

The Commodities Feed: Oil slumps and gas surges

Oil prices have come under pressure despite OPEC+ extending supply cuts, while European gas prices surged higher following an unplanned outage in Norway



Energy - Gas surges on Norwegian outage

Price action in oil yesterday clearly showed that the market was disappointed by the [decision taken by OPEC+](#) over the weekend. ICE Brent settled almost 3.39% lower on the day and below US\$79/bbl - a level last seen in February. While the extension of additional voluntary supply cuts into 3Q24 leaves the market in deficit over the upcoming quarter, the gradual return of 2.2m b/d of supply from October 2024 through to September 2025, in addition to a 300k b/d higher production target for the UAE, risks leaving the market in surplus through 2025. Our balance shows the unwinding of these additional voluntary cuts will leave the market in a small surplus next year. OPEC+ made it clear that the return of these barrels to the market can be paused if market conditions do not allow for this additional supply. However, one must question how long some members will be willing to hold a substantial amount of supply from the market and give market share away to non-OPEC+ producers. The various cuts from the group currently add up to almost 6m b/d.

Preliminary OPEC production numbers for May are starting to be released. Bloomberg's survey shows that OPEC output averaged 26.96m b/d in May, up 60k b/d MoM. The numbers show that Iraqi and UAE output was a combined 458k b/d above their target level. There are still no signs of

Iraq compensating for its overproduction since the start of the year. The lack of compliance by some members only reinforces the view that OPEC+ could struggle to continue with full cuts into 2025 if needed.

European gas prices saw significant volatility yesterday. TTF prices surged as much as 13% at one stage, although they ended up settling just 5.23% higher on the day. The European market has been plagued by supply concerns. The latest is an unplanned outage in Norway. These outages include the Nyhamna processing plant and the Easington terminal in the UK. It is still unclear how long the outages will last. The disruption is linked to a pipeline crack at the Sleipner gas field in the North Sea. Equinor and pipeline operator, Gassco, are looking at the potential of redirecting gas if the outage is prolonged. Daily Norwegian gas flows have fallen to below 265 mcm/day recently, down from 300 mcm/day at the start of June and an average of 320 mcm/day in April.

Agriculture – Australia raises wheat production estimates

Recent estimates from Australia's Bureau of Agricultural and Resource Economics and Science (ABARES) show that wheat production is expected to rise 12% YoY to 29.1mt for the 2024/25 season, which is also 10% higher than the 10-year average. The increase has been driven by a larger planted area, and these higher output estimates come despite concerns over the crop in Western Australia.

The USDA's weekly US crop progress report for the week ending 2 June shows that domestic corn plantings stood at 91% complete, up from 83% planted last week and above the five-year average of 89%. However, this is still below the 95% planted at the same stage last year. US soybean plantings are 78% complete as of 2 June, compared to 89% a year ago and the five-year average of 73%. The agency also rated around 49% of the winter wheat crop in good-to-excellent condition, up from 48% a week ago and 36% seen last year.

Weekly export inspection data from the USDA for the week ending 30 May shows strong demand for US grains. Export inspection for corn stood at 1,374.4kt, up from 1,130.3kt a week ago and 1,206.8kt reported a year ago. Similarly, US soybean inspections stood at 348.6kt, up from 222kt in the previous week and 222.3kt reported a year ago. For wheat, US export inspections came in at 416kt, compared to 398.9kt a week ago and 304.4kt for the same period last year.

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