

The Commodities Feed: Natural gas surges

Natural gas prices in the US and Europe surged higher yesterday. Short covering in Henry Hub provided more momentum to the rally



Energy - Natural gas strength, oil weakness

Oil prices came under further downward pressure yesterday. ICE Brent settled almost 2.8% lower on the day, falling below \$72/bbl. USD strength - an ongoing theme since the US election - has provided strong headwinds not just to the oil market but also to the broader commodities complex. In addition, prompt time spreads for Brent and WTI have collapsed recently, moving closer to contango, suggesting a better-supplied physical market. Our oil balance through 2025 shows a surplus on the assumption that OPEC+ unwinds cuts as currently planned and that we do not see any dramatic changes to Iranian export volumes.

OPEC will release its monthly oil market report today which will include its latest outlook for the market through 2025. There is the potential for further demand revisions from the group. Last month, OPEC cut its demand growth forecasts by 110k b/d and 100k b/d for 2024 and 2025 respectively. However, the group still estimates demand to grow by 1.93m b/d this year and 1.74m b/d next year, which is still very aggressive compared to other demand estimates, which are

nearer 1m b/d.

The natural gas market saw significant strength yesterday. Henry Hub settled 9.4% higher on the day, taking it above \$2.90/MMBtu. Colder weather contributed to the move, while short covering added to the move. The latest CFTC data shows that speculators were holding a net short of almost 146k lots in Henry Hub as of last Tuesday, a sizeable short, which leaves plenty of potential short covering with the right catalyst.

In Europe, natural gas prices have also rallied. TTF settled more than 3.1% higher yesterday. Lower wind power generation has provided support to gas prices, while the forecast also shows cooler weather in the region, which should be supportive for heating demand.

Iron ore slips back to \$100/t

Iron ore slipped back to \$100/t level on Monday after Beijing's latest stimulus efforts mostly disappointed the market. Iron ore is among the most vulnerable to China's slowdown risks as the country's property market constitutes the bulk of steel demand. Beijing's stimulus measures so far have focussed on clearing property inventories rather than boosting new starts, which is the biggest steel demand driver. In addition, China's iron ore port inventories have been increasing, further pressuring prices. They now stand at the highest level since early September. We believe high iron ore availability in China will continue to put pressure on prices.

Author

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 www.ing.com.