

The Commodities Feed: Gas rallies on supply risks

European natural gas prices surged higher yesterday on the back of renewed supply risks after a Russian attack on Ukrainian natural gas infrastructure



Energy – TTF spikes higher

Oil prices edged lower yesterday with ICE Brent settling back just below US\$90/bbl. It is clear that the rally in oil has run out of momentum and in the absence of further escalation in the Middle East or supply disruptions we expect to see a pullback. We maintain our forecast for Brent to average US\$87/bbl over the second quarter of this year.

OPEC's monthly market report had very little in the way of surprises yesterday. The group left its demand growth forecasts unchanged for both 2024 and 2025 at 2.25m b/d and 1.85m b/d respectively. Meanwhile, non-OPEC supply growth for 2024 was lowered slightly by 7k b/d from the previous month to 990k b/d. And 2025 non-OPEC supply was also revised down by 100k b/d to 1.3m b/d. This leaves the demand for OPEC crude oil in 2024 at a little over 28.5m b/d and at 29m b/d for 2025, well above current OPEC oil production. OPEC production in March totaled 26.6m b/d, up just 3k b/d MoM. While Iraq lowered its output by 23k b/d MoM at 4.19m b/d, its output is still above its target production level of 4m b/d.

The latest data from Insights Global show that refined product inventories in the ARA region increased by 44kt to 5.86mt over the last week. The biggest increases over the week were seen in middle distillates with jet fuel stocks increasing by 151kt to 883kt, while gasoil stocks increased by 31kt to 2.15mt. The increase in gasoil inventories has taken stocks basically back to the 5-year average. The move in light end stocks was more supportive with gasoline and naphtha inventories falling by 85kt and 55kt respectively over the week.

In Singapore, oil product stocks increased by 1.68m barrels over the last week to 48.27m barrels. This increase was driven predominantly by middle and light distillates with these stocks increasing by 907k barrels and 851k barrels respectively. Total oil product stocks in Singapore are broadly in line with the 5-year average.

Supply risks returned to the European natural gas market yesterday with TTF settling more than 8% higher on the day and closing in on EUR30/MWh. The strength in the market comes after Russian attacks on Ukrainian gas storage infrastructure. Reports suggest that these storage facilities are still operating, but obviously the event highlights the supply risks that the region still faces. In addition, feedgas into the Freeport LNG export facility declined in recent days suggesting that the plant is operating at reduced rates. Feedgas fell by 75% from the previous day. There is ongoing maintenance at Freeport which is expected to last until early May, which will also help explain the volatility in gas supply to the plant in recent weeks. While there are some supply concerns facing the market in the short term, fundamentals are still bearish given the comfortable storage levels and we suspect any strength in TTF will be short-lived. We continue to expect TTF to average EUR25/MWh over the second and third quarter of this year.

While European natural gas prices rallied yesterday, US prices came under pressure with Henry Hub closing more than 6.4% lower on the day. Lower demand for feedgas from Freeport would have provided some downward pressure to prices. However, the key driver was the EIA's storage data, which showed that US natural gas storage increased by 24Bcf over the last week, well above market expectations for a 13Bcf increase. US natural gas storage is now 23.5% above last year's levels and 38.4% higher than the 5-year average.

On the calendar today we obviously get the usual Commitment of Traders report and US rig count data from Baker Hughes. However, the IEA will also release its monthly oil market report, which will include its latest outlook for the oil market. China will also release its first batch of trade data for March, which will include oil import numbers.

Agriculture – WASDE release

In its latest WASDE report, the USDA decreased its forecast for US corn ending stocks for 2023/24 from 2.17b bushels to 2.12b bushels, which was driven by a small revision higher in domestic demand estimates. The USDA also lowered ending stocks for the global balance by 1.4mt to 318.3mt for the 2023/24 season. This was driven by expectations for lower output, with production estimates lowered by 2.4mt to 1,227.9mt. Weaker production was partly offset by expectations for slightly weaker demand.

For soybeans, the agency increased the US ending stock estimates from 315m bushels to 340m bushels, which is above the roughly 319m bushels the market was expecting. This decrease was driven by a cut in both domestic demand as well as export demand. For the global balance, the USDA left its 2023/24 ending stocks estimate almost unchanged at 114.2mt.

As for wheat, the USDA increased its 2023/24 US ending stocks estimates from 673m bushels to 698m bushels, which is above the roughly 691m bushels the market was expecting. Lower domestic feed demand was the key driver behind this increase. For the global balance, 2023/24 wheat ending stocks were lowered slightly from 258.8mt to 258.3mt.

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