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US natural gas futures returned to their remarkable rally of recent weeks on Wednesday amid reports that the troubled Freeport LNG export plant has resumed production at all three liquefaction trains, with feed gas levels exceeding 2 Bcf/d, the highest in around a year.

The June Henry Hub contract rose by 3.2%, from USD 2.34/MMBtu on Tuesday to close at USD 2.42/MMBtu, the highest front-month close since January and 50% up on the low of USD 1.61/MMBtu reached on 26 April – just three weeks ago.

US gas production has fallen to below 96 Bcf/d from well over 100 Bcf/d earlier in the year, while the southern states are facing hot weather, boosting air conditioning loads.

Traders expect bullish data on storage later today from the Energy Information Administration, so another rise could be on the cards.

The impact of higher US gas prices will be felt by term buyers of US LNG because prices in sales and tolling contracts are generally linked to the Henry Hub price. That said, this has so far had little impact on other price benchmarks.

Price movements in other natural gas markets were minimal on Wednesday, with European and Asian prices barely budging.

In continental Europe, the June TTF contract edged up by 0.4%, from USD 9.37/MMBtu on Tuesday to USD 9.40/MMBtu on Wednesday. Storage is at record levels for the time of year.

In the UK, NBP was also up by 0.4%, from USD 9.01/MMBtu to USD 9.04/MMBtu.

In Asia, the JKM LNG price remained rangebound, rising by 0.2%, from USD 10.45/MMBtu on Tuesday to USD 10.47 on Wednesday, taking the TTF-JKM spread to USD 1.07/MMBtu. Heat waves continue in Asia, notably in India.

General sentiment at recent conferences has been that this summer is not likely to see the fierce inter-basin competition between European and Asia buyers that occurred during the height of the energy crisis in 2022.

It is too early to say what winter might bring but it looks likely that Europe will begin the heating season with bulging storage facilities. Much will depend on whether winter is mild, as it was in 2023/24, or severe.

Crude oil prices edged upwards, with Brent rising by 0.4%, from USD 82.38/barrel on Tuesday to USD 82.75/barrel on Wednesday and WTI up 0.8%, from USD 78.02/barrel to USD 78.63/barrel.

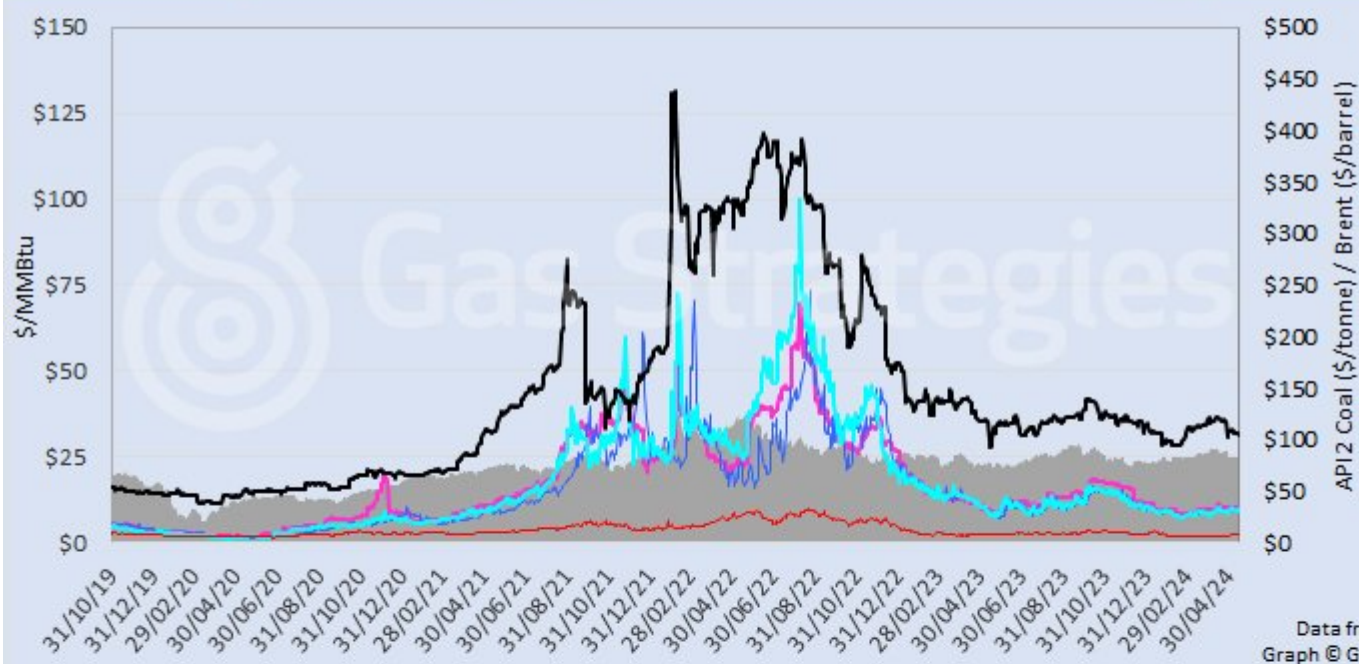
The rises came amid positive economic data in the US, with inflation in April down to 3.4%, sending US stock markets to record highs and re-igniting hopes of interest rate cuts later in the year.

European coal prices reversed their previous fall, with API2 up 0.4%, from USD 4.21/MMBtu to USD 4.22/MMBtu, in line with gas prices.

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

Front-month futures/index	15/05/2024	14/05/2024	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	2.42	2.34	0.07	
NBP (\$/MMBtu)	9.04	9.01	0.03	
NBP (£p/th)	72.02	71.96	0.06	
<i>Henry Hub-NBP spread</i>	<i>6.63</i>	<i>6.67</i>	<i>-0.04</i>	
TTF (\$/MMBtu)	9.40	9.37	0.04	
TTF (€/MWh)	29.73	29.67	0.07	
<i>Henry Hub-TTF spread</i>	<i>6.99</i>	<i>7.02</i>	<i>-0.04</i>	
JKM (\$/MMBtu)	10.47	10.45	0.02	
<i>TTF-JKM spread</i>	<i>1.07</i>	<i>1.08</i>	<i>-0.02</i>	
<i>Henry Hub-JKM spread</i>	<i>8.05</i>	<i>8.11</i>	<i>-0.05</i>	
Brent (\$/barrel)	82.75	82.38	0.37	
WTI (\$/barrel)	78.63	78.02	0.61	
<i>Brent-WTI spread (\$/barrel)</i>	<i>4.12</i>	<i>4.36</i>	<i>-0.24</i>	
API2 Coal (\$/tonne)	105.60	105.20	0.40	
API2 Coal (\$/MMBtu)	4.22	4.21	0.02	
EU CO ₂ emissions allowances (€/tonne)	67.78	68.53	-0.75	

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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