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The US crude oil price accelerated away from negative territory yesterday, as the expiring June-dated contract on WTI gained 2.1% to close at USD 32.50/barrel, dispelling any fears that the market would witness a repeat of last month's sub-zero pricing. July WTI, which settled up 1% at USD 31.96/barrel and now becomes the front month, was already trading at much higher volumes after investors fled the front-month amid fears that they would get caught short when the June contract expired.

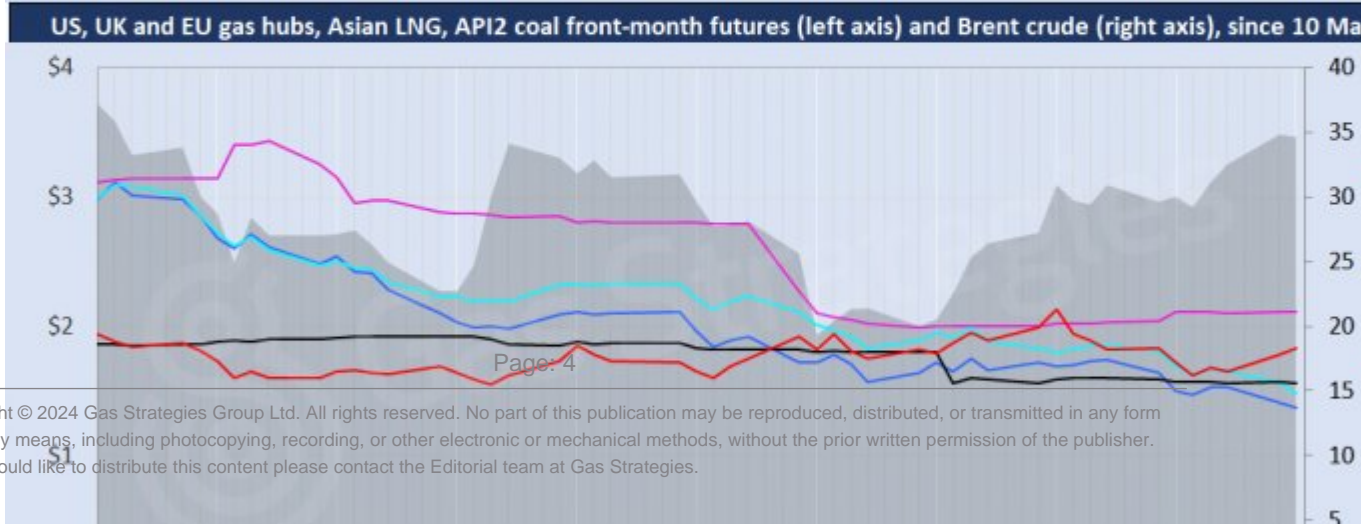
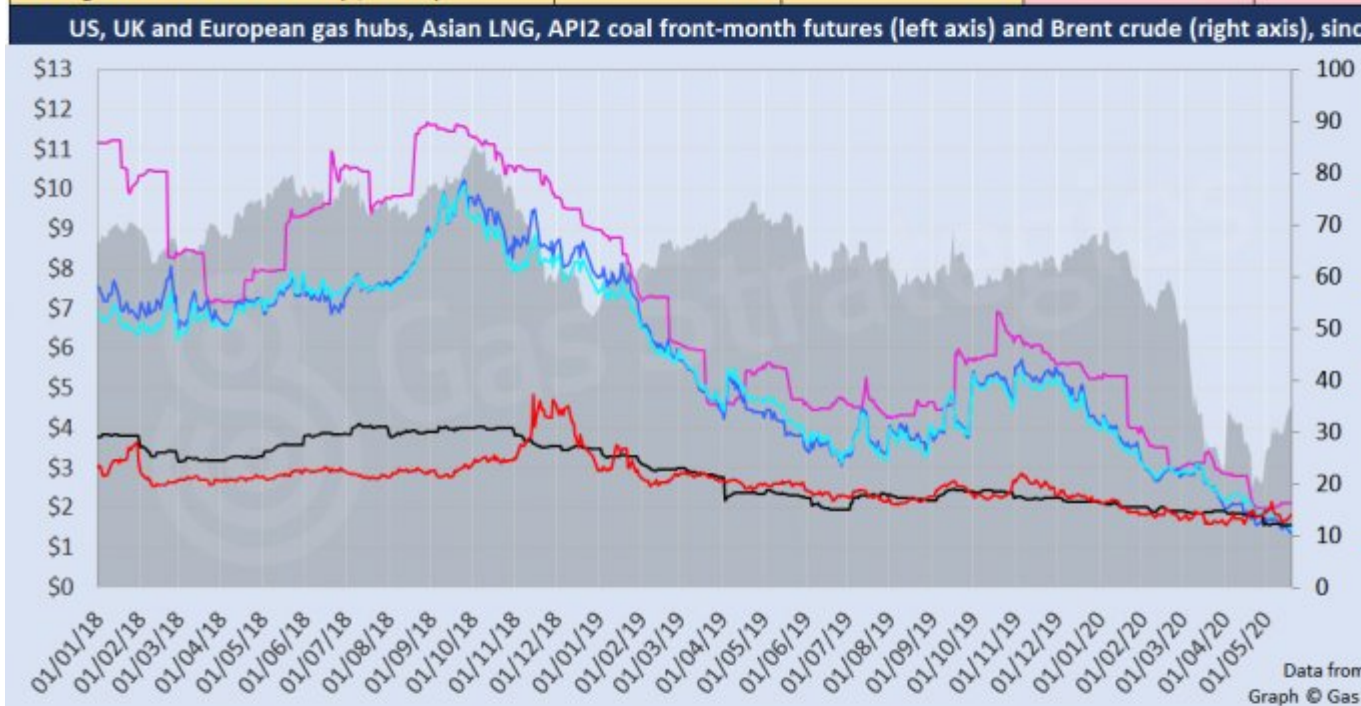
Upon expiry of WTI contracts, positions must be settled physically at Cushing, Oklahoma, the world's largest crude oil storage facility. When the May-dated contract expired a month ago [1], a lack of available storage capacity and vanishing demand forced the price deep into negative territory, settling at minus USD 37.63/barrel.

The global oil price recovery since then has been strong, with Brent gaining 44% on deep supply cuts and a gradual return of demand as lockdowns are eased, but fragility remains: Brent fell 0.5% yesterday to USD 34.65/barrel, ending a three-day rally.

US natural gas price Henry Hub again rose strongly against falling European benchmarks, gaining 2.6% to USD 1.83/MMBtu. Dutch TTF fell by a hefty 6.3% to close at the equivalent of USD 4.61/MMBtu, while UK NBP fell 3.1% to USD 1.37/MMBtu. These movements widened the 'American premium' over both UK and continental European wholesale natural gas prices, which is further undermining the economics of US LNG exports [2].

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

Front-month futures/index	19/05/2020	18/05/2020	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	1.83	1.78	0.05	
NBP (\$/MMBtu)	1.37	1.41	-0.04	
NBP (£p/th)	11.17	11.53	-0.36	
Henry Hub-NBP spread	-0.46	-0.38	-0.09	
TTF (\$/MMBtu)	1.48	1.57	-0.09	
TTF (€/MWh)	4.61	4.92	-0.31	
Henry Hub-TTF spread	-0.35	-0.21	-0.14	
JKM (\$/MMBtu)	2.11	2.11	0.00	
TTF-JKM spread	0.63	0.53	0.09	
Henry Hub-JKM spread	0.28	0.32	-0.05	
Brent (\$/barrel)	34.65	34.81	-0.16	
WTI (\$/barrel)	32.50	31.82	0.68	
Brent-WTI spread (\$/barrel)	2.15	2.99	-0.84	
API2 Coal (\$/tonne)	38.90	39.20	-0.30	
API2 Coal (\$/MMBtu)	1.56	1.57	-0.01	
EU CO ₂ emissions allowances (€/tonne)	19.90	20.26	-0.36	



[3]

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 reserved.



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