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Brent and TTF: oil on the fire or throttle back

The price for the TTF monthly contract appears to be driven by expectations regarding the direction of peace talks between Russia and Ukraine. For the gas price holds that a possible return of Russian pipeline gas will cause strong downward pressure, while the complete elimination of Russian gas imports (REPowerEU) will cause the opposite effect. The EU itself has active policies on the latter, where the return of Russian pipeline gas is not obvious for various reasons.

As for European gas storage for next winter, we see that there is still no economic incentive to fill stocks. Whereas the filling season normally starts around early April, delaying this reduces the time horizon to fill, resulting in possible upward price pressure.

Oil prices are trading within a relatively narrow range, which is surprising given the geopolitical turmoil around the world. Potential supply risks face the OPEC+ decision to start tapering production cuts. The potential effects of the peace talks and Trump's policies may be dominant factors on the direction of the oil market.

TTF in the grip of Trump and Putin

The active monthly TTF gas price contract currently quotes a price of around EUR 42/MWh. This does not make the price level much different from a month ago. The TTF price (monthly contract) in the month of March showed a rounded range of EUR 38 - EUR 45/MWh. The price has remained relatively stable in recent weeks. In the absence of a breakthrough in the geopolitical developments regarding the war in Ukraine, the market seems to be taking a pass.

TTF price relatively stable in recent weeks



Source: LSEG Eikon

The outcome of negotiations between the US, Russia and Ukraine is uncertain, partly because Europe is not directly involved in these negotiations. This uncertainty fuels the potential for significant price movements in the event of relevant geopolitical breakthroughs. Market participants take positions based on expectations of the gas market supply-demand balance linked to news coverage of peace developments. Since the outcome of peace negotiations may influence the supply-demand balance, the market is currently mostly driven by expectation and sentiment linked to the direction of these peace developments.

Looking through that sentiment, there are roughly two boundary points within which uncertainty and associated price movements take place. The lower bound is defined by a scenario in which peace negotiations between Russia and Ukraine make progress. This could lead to more European off-take of Russian pipeline gas. The upper bound is determined by a scenario in which no fossil energy is

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