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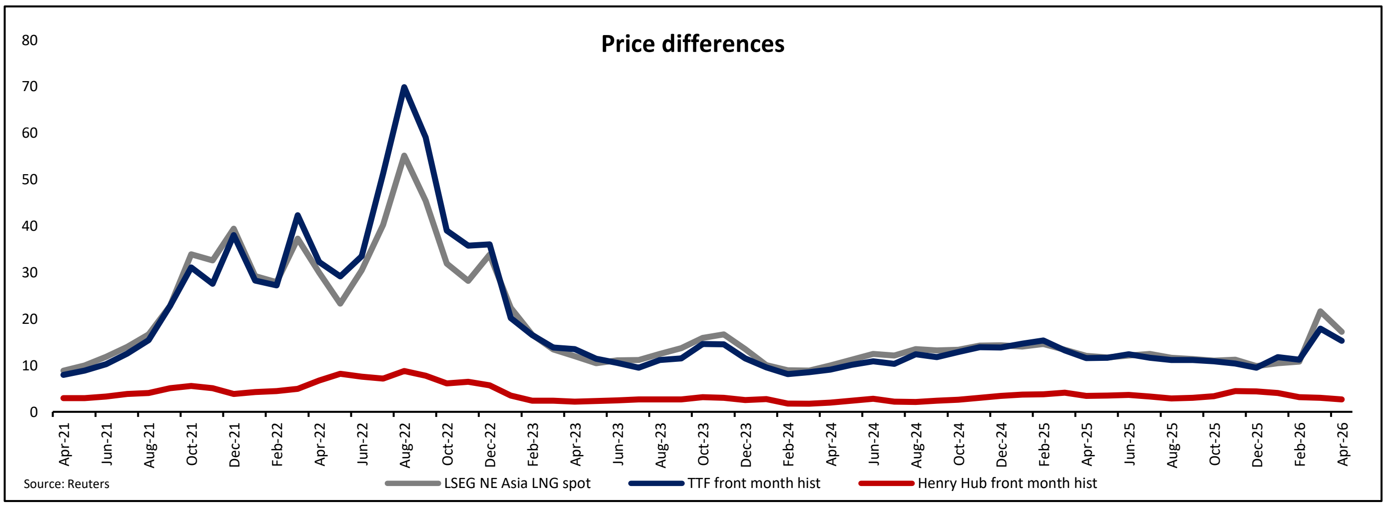
Natural Gas : The Wall Between Two Gas Markets

April 2026



Why the world's worst LNG crisis in years has barely moved the American gas price

Global gas markets are moving in two very different directions. Europe and Asia are scrambling, while the Strait of Hormuz is effectively closed. Qatar's Ras Laffan complex, which processes roughly a fifth of global LNG supply, has been damaged, with key liquefaction trains expected to remain offline for years, and has also declared force majeure across multiple long-term contracts. And yet, on the other side of the Atlantic, American natural gas futures recently hit a multi month low.

Global gas markets are sending starkly contradictory signals. The biggest supply shock since the 2022 Russia-Ukraine war is hammering European TTF and Asian JKM prices to multi-year highs, while Henry Hub, the American benchmark recently slide toward $2.50 per MMBtu, weighed down by record domestic production, comfortable national storage, and the persistent indifference of shoulder-season demand. Every US LNG molecule that can be exported is being exported. American terminals are running at or near maximum capacity and still, Henry Hub drifts lower.

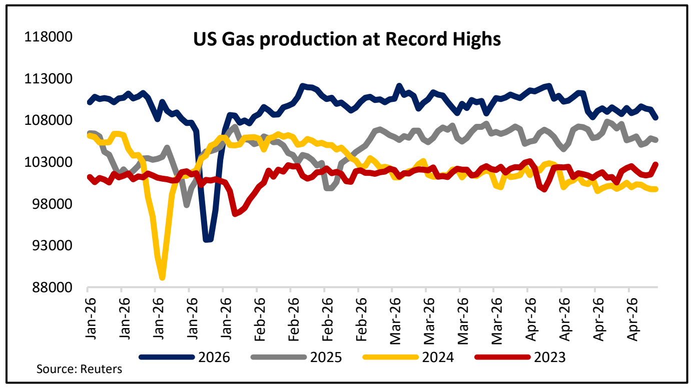
The question is not whether the arbitrage exists - It clearly does. The question is why it isn't the $10-$12 spread closing and what it will take for it to eventually do so.

The Export Ceiling

Several factors explain why the spread has remained unresolved over the past two months, but the core constraint is structural: the U.S. has effectively reached its LNG export ceiling. Terminals that were operating at around 90% utilization prior to the Qatar disruption are now running at or near full capacity, leaving no meaningful slack in the system. As a result, the ~$10/MMBtu arbitrage cannot pull additional gas out of the U.S., not due to lack of demand, but because export infrastructure is fully saturated. This bottleneck is unlikely to ease until new LNG capacity comes online in late 2026 and into 2027.

United States has effectively run out of LNG export capacity. Feed gas deliveries to American terminals were running near 18.9 Bcf per day in April 2026 and the EIA reported this as near-maximum utilization. At least one terminal operator is considering deferring scheduled maintenance to keep shipping at peak rates, that's how attractive the arbitrage situation is right now. But deferred maintenance buys days, not months. Physical export capacity is a hard ceiling. When terminals are full, additional demand from European or Asian buyers simply cannot pull more gas out of the United States, it can only bid up the price of the cargoes that are already leaving. **That additional demand accrues as margin to terminal operators and LNG traders with offtake agreements. It does not, mechanically, transmit to Henry Hub.**

TTF rises → LNG traders divert cargoes to Europe → US terminals run hotter → Feedgas demand rises → Domestic storage injections slow → Henry Hub finds a floor. This works but only up to the physical capacity limit, after which the chain breaks. More demand cannot move more gas if there is no more pipe or terminal capacity to move it through.



Domestic Oversupply: The Pressure Valve

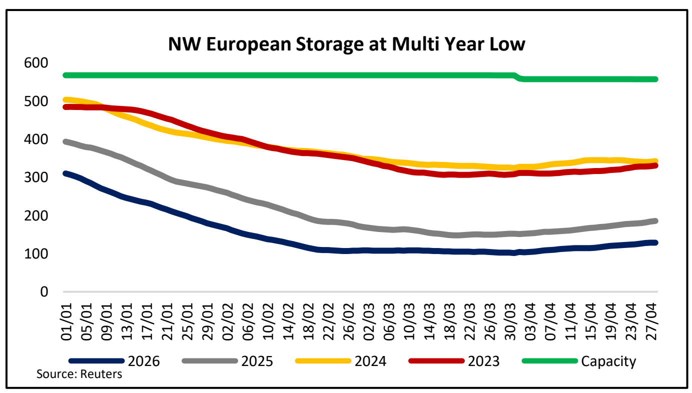
The second force suppressing Henry Hub is the sheer abundance of American gas output. Lower 48 dry gas production has been running near 108–110 Bcf per day in April 2026. EIA's April 2026 Short-Term Energy Outlook projects a further 2% increase for full-year 2026. That growth, when combined with near-zero incremental export capacity (as of now), is flowing almost entirely into storage. US inventories are running approximately 8% above the five-year seasonal average even as Europe sits well below its own historical norms.

Until new export pipelines and terminals arrive to open a new drain, this dynamic does not change.

Shoulder Season Transition

Layered on top of structural constraints is a simple factor: timing. April and May in America are the shoulder season, **heating demand has collapsed (heating degree days fell roughly 50% in the week of April 17th), and meaningful cooling demand has not yet arrived.** The residential and commercial sector is essentially absent from the market. This seasonal pattern amplifies the bearish domestic narrative at precisely the moment when the global crisis would otherwise be pulling prices higher. Also, the LSEG's meteorological forecasts point toward a slightly cooler-than-average US summer in 2026 which could also act as headwind for Natural gas prices.

Europe's Storage Crisis



While the U.S. sits on comfortable inventories, Europe enters the injection season in a far more precarious position. According to AGSI data, EU gas storage stood at around 29–30% in mid-April 2026, below ~36% at the same point last year. In physical terms, EU storage capacity is roughly 100–110 bcm. At current levels, this implies inventories of about 29–31 bcm. Reaching the mandated 90% target, equivalent to roughly 90–95 bcm, ahead of winter will require a substantial and sustained injection effort.

In recent years when storages were fuller, the EU was able to reach 80–90% by August–September. At the current starting point and without extraordinary LNG imports, Europe risks entering winter 2026/27 materially below target.

Will the TTF–Henry Hub Gap Widen, Hold, or Close?

The TTF–Henry Hub spread is likely to evolve across three phases. In the near term, through June, the spread should remain wide or even widen, as U.S. LNG export capacity stays maxed out and shoulder-season demand keeps Henry Hub around $3.00/MMBtu, while TTF holds in the $12–$15 range. This keeps the spread elevated at around $10–$12, driven more by infrastructure constraints than tightening fundamentals.

Through the summer, stronger cooling demand is expected to lift U.S. power burn, slowing storage injections and supporting Henry Hub toward $3.50/MMBtu. However, if geopolitical risks persist and keep TTF elevated, the spread may only narrow modestly to ~$10, with the trajectory hinging on developments around peace negotiations.

A more durable narrowing begins from late 2026, as new U.S. LNG capacity and pipeline expansions come online, increasing export demand. With U.S. LNG exports projected to reach around 18.6 Bcf/d in 2027, this marks the first structural inflection point, gradually pulling Henry Hub higher and compressing the spread.

Outlook

The Henry Hub–TTF spread of ~$10–$12/MMBtu is not a temporary dislocation, but the result of an infrastructural constraint, the U.S. export ceiling, combined with favourable domestic supply conditions, including near-record production, elevated storage, weak shoulder-season demand, and expectations of a cooler summer.

The TTF–Henry Hub arbitrage isn't isolated, it's competing with an equally strong JKM–Henry Hub spread. With Asian buyers paying a $1–3/MMBtu premium over TTF, several Atlantic LNG cargoes have already been diverted to Asia. This tug-of-war means that even as Europe bids aggressively for US LNG, some flexible supply will continue flowing east. The impact on Henry Hub is neutral since US terminals remain full, but for Europe, Asian competition slows inventory rebuilding, keeps TTF elevated, and sustains the wide spread into summer.

Even in a de-escalation scenario, the spread is more likely to compress through a decline in TTF rather than a repricing of Henry Hub prices. However, this does not alter the structural outlook. With Qatari supply disruptions expected to take years to normalise, the U.S. remains the only meaningful source of incremental LNG supply in the near to medium term, while most other producers operate at or near capacity or are constrained by long-term contracts.

The more constructive phase begins in late 2026. As new LNG export capacity comes online, the current export bottleneck begins to ease, allowing global tightness to transmit more effectively into U.S. pricing. U.S. LNG exports are currently running near ~18 Bcf/d, effectively near full capacity. **An additional ~0.9 Bcf/d is expected to come online in Q2 2026 (Corpus Christi Train 5 and Golden Pass Train 1), though ramp-up will be gradual. An additional ~1.0–1.2 Bcf/d is expected to come online in H2 2026 as multiple trains ramp up, with larger expansions in 2027 taking total incremental capacity to ~5.5–6 Bcf/d over the next two years.**This coincides with rising structural domestic demand, from data centres, electrification, creating a compounding effect on the demand side.

A key confirming signal for this structural shift is the continued acceleration in LNG carrier orders. Despite ongoing geopolitical disruptions, newbuild activity remains robust, with 35 LNG carriers ordered in Q1 2026 alone, nearly matching the total for all of 2025, highlighting strong long-term confidence in LNG trade flows.

As export capacity expands and global supply remains constrained, U.S. natural gas is positioned for a gradual, but sustained move higher from current levels. Given that MCX natural gas prices are benchmarked to Henry Hub, this structural uptrend is expected to transmit directly into the domestic market, implying a similar upward bias for MCX prices.

We expect Henry Hub prices to ebb higher moving into H2 2026, with a more sustained move possible during the winter period as both domestic and export demand strengthens in the US. MCX prices are therefore expected to mirror this move, potentially entering a higher trading range for the remiander part of 2026.

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