# The Commodities Feed: Gas surges

European natural gas prices extended their upward rally on persistent supply disruption worries, while US natural gas prices strengthened as EIA reported lower-than-expected inventory additions. Here's what's happening in commodities, from energy to metals to agriculture

## Energy – Henry Hub rises on bullish inventory report

The oil market is trading flat with marginal gains this morning following a gradual recovery in the broader financial markets. Market participants are also assessing Middle East tensions. A bullish weekly inventory report, along with the closure of the Sharara oil field (Libya's largest oil field) this week, further supported oil prices at lower levels.

In Singapore, oil product stocks increased by 485k barrels over the last week to 45.8m barrels as of 7 August 2024. This increase was driven predominantly by middle distillates, with these stocks increasing by 640k barrels over the reporting week. Total oil product stocks in Singapore exceed the five-year average of 44.9m barrels at this point in season.

The latest data from Insights Global shows that refined product inventories in the ARA region fell by 86k tonnes over the last week to 5.73m tonnes. The decline was driven by gasoline inventories with stocks falling by 62kt to 1.01mt over the reporting week. However, the build of 58kt in the gasoil inventories helped partially offset the decline reported in the other products' stocks.

In the US, the front-month Henry Hub futures rose to the intra-day highs of $2.2/MMBtu yesterday following lower-than-expected storage injections in the weekly inventory report. Recent numbers from the EIA's storage report showed that natural gas inventories increased by 21bcf over the past week, less than the 24.5bcf expected, and below the 5-year average of 38bcf. The temperature across the US was on the higher side compared to the seasonal average for the week ended 1 August, which has resulted in higher domestic demand for natural gas for cooling purposes.

European gas prices rose for a third consecutive session yesterday by 4.3% DoD and moving above EUR40/MWh for the first time since 4 December 2023. The move is largely driven by risks lingering over a possible disruption to Russian fuel crossing Ukraine. However, the latest data from GIE shows that European storage is more than 86% full, well above the 5-year average of 78%. We still expect storage to be close to 100% full ahead of winter.

## Metals – Gold recovers

Gold prices recovered yesterday to above $2,425/oz amid stabilisation in the broader financial market and cooling recession fears. The expectations of a US rate cut in September (with the market split between 25bps and 50bps cuts) continued to support gold fundamentally. The weekly unemployment report from the US was better than expected and helped ease the economic concerns in the immediate terms. As recessionary fears eased, silver prices also recovered by more than 3% yesterday.

According to Shanghai Metals Market (SMM), China's aluminium output was 3.68mt in July, largely flat compared to 3.67mt of production reported by the National Bureau of Statistics for June 2024. NBS is likely to release official production numbers for July next week. China's aluminium production has largely been flat at around 3.5-3.7mt per month since August 2023, reflecting the slowdown in supply growth. SMM also hinted that operating capacity and utilisation remained largely stable in August so far this month, which points to stable supply in the immediate term.

## Agriculture – India could extend its ban on sugar exports

Recent market reports suggest that India could keep restricting sugar exports in the current season to support domestic supply and increase domestic ethanol output. In October, the government extended the ban on sugar exports to keep domestic prices low ahead of the national elections (between April and June). Similarly, the government could extend the restrictions on sugar exports to achieve the proportion of ethanol blend to 20% by the end of October 2026. This is despite the Indian Sugar and Bio-energy Manufacturers Association's expectations that sugar closing stocks in the country could increase to 9.1mt at the end of the 2023/24 season, sufficient to meet the domestic consumption, exports, and ethanol blending program.

The latest report from the National Cocoa and Coffee Board shows that Cameroon's cocoa production for the 2023/24 season (August 2023 – July 2024) rose to 266.7kt, up 1.2% compared to 263.6kt in the same period last year.  In contrast, exports from the country fell by 0.6% to 185.6kt for the abovementioned period.

USDA released its weekly grains export sales report, which shows that weekly export sales of wheat rose to 386kt for the week ending 1 August from 286.6kt seen a week ago, but down 561.2kt for the same period last year. These remained higher when compared to the average market expectation of 363kt. Similarly, US soybean export shipments surged to 1,310.6kt for the week, higher than 1,008.5kt in the previous week but down from 1,503kt a year ago. The markets expected a number closer to 913kt. For corn, the agency reported that US export sales fell to 734.5kt, compared to 878.8kt a week ago and 908.8kt a year ago. The market expected these exports to be around 850kt.

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