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Contents

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[1]

Crude prices rebounded on Friday, however prices were falling during trading on Monday morning after OPEC and its allies reached a deal on Sunday to increase oil production starting in August.

Oil prices recorded a modest increase on Friday, however prices were plummeting on Monday morning after OPEC and its allies, collectively known as OPEC+, reached an agreement to increase production each month – starting in August – through to the end of 2022.

The deal will ease fears over supply tightness over the second half of 2021, with some reports suggesting that there could now be a surplus should Covid-19 infections continue to increase across the globe.

Under the agreement reached on Sunday, OPEC+ has agreed to increase production by an additional 400,000 barrels/d, starting in August, with the monthly increases to continue through to December 2022.

The deal comes weeks after the United Arab Emirates (UAE) opposed the plan – which was announced at the crude cartel's monthly meeting at the start of July – with the Emirates reportedly believing its proposed production quota was too low.

Under Sunday's deal, the UAE's baseline production quota has been revised higher to 3.5 million barrels/d – an increase of 300,000 barrels/d from its current quota.

OPEC's de-facto leader Saudi Arabia, will see its baseline quota increase by 500,000 barrels/d to 11.5

million barrels/d.

The increase means that the OPEC will have resorted roughly all the production cuts it made at the start of the Covid-19 pandemic – when the cartel cut production by nearly 10 million barrels/d.

As for gas, prices in Europe ended the week on a high, pushed higher by a bullish outlook.

The month-ahead TTF and NBP contracts rallied by 3.1% and 2.3% respectively. The increase saw TTF settle back in the USD 12/MMBtu range, with NBP closing just shy of USD 11.8/MMBtu.

The rally was pinned on lower wind power generation and the lower-than-average gas storage levels in Europe.

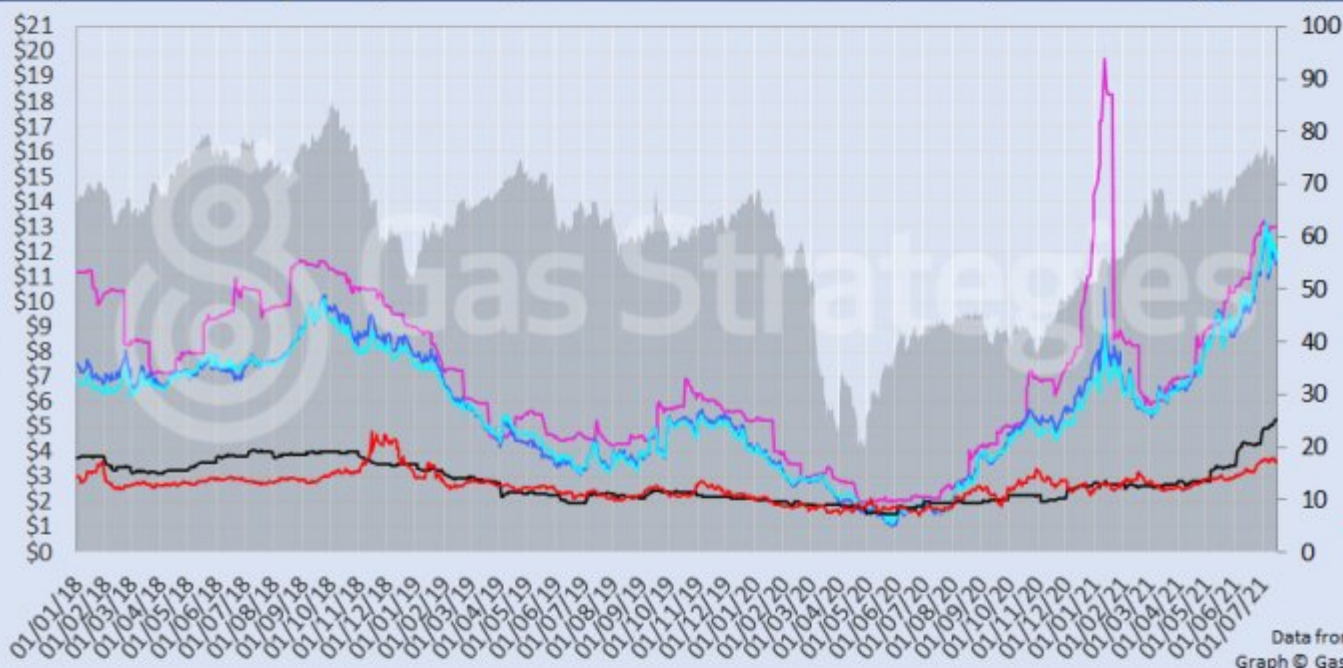
Whilst TTF and NBP showed strong gains, the Asian LNG marker JKM remained unchanged at USD 12.97/MMBtu. The strong gains by the European markers saw JKM's premium of TTF cut to USD 0.91/MMBtu.

In the US, gas benchmark Henry Hub rebounded on Friday, increasing by 1.7% to close at USD 3.67/MMBtu. Prices rallied amid concerns over gas storage levels with injection levels remaining weak.

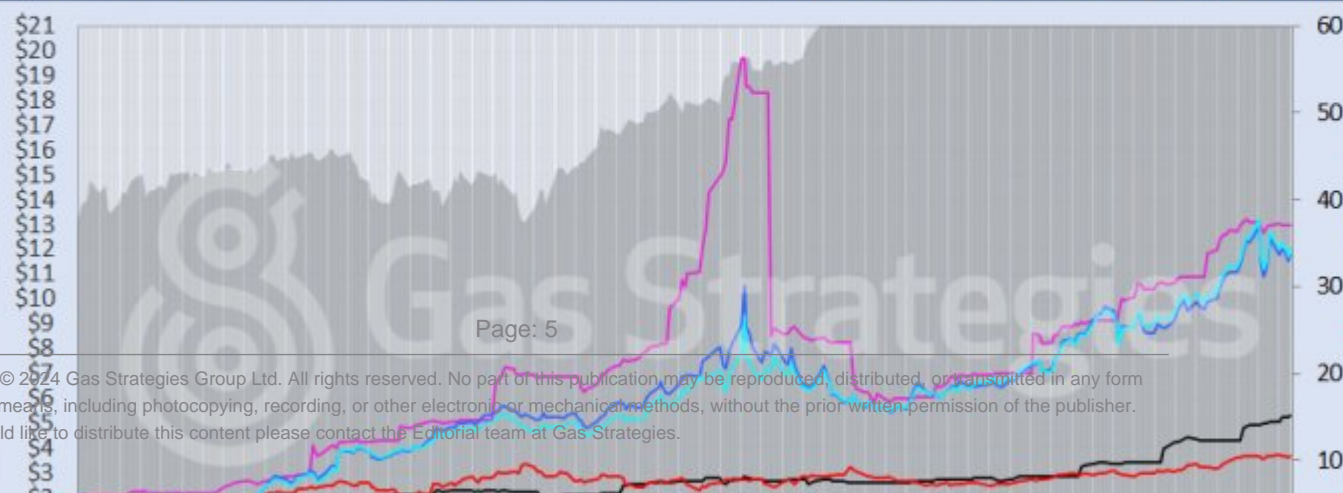
Front-month futures and indexes at last close with day-on-day changes (click to enlarge):

Front-month futures/index	16/07/2021	15/07/2021	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	3.67	3.61	0.06	
NBP (\$/MMBtu)	11.78	11.51	0.27	
NBP (£p/th)	85.48	83.13	2.35	
Henry Hub-NBP spread	8.11	7.90	0.21	
TTF (\$/MMBtu)	12.06	11.70	0.36	
TTF (€/MWh)	34.84	33.80	1.05	
Henry Hub-TTF spread	8.39	8.08	0.30	
JKM (\$/MMBtu)	12.97	12.97	0.00	
TTF-JKM spread	0.91	1.28	-0.36	
Henry Hub-JKM spread	9.30	9.36	-0.06	
Brent (\$/barrel)	73.59	73.47	0.12	
WTI (\$/barrel)	71.81	71.65	0.16	
Brent-WTI spread (\$/barrel)	1.78	1.82	-0.04	
API2 Coal (\$/tonne)	132.65	131.90	0.75	
API2 Coal (\$/MMBtu)	5.31	5.28	0.03	
EU CO ₂ emissions allowances (€/tonne)	52.79	52.89	-0.10	

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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