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US natural gas rallied strongly yesterday, with the June front-month contract settling at USD 2.30/MMBtu, the highest month-ahead close since January and the fifth rise in six trading sessions. Movements in most other markets were muted – notably crude oil, despite Israel's fury at Wednesday's warning over future weapons shipments from US president, Joe Biden.

After a brief pause on Wednesday, when the June Henry Hub contract was down 2 cents, yesterday's rise of 5.2% came in the wake of the latest storage data from the Energy Information Administration (EIA), which shows that the large surplus of recent months is starting to shrink, albeit slowly, as output falls. Henry Hub is now almost a fifth up on where it was last week.

The EIA estimated working gas in storage at 2,563 Bcf as of 3 May, up 79 Bcf from the previous week and above the five-year historical range. Stocks were 444 Bcf higher year-on-year and 640 Bcf above the five-year average of 1,923 Bcf for this time of year.

While the surplus remains historically large, the gap with the five-year average has narrowed in recent weeks in percentage terms. It currently stands at 33%, down from 35% last week and 37% the week before. That said, stocks remain outside the five-year maximum-minimum range by a significant margin.

Oil prices edged upwards by 0.3-0.4% but that was enough to break them out of the narrow trading ranges of the past week. Brent closed at USD 83.88/barrel and WTI at USD 79.26/barrel.

All eyes remain on the war in Gaza, with Israel's prime minister Benjamin Netanyahu defiant in the face of Wednesday's weapons warning from the US.

That offensive now looks imminent, with some news outlets suggesting it has already begun.

European gas futures rallied, with TTF up 0.7%, from USD 9.66/MMBtu on Wednesday to USD 9.73/MMBtu on Thursday, and NBP up 0.7%, from USD 9.39/MMBtu to USD 9.45/MMBtu. Prices continued to rise in early trading on Friday but fell later in the morning to end up where they started.

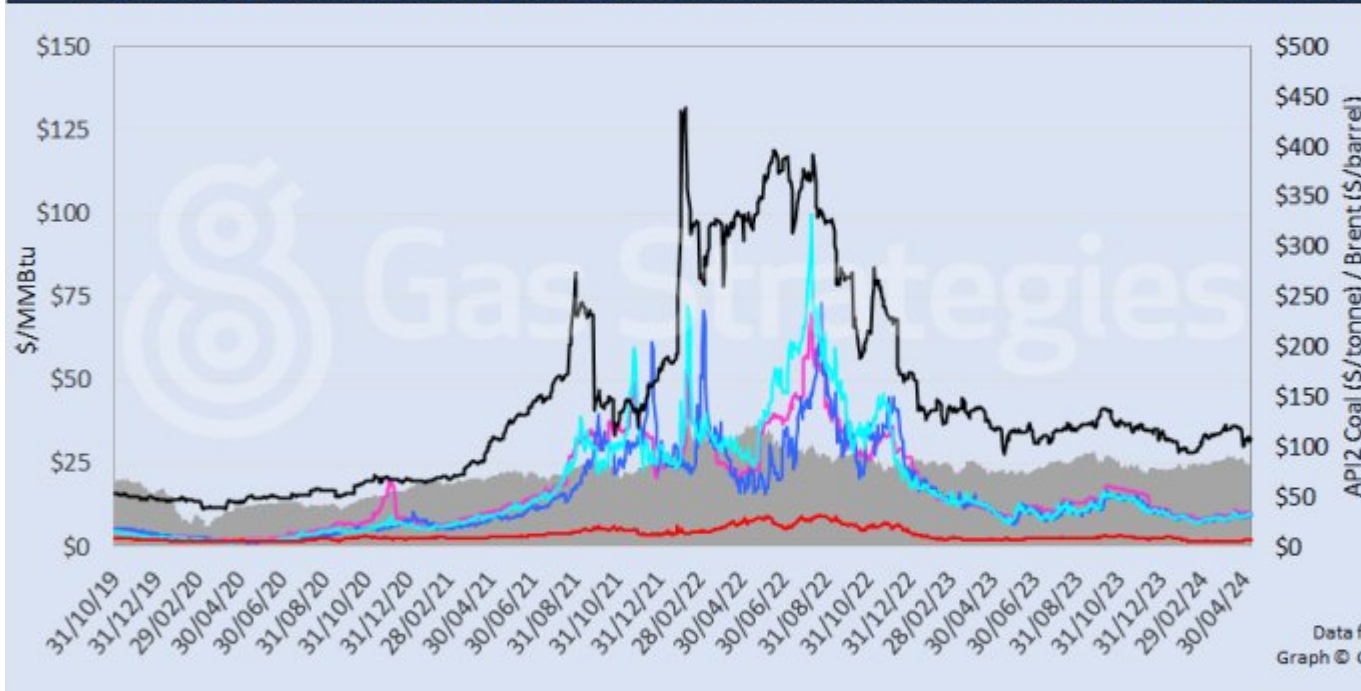
In Asia, the JKM LNG price was unchanged at USD 10.46/MMBtu while the TTF-JKM spread narrowed from USD 0.80/MMBtu to USD 0.73/MMBtu.

European coal prices rose, with API closing at USD 4.31/MMBtu, up 1.7% from USD 4.24/MMBtu on Wednesday.

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

Front-month futures/index	09/05/2024	08/05/2024	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	2.30	2.19	0.11	
NBP (\$/MMBtu)	9.45	9.39	0.06	
NBP (£p/th)	75.58	74.73	0.85	
Henry Hub-NBP spread	7.15	7.20	-0.05	
TTF (\$/MMBtu)	9.73	9.66	0.07	
TTF (€/MWh)	30.87	30.61	0.26	
Henry Hub-TTF spread	7.43	7.47	-0.05	
JKM (\$/MMBtu)	10.46	10.46	0.00	
TTF-JKM spread	0.73	0.80	-0.07	
Henry Hub-JKM spread	8.16	8.27	-0.11	
Brent (\$/barrel)	83.88	83.58	0.30	
WTI (\$/barrel)	79.26	78.99	0.27	
Brent-WTI spread (\$/barrel)	4.62	4.59	0.03	
API2 Coal (\$/tonne)	107.75	106.00	1.75	
API2 Coal (\$/MMBtu)	4.31	4.24	0.07	
EU CO ₂ emissions allowances (€/tonne)	71.51	69.99	1.52	

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



EU carbon allowances (EUAs) on the Emissions Trading System (ETS)



[1]

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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