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[1]

Oil prices have recovered fully from Monday's crash after a third consecutive day of gains on Thursday.

The front-month WTI and Brent contracts erased all the losses the benchmarks recorded on Monday. Both crude markers rallied by over 2% yesterday, with WTI settling at USD 71.91/barrel and Brent hitting USD 73.79/barrel.

The rally was pinned on expectations of a tight supply outlook over the remainder of the year as some market participants expect demand growth to outstrip new supply – despite OPEC+ agreeing to add 400,000 barrels/d back to the market each month from August through to the end of the year.

Prices tumbled on Monday after OPEC+ announced the new production quota on Sunday, with concerns over rising Covid-19 cases also weighing on prices. However there is optimism that demand will remain strong amid rising vaccination rates and continued draws on oil storage in key consuming markets.

As for gas, US gas benchmark Henry Hub hit its highest close since December 2018. The front-month contract rallied by 1.1% to close at USD 4/MMBtu. Henry Hub has been rallying amid forecasts for warmer weather over the remainder of July, which is expected to drive gas demand for air conditioning, and subsequently reduce the availability of gas for injection into US storage sites.

In Europe, prices were mixed. The month-ahead TTF contract continued to climb, rallying by 0.5% in EUR/MWh terms and 0.3% in USD/MMBtu terms. As for UK benchmark NBP, the front-month contract remained unchanged in GBP/th terms but posted a 0.4% gain in USD/MMBtu terms.

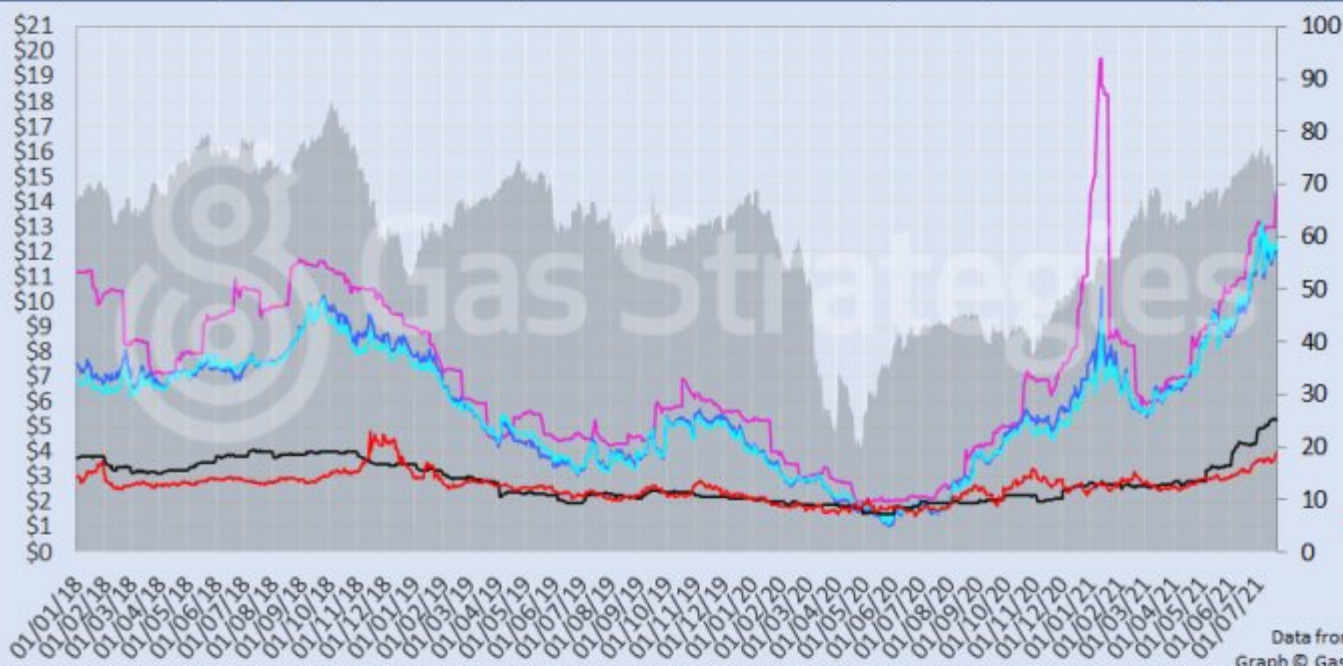
European gas prices have been pushed higher by a multitude of factors, including strong gas prices in Asia, low gas storage levels, warm weather and supply tightness.

In Asia, LNG marker JKM recorded a minor loss to settle at USD 14.28/MMBtu.

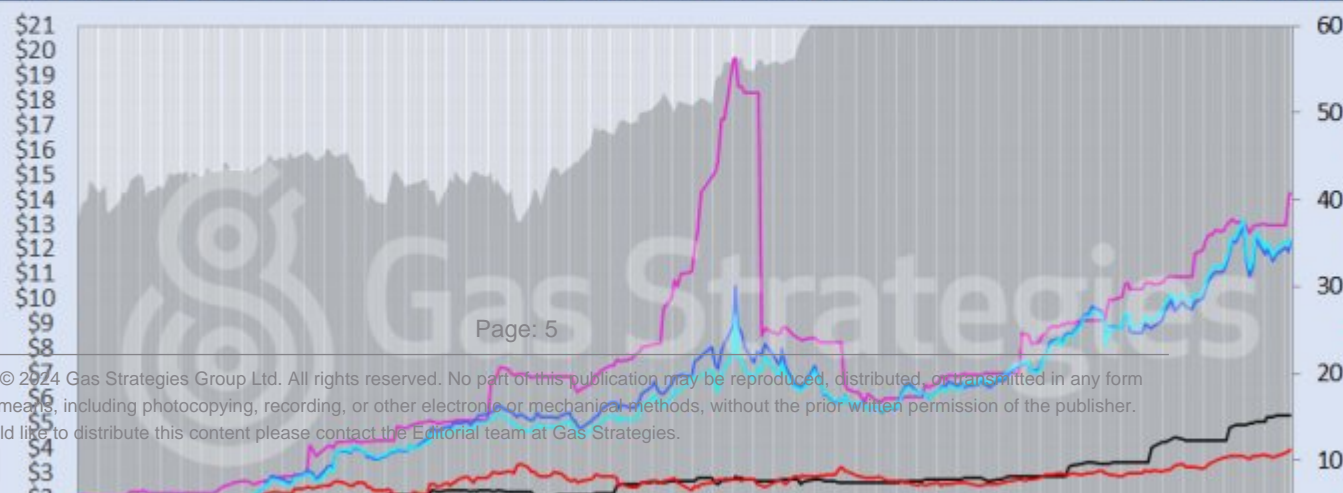
Front-month futures and indexes at last close with day-on-day changes (click to enlarge):

Front-month futures/index	22/07/2021	21/07/2021	Daily +/- (\$)	Daily
Henry Hub (\$/MMBtu)	4.00	3.96	0.04	
NBP (\$/MMBtu)	12.33	12.28	0.05	
NBP (£p/th)	89.68	89.68	0.00	
Henry Hub-NBP spread	8.33	8.32	0.01	
TTF (\$/MMBtu)	12.46	12.43	0.04	
TTF (€/MWh)	36.13	35.95	0.18	
Henry Hub-TTF spread	8.46	8.47	-0.01	
JKM (\$/MMBtu)	14.28	14.31	-0.04	
TTF-JKM spread	1.81	1.88	-0.07	
Henry Hub-JKM spread	10.27	10.35	-0.08	
Brent (\$/barrel)	73.79	72.23	1.56	
WTI (\$/barrel)	71.91	70.30	1.61	
Brent-WTI spread (\$/barrel)	1.88	1.93	-0.05	
API2 Coal (\$/tonne)	132.20	132.85	-0.65	
API2 Coal (\$/MMBtu)	5.29	5.31	-0.03	
EU CO ₂ emissions allowances (€/tonne)	50.72	52.06	-1.34	

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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