

The Commodities Feed: Further European gas disruptions

Oil prices strengthened yesterday on signs of a stronger physical market, while further supply disruptions in Europe led to a rally in natural gas prices



Energy – Further European gas disruptions

Oil markets continued to strengthen yesterday. ICE Brent settled 1.28% higher on the day, taking it back above \$85/bbl. This is the market's strongest close since late April. While a broader risk-on move has proved supportive for oil, there are also some signs of strength in the physical market. The prompt ICE Brent time spread has strengthened, while the Dated to Frontline Brent (DFL) swap has moved deeper into positive territory and to its highest level since early May. This is after the DFL swap ventured into negative territory in late May/early June. Our balance shows the market tightening in the third quarter of this year after the rollover of OPEC+ cuts, so we should be seeing signs of a tightening in the physical market. However, how tight it becomes depends on how demand performs. Weak refinery margins remain a concern for the market.

Numbers from the API overnight show that US crude oil inventories increased by 2.26m barrels over the last week, as opposed to expectations for stocks to fall by roughly 2.8m barrels. Crude inventories at Cushing increased by 524k barrels, while gasoline stocks fell by 1.08m barrels and

distillate stocks increased by 538k barrels. The surprise crude build means the report was moderately bearish.

For natural gas, TTF prices rallied a little over 1.4% yesterday following an unplanned outage at the Nyhamna processing plant in Norway, affecting 33.8mcm/day of supply. The duration of the outage is still uncertain, but with power reportedly restored we wouldn't expect it to be prolonged. However, this is yet another supply disruption that the European market has had to face in the last few months. These persistent supply disruptions have been enough to see speculators build their net long in TTF to the highest level since early 2022.

Copper trades lower as inventories rise

LME copper retreated towards \$9,500/t yesterday following large inflows in exchange inventories. Copper inventories at LME warehouses rose by 19,175 tonnes to 155,850 tonnes. This was the largest daily addition since 7 September 2023. Most of the inflows were reported at warehouses in South Korea and Taiwan. [We believe copper prices will likely remain under pressure in the short-term](#), unless the Chinese government unveils sustained stimulus measures, or we see Chinese smelters cutting output.

Agriculture – Ukrainian crop downgrades

The European Commission estimates that Ukrainian wheat production will drop 25% YoY to 20.6mt in 2024, lower than the five-year average of 27.6mt. The decrease in production estimates is partly driven by adverse weather. Similarly, corn output projections decreased 9% YoY to 28.8mt.

Trade numbers from China Customs show that wheat imports jumped 61.1% YoY to 1.9mt in May, while cumulative imports rose 12.6% YoY to 8.1mt over the first five months of the year. High temperatures and lower rainfall in the major producing regions have driven these stronger imports. For corn, imports fell 36.8% YoY to 1.05mt last month

Authors

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.