

## The Commodities Feed: Oil market shows signs of tightening

Oil prices edged higher yesterday on the back of a constructive EIA report, while there are signs of a tightening in the physical market. European natural gas prices traded lower with immediate concerns over Russian supply risks easing



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### Energy – Russian gas supply concerns ease

Oil prices continued to edge higher yesterday and with Brent nearing \$86/bbl, it is up more than 10% since the start of the month. Strength in timespreads has accompanied the strength in the flat price, while there has also been renewed strength in the North Sea physical market despite the return of supply from the Buzzard field. OPEC+ cuts mean that the market should tighten further as we move into the third quarter, suggesting that there is still room for the market to move higher from current levels. Our Brent forecast for 3Q24 remains unchanged at \$88/bbl.

The EIA's weekly inventory report would have added to the positive sentiment in the market. The EIA reported that US commercial crude oil inventories declined by 2.55m barrels over the last week. The draw was driven by an increase in exports, which were up 1.23m b/d week-on-week, while imports fell by 1.25m b/d WoW. Refined products also saw inventory declines with gasoline

and distillate stocks falling by 2.28m barrels and 1.73m barrels respectively. Part of this draw would have been due to lower refinery run rates, which fell 1.5pp over the week. However, stronger demand also played a key role. Implied demand for total refined products increased by 1.86m b/d WoW, with increases in gasoline, distillate, jet and fuel oil demand. The 4-week average implied gasoline demand also continues to trend higher as we move deeper into the US summer driving season, which will ease some concerns over gasoline demand. Demand though is still tracking just below levels seen last year.

European natural gas prices continue to trade in a relatively volatile manner. Front-month TTF futures settled almost 2.5% lower yesterday as immediate concerns over Russian supply to Europe eased. More than 40mcm of gas was booked to transit Ukraine for Friday – in line with usual levels, which suggests that Gazprom received payment for supplies by the deadline of the 20th day of the month. There have been concerns that recent court rulings in Europe would mean payments to Gazprom from the remaining buyers of Russian gas in Europe could be blocked, and these funds seized to compensate for damages awarded to the likes of Uniper for Gazprom's failure to deliver gas.

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