The Commodities Feed: TTF under further pressure

Oil prices sold off yesterday with supply concerns easing. However, we remain supportive towards the oil market. Increasingly bearish fundamentals also put pressure on European natural gas prices

Energy – US oil output forecasts revised higher

Oil prices sold off yesterday with ICE Brent settling 1.27% lower on the day, which took the market back below $85/bbl. Brent also fell below the 100-day moving average during the trading session, although prices should find some support along the 50-day and 200-day moving averages. Limited disruptions to energy infrastructure in the US Gulf Coast following Hurricane Beryl have eased some supply concerns. Fed Chair Powell's testimony to the US Senate shouldn't have had much of an impact on markets. Powell signalled a willingness to cut rates but also stated that more progress is required in bringing inflation down. Risks related to reducing policy restraint too soon or too much, as well as too late or too little were highlighted. Expectations for a September rate cut have changed little following the testimony.

The EIA's latest Short-Term Energy Outlook saw small revisions higher in US crude oil production forecasts. The agency expects US crude oil production to grow 320k b/d year-on-year to 13.25m b/d in 2024. This is slightly stronger than the 310k b/d growth forecast last month. For 2025, output is expected to grow 520k b/d YoY, compared to a previous forecast of 470k b/d. These revisions come despite the US oil rig count drifting lower over the last month. For US natural gas output, the EIA forecast last month that dry gas production would fall 1.7bcf/d in 2024, however, the agency now expects output to fall by just 0.3bcf/d this year. Growth for 2025 has been trimmed from 2.3bcf/d last month to 1.7bcf/d currently.

OPEC will release its latest monthly oil market report today. We will keep an eye on the group's demand growth forecasts for this year and next. OPEC has been consistently more aggressive than the IEA with its demand numbers in recent months. Last month OPEC forecast oil demand to grow by 2.25m b/d and 1.85m b/d in 2024 and 2025 respectively, well above IEA demand growth forecasts of 960k b/d for 2024 and 1m b/d for 2025.

European natural gas prices continued to come under pressure yesterday. TTF settled 2.95% lower on the day, which saw the market settle at its lowest since mid-May. LNG supply concerns related to Hurricane Beryl have eased, while there are some suggestions that the strong Asian demand seen for much of this year could also slow. We continue to hold a bearish view on TTF and see prices moving towards EUR25/MWh. There is plenty of speculative money in TTF which will likely exit as fundamentals turn increasingly bearish. European storage now stands at 80% full vs a 5-year average of 70%.

Metals – China copper output rises

China’s refined copper production rose 9.5% year-on-year to 1.005mt in June (up from a previous estimate of 985kt), according to the latest survey from Shanghai Metals Market (SMM). However, it fell marginally by 0.4% from production levels in May. The group believes that production could rise by 1.8% to 1.11mt in July as smelters return from maintenance. In other metals, Chinese refined zinc output rose 1.8% month-on-month to 545.8kt in June, while it is expected to fall to 507kt in July due to maintenance amid concentrate shortages and regular repairs.

The latest COTR report released yesterday showed that investors boosted net bullish positions for copper by 9,156 lots for a second consecutive week to 85,601 lots for the week ending 5 July, the highest net long since 31 May 2024. For zinc, the net long rose by a marginal 173 lots to 31,154 lots, after reporting declines for five consecutive weeks. Finally, money managers trimmed their net long in aluminium by 364 lots to 125,762 lots.

Agriculture – Vietnam coffee exports under pressure

Robusta coffee futures edged higher yesterday supported by falling export estimates from the top producer, Vietnam. The latest estimate from the General Department of Vietnam Customs shows that coffee exports are expected to fall by 50.4% year-on-year (-11.5% MoM) to 70.2kt in June. This would be the lowest monthly export volume since 2010-2011. Poor weather conditions are largely behind these lower volumes. Tightness in Robusta has seen the spread between higher-quality Arabica and Robusta tighten.

The latest data from France’s Agriculture Ministry shows that soft-wheat production could drop by 15.4% to 29.7mt (the lowest in four years) in 2024. The decrease in production estimates is largely driven by lower area with planting falling 10.8% YoY to 4.2m hectares due to heavy rains.

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