

# The Commodities Feed: Oil risk premium continues to fade

Oil prices have weakened as geopolitical risks continue to ease. Cocoa prices have fallen significantly after initial margins were raised



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## Energy - gas prices fall on warmer weather

The oil market came under pressure yesterday with ICE Brent settling 1.23% lower on the day at US\$88.40/bbl. The geopolitical risk premium continues to fade as tensions between Israel and Iran have eased. There are also some hopes for a potential ceasefire between Israel and Hamas. The weakness in the middle distillate market will also offer little support to the crude market. The ICE gasoil crack is trading at its lowest level since last June, which has dragged down refinery margins. There have already been reports that some Asian refiners are cutting run rates in response to these lower margins.

European natural gas prices weakened yesterday. TTF settled 2.99% lower on the day as the forecast for the next week suggests warmer-than-usual weather. This follows a cold spell across large parts of Europe in April that led to storage declines on some days. Current storage is just under 62% full, which takes it from record highs for this time of year to similar levels seen in 2020. Lower Norwegian gas flows to Europe due to outages have also contributed to the slower inventory build. Daily Norwegian gas flows are down more than 20% from early April. However,

some of this maintenance has been shortened, and flows should recover sooner than previously expected. We still remain relatively bearish towards the European natural gas market and expect TTF to average EUR25/MWh over much of the injection season.

## Agriculture – Cocoa prices slump

London cocoa prices fell more than 13% yesterday to trade below GBP8,200/t. This follows the Intercontinental Exchange increasing initial margins by 23% to GBP14,470 per contract last week. That was the third increase in margins this month. The higher margins and volatility in the cocoa have led to open interest declining significantly. Aggregate open interest has fallen from around 400k lots in November to around 243k lots currently.

The USDA's weekly US crop progress report for the week ending 28 April shows that corn and soybean plantings remain strong. The agency reported that domestic corn plantings are 27% complete, up from 12% planted last week and 23% planted a year ago. It's also above the five-year average of 22%. US soybean plantings are 18% complete as of 28 April, compared to 16% a year ago and the five-year average of 10%. Meanwhile, the agency rated around 49% of the winter wheat crop in good-to-excellent condition, slightly down from 50% a week ago, however, still up from 28% seen last year.

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