The Commodities Feed: US natural gas jumps after Chesapeake plans for output cuts

US natural gas prices jumped this morning as a major shale driller announced production cuts for the year. In metals, aluminium surged on speculation the White House is planning fresh sanctions on Russia

Energy: US natural gas prices jump

US natural gas prices rallied in the early trading session with the Henry Hub front-month contract rising over 8% as Chesapeake Energy plans to lower its gas production in 2024 amid the extended weakness in gas prices. The company plans to 'defer placing wells on production while reducing rig and completion activity' due to the current market dynamics. The company has lowered its capital expenditure plan by 20% for 2024 and aims to produce 2.65-2.75 bcf/d of natural gas, compared to the output levels of around 3.43 bcf/d in 4Q23. Natural gas has been trading under pressure with prices reaching their lowest level in 30 years last week, as a warmer-than-usual winter in the US weighs on heating fuel demand.

Crude oil prices retreated yesterday with both ICE Brent and NYMEX WTI falling over 1% at the close. The ongoing concerns over a slowdown in global consumption (especially from China) are capping any major upside in oil prices. However, increasing geopolitical conflicts and OPEC+'s continuous efforts to curb output levels have kept oil prices in a tight trading range for now.

Meanwhile, recent data from Russia's Energy Ministry shows that the nation's daily crude oil exports dropped by 42,000 tonnes (307Mbbls/d) in January compared to the May-June 2023 average, in line with its pledge to OPEC+ cuts. As per the agreement, Russia pledged to reduce its daily oil exports by 500Mbbls, with 300Mbbls coming from crude shipments and remaining from other petroleum products. On the production side, Russia's Energy Ministry estimates crude oil output to drop by around 1.5% year-on-year to 523mt (about 10.5MMbbls/d) in 2024 compared to around 531mt (about 10.66MMbbls/d) in 2023.

Metals: LME aluminium surges on US sanctions speculation

LME aluminium rose over 2.5% in morning trade today following reports of plans for a new wave of US sanctions against Russia. US President Joe Biden said the US plans to unveil a "major" sanctions package against Russia on Friday. Although he wasn't specific about which industries would be affected, this has left the market speculating that Russia's metals industries may be targeted. In December, the UK restricted British individuals and entities from trading physical metals including aluminium, copper and nickel from Russia, while also hinting at a possible coordinated action with international partners. The UK is the only country in Europe to have adopted such measures. This could also lead the LME to reopen the debate on whether it should ban deliveries of Russian metal. The market will be now awaiting clarity on how far-reaching any US sanctions might be.

Meanwhile, recent numbers from the International Aluminium Association (IAI) show that monthly aluminium output rose 2.4% YoY to 6.04mt last month, following higher production from almost all major producing countries. Chinese output is estimated to have increased 2.8% YoY to 3.56mt last month. Meanwhile, aluminium production in Asia (ex-China) jumped 5.5% YoY to 406kt in January. However, production in Western and Central Europe reported marginal gains of 0.4% YoY last month.

Elsewhere, the International Copper Study Group's (ICSG) latest update shows that the global copper market remained in a marginal supply surplus of 20kt in December 2023. Meanwhile, the Group estimates a total deficit of 87kt for the whole of 2023 following subdued mine production and higher demand (especially in China). Global mine and refined copper production increased by 1% YoY and 6% YoY, respectively, while overall apparent refined demand increased by 4% YoY in 2023.

Steel inventories at major Chinese steel mills rose significantly to 15.1mt in early February, up 23.8% compared to late January, according to data from the China Iron and Steel Association (CISA). Crude steel production at major mills rose 2.6% from late January to 2.07mt/d in early February.

The latest LME COTR report released yesterday shows that investors boosted net bullish positions for copper by 1,217 lots to 66,675 lots in the week ending on 16 February. Similarly, net bullish bets for aluminium rose by 1,274 lots to 119,976 lots at the end of last week. In contrast, money managers reduced net bullish bets for zinc by 9,545 lots for a third straight week to a record low of 11,033 lots as of last Friday.

Agriculture: European wheat shipments remain soft

Weekly data from the European Commission shows that soft wheat exports for the season so far fell 4.3% YoY to reach 19.9mt as of 13 February, down from 20.8mt for the same period last year. The decline was mainly due to the availability of cheaper supplies from Ukraine. The primary destinations for these shipments were Morocco, Nigeria, and Algeria. Meanwhile, EU corn imports dropped 42% YoY to 10.9mt in the season so far.

Weekly export inspection data from the USDA for the week ending 15 February shows that US corn shipments rose while wheat and soybean exports slowed over the last week. US weekly inspections of wheat for export stood at 380.8kt, down from 407.5kt in the previous week but up from the 374.4kt reported a year ago. Similarly, export inspections for soybean stood at 1,185.9kt over the week, lower than 1,342.1kt in the previous week and 1,583.9kt reported a year ago. Meanwhile, US corn export inspections rose to 918.6kt, compared to 892.3kt a week ago and 623.8kt a year ago.

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