt as of 18 August, down 22% compared to 4.5mt reported a year ago. The decline in exports was largely driven by the French harvest, which has been impacted by rain and storms. The major destinations for these shipments were Egypt, Nigeria, and Morocco. The Commission added that the bloc's corn imports stood at 2.9mt, up 27% YoY.

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