

The Commodities Feed: Russian gas flows continue

Oil prices increased yesterday due to supply outages and a weaker USD. Meanwhile, despite Gazprom halting supply to OMV, Russian pipeline gas continues to flow into Europe as usual



Energy – Russian pipeline gas continues to flow

Oil prices rallied yesterday with ICE Brent setting almost 3.2% higher. A softening in the USD supported most of the commodities complex. However, for oil, a halt of production at the 755k b/d Johan Sverdrup field in Norway due to a power outage, and a drop in production at the Tengiz field in Kazakhstan provided further upside. In addition, geopolitical risks between Russia/Ukraine have increased after the US said it would allow Ukraine to carry out long-range missile strikes on Russia.

Despite the strength in the flat price yesterday, the prompt WTI time spread flipped into contango, which points towards a market that looks better supplied. Globally, our balance shows that the market will be in surplus through 2025. However, the size of the surplus depends on what OPEC+ decide to do when it comes to output policy for next year. The group will likely decide on this at their next meeting on 1 December.

In natural gas markets, European prices only edged a little higher yesterday (TTF settled 0.75% up on the day) despite Gazprom deciding to stop supplying gas under its long-term contract with the Austrian energy company, OMV. The halting of this supply was due to OMV saying it would not pay

Gazprom for imports to recoup EUR230m in damages it was awarded in an arbitration. OMV said that potentially 5TWh per month of supply is at risk, which is roughly 500mcm (or less than 20mcm/day). However, while Gazprom has stopped supplying OMV under its long-term contract, we have not seen any meaningful drop in Russian pipeline flows to Europe yet. This suggests that Gazprom is still selling into the spot market in Europe. It is still important to remember that all Russian pipeline flows transiting Ukraine will likely stop at the end of this year when Gazprom's transit deal with Ukraine expires, which is equivalent to around 15 bcm of annual supply.

Agriculture – Sugar rises on Brazil mill closures

Sugar prices extended gains for a third straight session yesterday due to the prospects of sugar mills in Brazil having to shut earlier than expected for the season due to above-average rainfall. While this may impact short-term supply, the rainfall should prove beneficial for 2025/26 sugar production with the crush officially getting underway in April.

The USDA's weekly export inspection data for the week ending 14 November shows that US corn shipments rose while soybean and wheat exports eased over the last week. Export inspections for wheat stood at 196.3kt over the week, lower than 353.4kt in the previous week and 378kt reported a year ago. Similarly, US soybean export inspections stood at 2,165kt, down from 2,363kt a week ago but up from the 1,631.5kt reported a year ago. For corn, US export inspections came in at 820.6kt, compared to 797.2kt from a week ago and 601kt reported a year ago.

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.