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[1]

Oil prices hit a fresh 33-month high on Monday after OPEC and its allies cancelled a meeting on Monday, meaning no deal was reached regarding plans to increase production from August through to December.

OPEC had planned to meet on Monday after talks broke down during the cartel's latest monthly meeting on Thursday last week regarding a proposal to increase production by 400,000 barrels/d each month from August through to December.

The United Arab Emirates (UAE) opposed the plan as it believes the quota is too low, according to reports. Talks were held in the run-up to Monday's meeting, however the meeting was cancelled as the parties could not reach an agreement before the meeting kicked off.

The impasse on the proposed production increase saw Brent and WTI hit fresh 33-month highs, with the front-month Brent contract settling in the USD 77/barrel range and WTI closing in the USD 76/barrel range.

Prices are expected to climb further in the short-term, with gains capped on Monday due to thin trading in the US due to the public holiday to mark Independence Day.

In recent weeks OPEC has suggested that global demand will outstrip supply by year-end. If an agreement to boost production further cannot be reached in the short-term, prices may trend even higher over the second half of the year, provided Covid-19 does not curb demand in major consuming nations.

The crude price rally was mirrored by European gas markers TTF and NBP, which rebounded on Monday amid a tight supply outlook.

The front-month TTF and NBP contracts surged by 6.1% and 5.3% respectively on Monday, with the Dutch marker taking a slight premium over Asian LNG marker JKM after closing in the USD 13/MMBtu range. As for NBP, it headed towards the USD 13/MMBtu range after closing at USD 12.91/MMBtu.

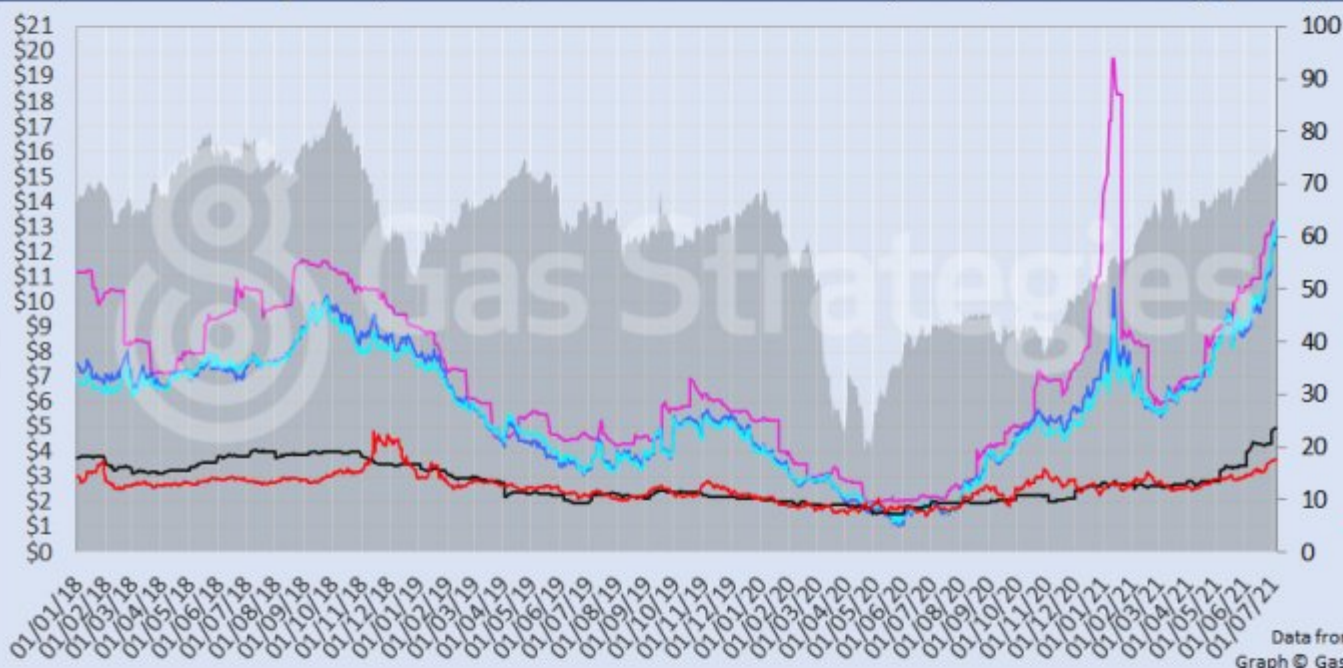
The rally helped lift the European carbon price, with the July-dated contract up 1% but remaining in the EUR 57/tonne range.

As for JKM and Henry Hub, they remained unchanged on Monday due to the public holiday in the US. The API2 coal price was also unchanged to start the week.

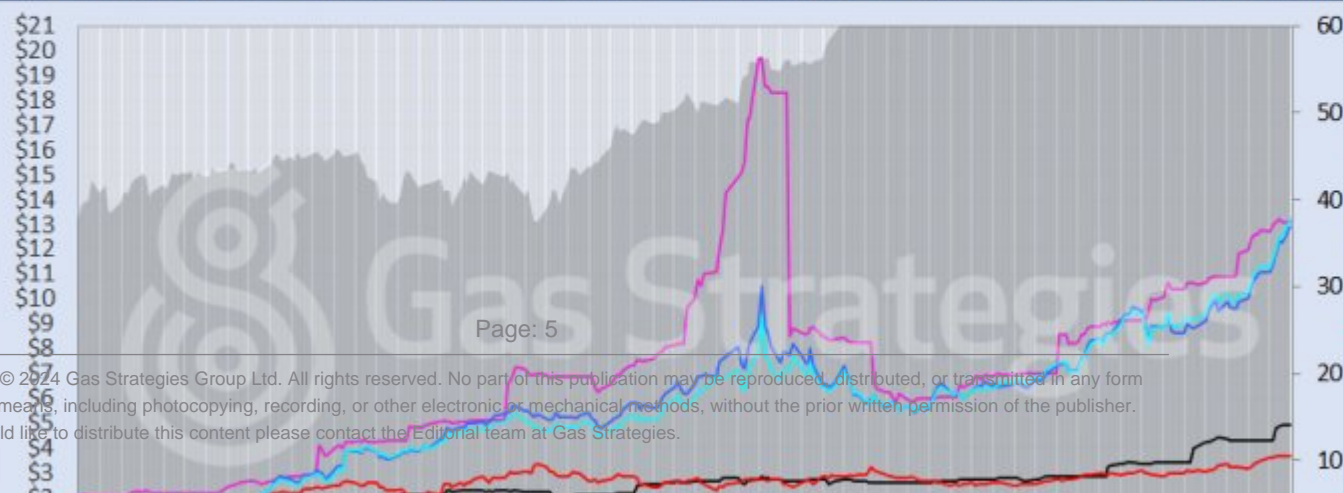
Front-month futures and indexes at last close with day-on-day changes (click to enlarge):

Front-month futures/index	05/07/2021	02/07/2021	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	3.70	3.70	0.00	
NBP (\$/MMBtu)	12.91	12.27	0.65	
NBP (£p/th)	93.22	88.94	4.28	
Henry Hub-NBP spread	9.21	8.57	0.65	
TTF (\$/MMBtu)	13.20	12.44	0.75	
TTF (€/MWh)	37.95	35.83	2.12	
Henry Hub-TTF spread	9.50	8.74	0.75	
JKM (\$/MMBtu)	13.12	13.12	0.00	
TTF-JKM spread	-0.08	0.67	-0.75	
Henry Hub-JKM spread	9.42	9.42	0.00	
Brent (\$/barrel)	77.16	76.17	0.99	
WTI (\$/barrel)	76.34	75.16	1.18	
Brent-WTI spread (\$/barrel)	0.82	1.01	-0.19	
API2 Coal (\$/tonne)	123.60	123.60	0.00	
API2 Coal (\$/MMBtu)	4.94	4.94	0.00	
EU CO ₂ emissions allowances (€/tonne)	57.81	57.25	0.56	

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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