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[1]

Gas prices in Europe and Asia retreated on Friday, however the front-month NBP and TTF contracts were once again rallying during trading on Monday morning amid a tight supply outlook.

The front-month TTF and NBP contracts fell slightly on Friday, with the UK marker down 0.6% and the Dutch gas benchmark down 0.9%. Despite the fall, both contracts remained firmly in the USD 12/MMBtu range, with the benchmarks on the upward trajectory during trading on Monday morning.

Prices have been rallying on a tight supply outlook amid planned maintenance on the Yamal and Nord Stream 1 pipelines.

Asian LNG marker JKM mirrored the fall, closing 0.9% lower but remaining in the USD 13/MMBtu range.

Meanwhile, US gas benchmark Henry Hub continued to strengthen, making it nine days of gains on Friday after closing 1.1% higher at USD 3.70/MMBtu – Henry Hub's highest close since December 2018. The US gas benchmark Henry has been rallying on the back of lower production and strong demand, with domestic demand strengthening due to warm weather and pipeline and LNG exports booming.

Whilst gas prices in Europe slipped on Friday, coal prices on the continent set a new record high to end the week, with the front-month API2 contract closing at USD 123.60/tonne.

Prices have been rallying amid China's ban on coal imports from Australia, which has seen the nation draw more cargoes away from the Atlantic basin. Prices have also rallied due to strong gas and power

prices in Europe.

The European carbon price fell slightly on Friday, in line with the slump in gas prices, with the July-dated contract down 0.5% but remaining in the EUR 57/tonne range.

Crude prices were mixed on Friday, with Brent hitting a three-year high after OPEC and its allies, collectively known as OPEC+, failed to reach an agreement on increasing production during the cartel's latest monthly meeting on Friday.

OPEC+ is meeting again on Monday to discuss plans to raise production after the United Arab Emirates (UAE) opposed the plan late last week. Saudi Arabia and Russia proposed increasing production by 400,000 barrels each month from August through to December – a plan which garnered support from the majority of the cartel, according to reports.

Some market observers have suggested the proposed production increase may not be enough to stop the bull run by crude prices – which are up over 50% since the start of the year. Failure to agree increase production will also aid fears about rising inflation.

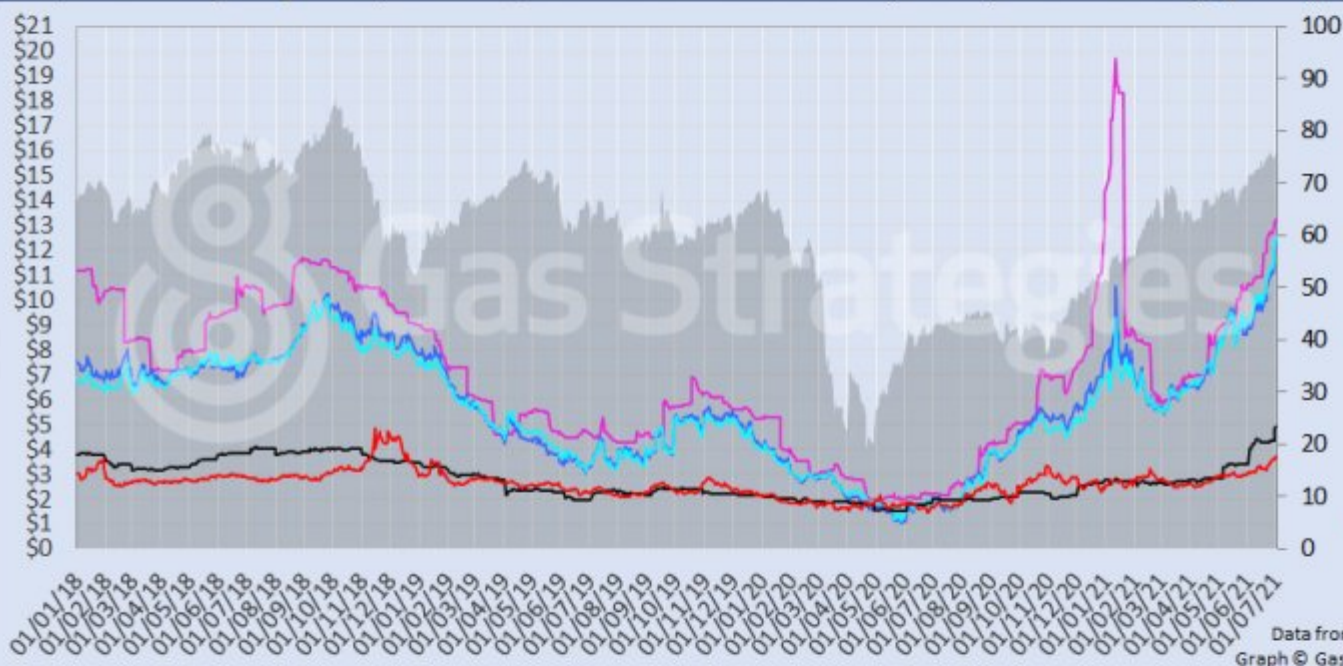
In recent weeks OPEC has suggested that global demand will outstrip supply by year-end.

Brent closed 0.4% higher to settle in the USD 76/barrel range, with WTI falling by 0.1% but remaining in the USD 75/barrel range.

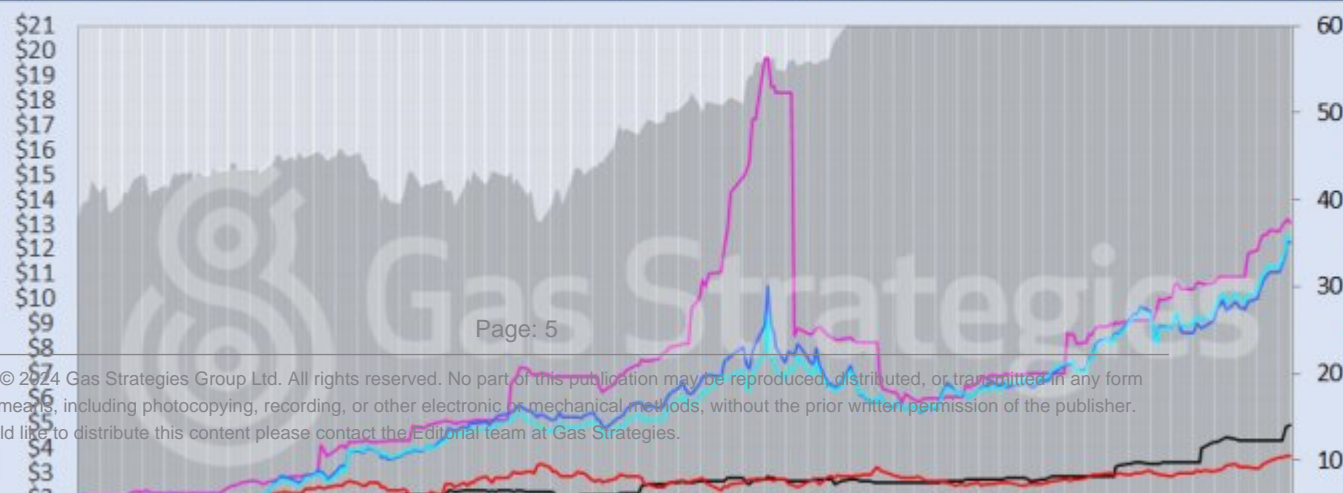
Front-month futures and indexes at last close with day-on-day changes (click to enlarge):

Front-month futures/index	02/07/2021	01/07/2021	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	3.70	3.66	0.04	
NBP (\$/MMBtu)	12.27	12.34	-0.07	
NBP (£p/th)	88.94	89.58	-0.64	
Henry Hub-NBP spread	8.57	8.68	-0.11	
TTF (\$/MMBtu)	12.44	12.56	-0.12	
TTF (€/MWh)	35.83	36.14	-0.32	
Henry Hub-TTF spread	8.74	8.90	-0.16	
JKM (\$/MMBtu)	13.12	13.23	-0.12	
TTF-JKM spread	0.67	0.67	0.00	
Henry Hub-JKM spread	9.42	9.57	-0.15	
Brent (\$/barrel)	76.17	75.84	0.33	
WTI (\$/barrel)	75.16	75.23	-0.07	
Brent-WTI spread (\$/barrel)	1.01	0.61	0.40	
API2 Coal (\$/tonne)	123.60	122.30	1.30	
API2 Coal (\$/MMBtu)	4.94	4.89	0.05	
EU CO ₂ emissions allowances (€/tonne)	57.25	57.53	-0.28	

US, UK and European gas hubs, Asian LNG, API2 coal front-month futures (left axis) and Brent crude (right axis), since 1/01/18



US, UK and EU gas hubs, Asian LNG, API2 coal front-month futures (left axis) and Brent crude (right axis), since 1/01/18



[2]

Time references based on London GMT. Brent, WTI, NBP, TTF and EU CO2 data from ICE. Henry Hub, JKM and API2 data from CME. Prices in USD/MMBtu based on exchange rates at last market close. All monetary values rounded to nearest whole cent/penny. Text and graphic copyright © Gas Strategies, all rights.



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