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[1]

Oil prices rallied by 2.5% on Thursday on an improving economic outlook, which is expected to lend support to crude demand.

The front-month Brent contract closed USD 1.73/barrel higher on Thursday to close in the USD 69/barrel range, with the month-ahead WTI contract recording a gain of USD 1.58/barrel to settle in the USD 66/barrel range.

The gains were in part attributed to the US House of Representatives giving final approval on Wednesday to the USD 1.9 trillion Covid-19 relief bill. The Covid-19 vaccine rollout in the US is also adding to an improving economic outlook – which is expected to support crude demand.

However, US and global oil storage remains brimming, which could place downward pressure on crude prices going forward. US oil inventories increased by 13.8 million barrels in the week to 5 March, the US Energy Information Administration (EIA) said on Thursday. Analysts polled by Reuters had suggested that US crude storage would increase by 816,000 barrels last week. The larger than expected crude storage build is due to the refining sector still getting back to its feet after the winter storm across the US Gulf Coast in mid-February, which knocked out large swathes of refining and production capacity.

European gas prices hit fresh one-month highs on Thursday, with the rally seeing European gas markers extend their premium over Asian LNG marker JKM.

The strengthening European carbon price – which hit a record high of EUR 41.85/tonne on Thursday–

has helped lift gas prices this week, along with forecasts of colder weather for Europe. On Thursday, the front-month UK NBP price rallied by 4.4% to close at the equivalent of USD 6.51/MMBtu. The month-ahead Dutch TTF contract increased by 3.5% to settle at the equivalent of USD 6.36/MMBtu.

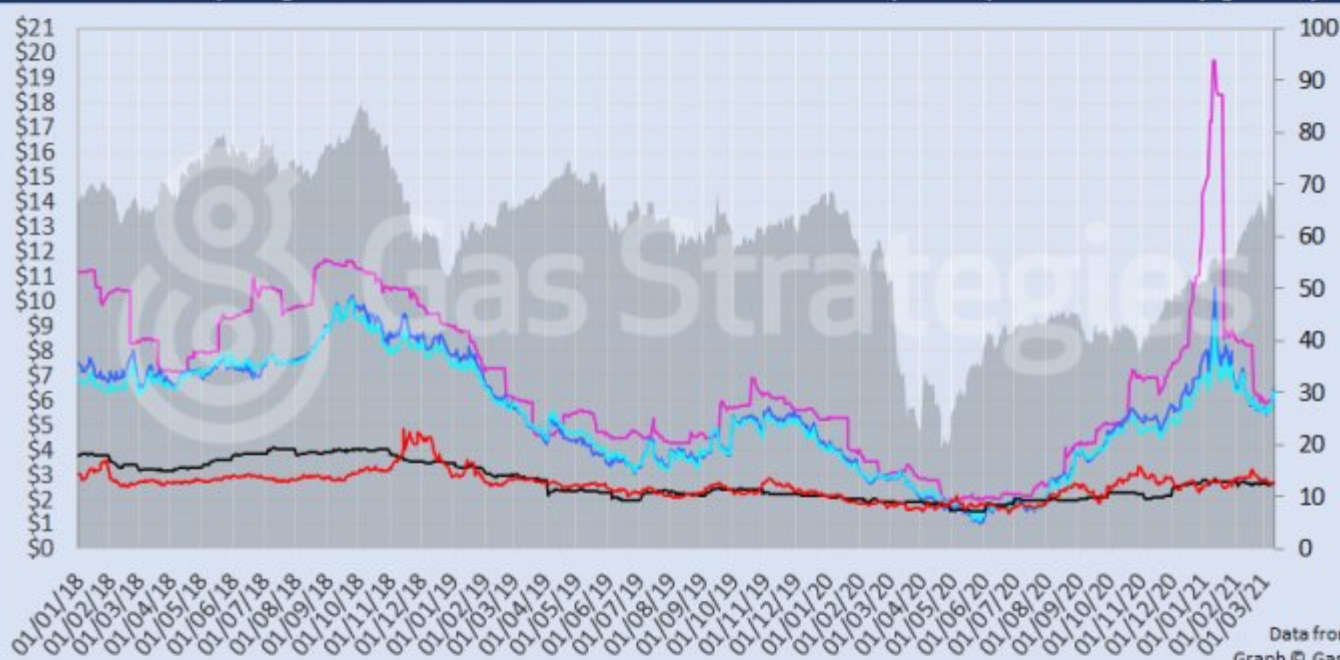
Meanwhile, CME's JKM futures contract gained on the back of the bull run on the European gas markers, with the Asian LNG marker closing 0.9% higher at USD 6.06/MMBtu.

In the US, gas benchmark Henry Hub recorded a 0.9% loss but remained in the USD 2.6/MMBtu range.

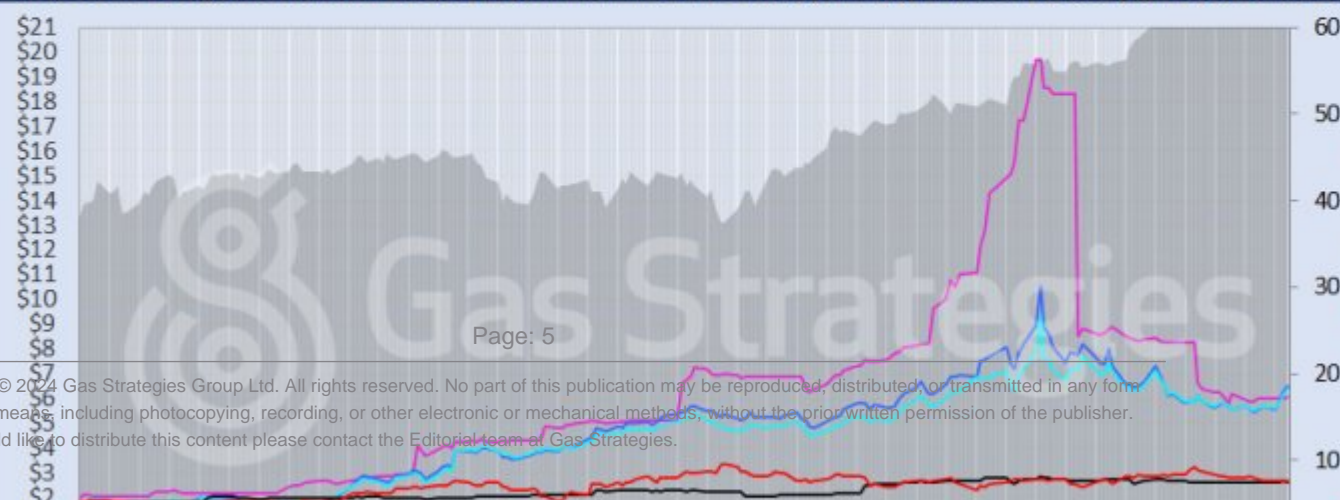
Front-month futures and indexes at last close with day-on-day changes (click to enlarge):

Front-month futures/index	11/03/2021	10/03/2021	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	2.67	2.69	-0.02	
NBP (\$/MMBtu)	6.51	6.24	0.27	
NBP (€/th)	46.58	44.89	1.69	
Henry Hub-NBP spread	3.84	3.55	0.30	
TTF (\$/MMBtu)	6.36	6.15	0.21	
TTF (€/MWh)	18.13	17.63	0.49	
Henry Hub-TTF spread	3.70	3.46	0.24	
JKM (\$/MMBtu)	6.06	6.00	0.05	
TTF-JKM spread	-0.31	-0.15	-0.16	
Henry Hub-JKM spread	3.39	3.31	0.08	
Brent (\$/barrel)	69.63	67.90	1.73	
WTI (\$/barrel)	66.02	64.44	1.58	
Brent-WTI spread (\$/barrel)	3.61	3.46	0.15	
API2 Coal (\$/tonne)	65.95	66.05	-0.10	
API2 Coal (\$/MMBtu)	2.64	2.64	0.00	
EU CO ₂ emissions allowances (€/tonne)	41.85	41.47	0.38	

US, UK and European gas hubs, Asian LNG, API2 coal front-month futures (left axis) and Brent crude (right axis), since 11/03/2021



US, UK and EU gas hubs, Asian LNG, API2 coal front-month futures (left axis) and Brent crude (right axis), since 11/03/2021



[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 reserved.



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