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Top News - Oil

PREVIEW- Saudi Arabia may cut Feb Arab Light price premium to one-year low

Saudi Arabia may slash price premiums on all crude grades it sells to Asia in February to one-year-lows despite the escalation of tensions in the Red Sea, as concerns intensify that supply may outpace demand.
The world's top oil exporter could cut the official selling price (OSP) for its flagship Arab Light crude over Oman/ Dubai crude quotes by about $1.70 a barrel in February from the previous month, according to five refining sources surveyed by Reuters, which would be the grade's lowest premium in a year.
The Asian physical oil market weakened sharply over the past month, with the price spread between benchmark Dubai's first- and third-month averaging only $0.17 a barrel in December versus $1.70 a barrel in November, reflecting expectations of less supply tightness in the near term.
While the Organization of the Petroleum Exporting Countries and allies, together called OPEC+, agreed to cut output by a combined 2.2 million barrels per day for the first quarter, market participants questioned whether producers would comply with the pact.
"Saudi Arabia needs to lower prices to defend its market share as the prices for other oil are significantly lower," said one respondent.
Prices for medium sour crudes of similar quality to Arab Light are around a $0.60 a barrel premium to Dubai quotes, around $2 a barrel cheaper than Arab Light.
The growing tension in the Red Sea offered limited support to Middle Eastern oil prices as most crude oil is shipped via the Strait of Hormuz to Asia.
"The Red Sea conflict may prompt Mideast oil producers to divert west-bound cargoes to the east to avoid the dangerous zones, which would put more pressure on Asian oil prices," said another respondent.
Saudi Aramco's OSPs are usually released around the fifth of each month, and set the trend for Iranian, Kuwaiti and Iraqi prices, affecting about 9 million bpd of crude bound for Asia.
Saudi Aramco officials as a matter of policy do not comment on the monthly OSPs.

OPEC+ set to hold monitoring meeting in early February

OPEC+ plans to hold a meeting of its Joint Ministerial Monitoring Committee (JMMC) in early February, though an exact date has not been decided, three sources from the alliance said.
OPEC+, which comprises the Organization of the Petroleum Exporting Countries and allies led by Russia, usually holds such meetings every two months to monitor the implementation of its production agreements.
The committee brings together leading countries within the alliance, including Saudi Arabia, Russia and the United Arab Emirates.
At its last full ministerial meeting on Nov. 30, OPEC+ agreed to voluntary output cuts totalling about 2.2 million barrels per day (bpd) during the current quarter, led by Saudi Arabia rolling over its current voluntary cut.
The JMMC meeting is expected to assess the deal's implementation in January, one of the sources said.
Last month, OPEC member Angola quit the group because it was unhappy with the production quota it was given.

Top News - Agriculture

StoneX scraps forecast for record Brazilian soybean crop

Agribusiness consultancy StoneX on Tuesday cut its estimate for Brazil's soybean crop in 2023/24 due to lack of rain in key farmlands, now forecasting 152.8 million metric ton harvest, down from its previous estimate of 161.9 million tons.
The cut means StoneX no longer forecasts a record crop in Brazil, the world's largest producer and exporter of soybeans, as output this season would come in below the 157.7 million tons reaped in 2022/23.
StoneX analysts said that last month showers remained irregular in most Brazil soybean fields, including top grain producing state Mato Grosso, where output is set to fall more than 14% from the previous season.
They said weather would continue to play a key role in coming months, as some states tend to plant soybean later than others and there were also some delays in sowing.
"In any case, the real size of the crop will only be known as the harvest progresses," said the analysts, who also slashed their forecast for Brazil's soybean exports this season to 95 million tons from 103 million previously, due to lower supply.
StoneX also reduced its forecast for Brazil's total 2023/24 corn production to 124.6 million tons from 126.0 million, as lower production in northern and northeastern Brazil amid weather issues would affect overall output.
Brazil's first corn crop would reach 25.8 million tons, 2.4% less than estimated in December, while the second crop was estimated at 96.6 million tons, down 0.8%.
"Due to the significant delay seen in soybean planting, there is a greater chance that a larger part of the second crop will be sown outside the ideal window," the analysts noted.
The second crop represents about 75% of Brazil's national corn output in a given year and is sowed after soybeans are harvested in the same areas.

COLUMN-Funds possibly in position to cover big CBOT corn shorts a la 2018 -Braun

Speculators have entered 2024 with some of their most bearish-ever views toward Chicago-traded corn, though in years past, that positioning has rarely proven sustainable in the months that followed.

As of Dec. 26, money managers held a net short position in CBOT corn futures and options of 177,626 contracts, their second-largest year-end net short on record after 2017.

Funds' corn views have not materially changed in at least a couple of months, and prices remain under pressure. CBOT March corn slid more than 3% over the last four sessions, notching contract lows on Tuesday. Tuesday's settle of $4.63-3/4 per bushel is most-active corn's lowest for the date in four years.

In the last decade, money managers' year-end corn views have been split evenly between bearish and bullish. In the bearish years, funds were eventually forced out of their shorts, ranging between January and August for timing. Some of the more prominent short-covering rallies, including 2014 and 2018, occurred in the first three months of the year. Notable commonalities between those two years include South American weather concerns, strong U.S. corn export demand and the expectation for U.S. corn supplies to rise year-on-year, the latter of which is usually a bearish factor.

The 2024 corn market is facing all of the above factors, though to varying degrees. U.S. corn export demand has been very respectable lately, but the beginning months of the year can present additional opportunity, which was the case in 2018.

Other 2014 and 2018 themes include the relatively strong price ratio of new-crop CBOT soybeans versus CBOT corn and big fund shorts in CBOT wheat. Soybeans' premium over corn has narrowed in recent weeks but remains above average, and although they remain short wheat, funds removed a considerable portion of gross short positions last month.

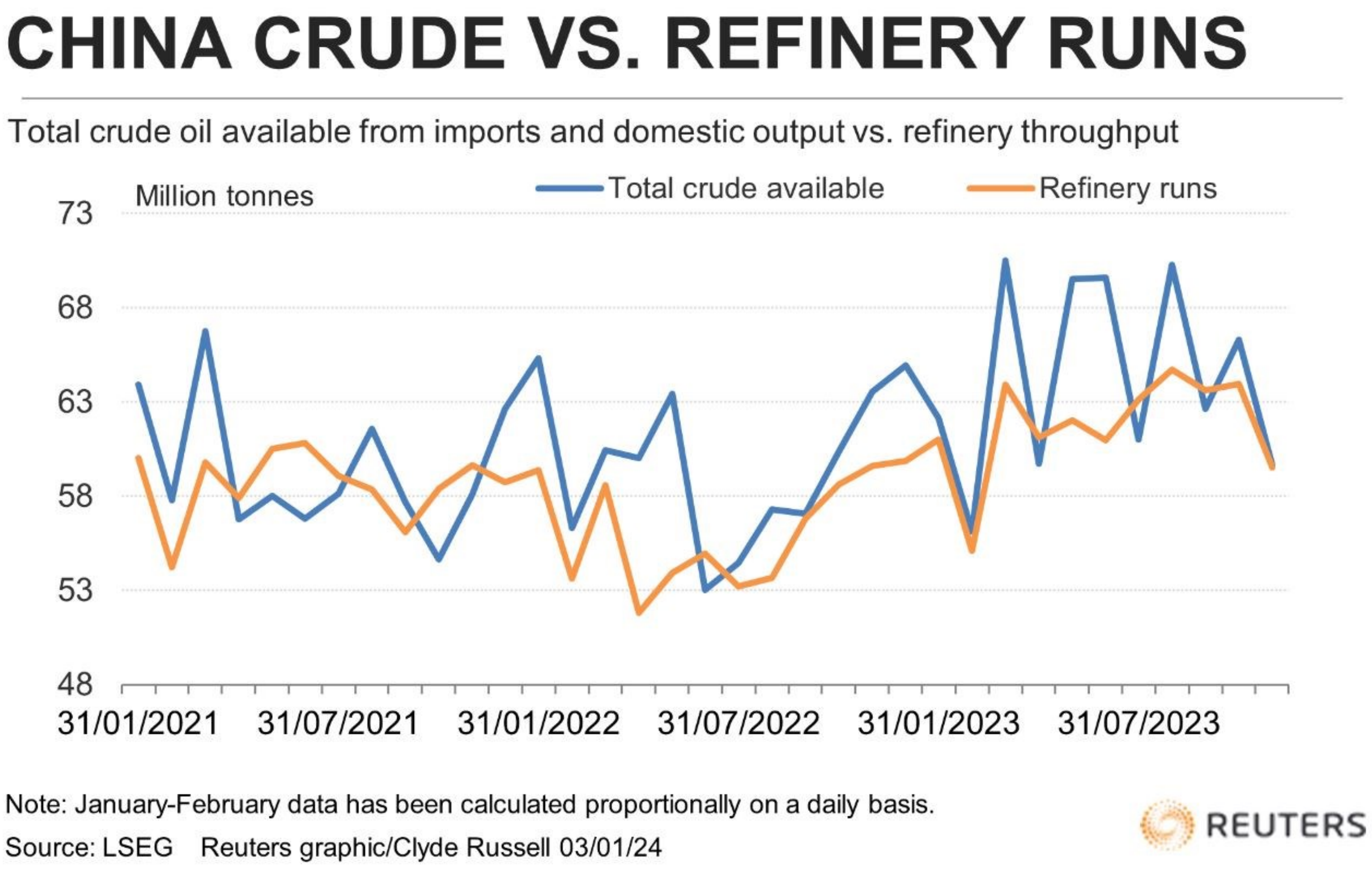
SOUTH AMERICA

The 2018 comparison is especially interesting given the extent to which funds were heavily bearish both then and now, though the South American weather story is a bit different today. Extreme drought in Argentina was the problem in early 2018, though rains have recently returned after last year's once-in-a-generation drought, and crops are mostly in good shape.

Brazil would offer this year's catalyst for a South American weather market in corn, but it might not play out for at least a few more weeks or even months since the heavily exported second crop is not yet planted.

Rainfall over the last two months in Brazil's top corn and soybean state of Mato Grosso was less than half of normal and temperatures were unusually scorching. This has tamped down industry expectations for Brazil's soybean harvest.

Chart of the Day



Brazil's second corn crop was somewhat troubled in 2018 due to problems in the south, but recent weather issues for Mato Grosso in the center-west are more analogous to 2015-16. Mato Grosso's second corn yields were about 20% below expectations in 2016, the worst result in at least a couple of decades.
That led funds to rapidly abandon big CBOT corn shorts in April 2016, though bullishness faded by early July when it seemed certain that a big U.S. crop was in the works.
Mato Grosso handles two-thirds of Brazil's corn exports annually versus 30% for soybeans, so a failure in the top state could be felt more severely for corn. Forecast models as of Tuesday show decent rain over the next two weeks in Brazil's center-west region, which had CBOT soybean futures pulling back heavily on Tuesday.
However, it is noteworthy that January 2016 was Mato Grosso's wettest January of the last decade by a wide margin. But the state's corn crop was still a disaster that year, as January's precipitation spike was not sustained through the corn growing season.
Karen Braun is a market analyst for Reuters. Views expressed above are her own.

Top News - Metals

HSBC expects commodity prices to remain high in 2024, drop in 2025
HSBC forecast on Tuesday that squeezed supply, improved Chinese demand and the global energy transition will keep commodity prices elevated in 2024, before falling the following year.
"We forecast commodity prices to rise by an average of 2% in 2024 and fall by 4% in 2025," HSBC wrote in a note.
HSBC expects China's growth recovery and ongoing supply constraints will keep commodity prices supported this year.
It said geopolitical risks and expectations of looser monetary policy in the second half of 2024 will add to the upside, while downside risks include the ongoing slowdown in global growth.
Cocoa and iron ore prices surged in 2023, while natural gas and coal prices tumbled, with most agricultural products expected to outperform energy and industrial metals in the New Year amid supply constraints and dry weather.
HSBC projected Brent to average $82.5 per barrel and U.S. Henry Hub natural gas prices to average $3.75 per million British thermal units.
Crude futures lost more than 10% in 2023 during a tumultuous year of trading marked by geopolitical turmoil and concerns about oil output levels of major global producers.
U.S. natural gas futures recorded their biggest percentage fall for the year since 2006, under pressure from record production, ample inventories in storage and relatively mild weather conditions.
HSBC also predicts gold prices will average $1,825 an ounce in 2024, predicting the first rate cut from the Federal Reserve in June 2024.
Gold investors anticipate record high prices this year, when the fundamentals of a dovish pivot in U.S. interest rates, continued geopolitical risk, and central bank buying are expected to support the market.

Fortescue says iron ore cars derailed at Western Australia operations
Australia's Fortescue Ltd said on Wednesday that multiple iron ore cars had been derailed from the company's tracks on Saturday at its Western Australia operations.
Local media earlier reported that the Fortescue rail line into Port Hedland, Australia's iron ore export epicentre, remained out of action on Tuesday.
"The incident did not impact December or H1 shipped tonnes. Normal rail operations will be up and running tomorrow (Thursday)," a Fortescue spokesperson told Reuters.
Shares in the world's fourth-largest iron-ore maker dipped 1.1%, at A$29.06, by 2315 GMT in tandem with a nearly 1% fall in the broader mining sub-index.
The mining giant did not say how many wagons were involved in the derailment.
The company said it had started an investigation into the cause of the incident.
No injuries were reported, Fortescue added.

Top News - Carbon & Power

US was top LNG exporter in 2023 as hit record levels
U.S. liquefied natural gas exports hit monthly and annual record highs in December, tanker tracking data showed, with analysts saying it positioned the United States to leapfrog Qatar and Australia to become the largest exporter of LNG in 2023.
The U.S. was the stand out in global LNG supply growth in 2023, said Alex Munton, director of global gas and LNG research at consulting firm Rapidan Energy Group of the rise to 8.6 million metric tons leaving U.S. terminals in December.
Qatar was the largest LNG exporter in 2022 and Australia the second-largest that year, U.S. government data showed.
"U.S. record production was driven by two factors: the return of Freeport LNG to full service, which added 6 MT and the full-year output of Venture Global LNG's Calcasieu Pass facility that added 3 MT more than in 2022," Munton said. Full year exports from the U.S. rose 14.7% to 88.9 million metric tons (MT) driven largely by the return to full production of the Freeport LNG plant that had suffered a fire in 2022, and as others increased processing efficiency, LSEG data showed.

Shipments compare to 77.5 million metric tons in 2022, the data from the financial information provider showed.
Europe remained the main destination for U.S. LNG exports in December, with 5.43 MT, or just over 61%.
In November, 68% of U.S. LNG exports were to Europe, LSEG data showed.
The month-over-month drop reflected warmer than normal temperatures in Europe and elevated storage levels, analysts at consultants Rystad Energy said. European gas storage was about 97% full at the beginning of December, it reported.
Asia was the second largest export market for U.S. LNG in December, taking 2.29 MT, or 26.6%, of exports, up from 18.5% in November.
U.S. exports to Latin America were half a million metric tons, or just under 6% of total exports, LSEG ship tracking data showed.
Natural gas flows to the seven big U.S. LNG export plants have climbed an average 14.9 billion cubic feet per day (bcfd) so far in January, up from a monthly record of 14.7 bcfd in December. That topped the prior all-time monthly high of 4.3 bcfd in November, LSEG data showed.
U.S. gas was trading Tuesday morning at $2.55 per million British thermal units (mmBtu) at the Henry Hub benchmark in Louisiana, $9.81 per mmBtu at the Dutch Title Transfer Facility (TTF) benchmark in Europe and $11.52 per mmBtu at the Japan Korea Marker (JKM) in Asia

Russian LNG exports to Europe fell 1.9% in 2023 - LSEG data

Russian exports of liquefied natural gas (LNG) to Europe fell 1.9% to 15.8 million metric tons in 2023, and LNG exports to Asia fell 11% to 14.9 million tons, LSEG data showed on Tuesday. Europe increased purchases of LNG from global producers in 2023 while sharply cutting its imports of Russian pipeline gas in response to the conflict in Ukraine. Overall LNG exports from Russia were down 6% last year to 31 million tons due to planned repairs at plants during the summer. But in December 2023, Russian LNG exports reached a record level of 3.2 million tons, of which 1.9 million tons were from Yamal LNG. Russia's largest LNG producer, Novatek provided the bulk of the exports, shipping 18.7 million tons from the Yamal LNG project in the Arctic and 800,000 tons from Kriogaz-Vysotsk on the Baltic Sea, according to preliminary LSEG data.
The Gazprom-led Sakhalin-2 project in the Pacific part of Russia reduced its LNG exports by 10% to 10.1 million tons in 2023.
Launched in September 2022, the medium-tonnage Gazprom LNG Portovaya project exported 1.4 million tons LNG in 2023, mainly to Turkey and Greece, although three shipments went to China, one of them via the Northern Sea Route through the Arctic.
Gazprom and Novatek did not respond to requests for comment.

MARKET MONITOR as of 07:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$70.27 / bbl	-0.16%	-1.93%
NYMEX RBOB Gasoline	$2.11 / gallon	-0.36%	0.00%
ICE Gas Oil	$745.25 / tonne	-0.80%	-0.73%
NYMEX Natural Gas	$2.54 / mmBtu	-1.05%	1.07%
Spot Gold	$2,062.10 / ounce	0.16%	-0.02%
TRPC coal API 2 / Dec, 24	$95 / tonne	-2.06%	-2.06%
Carbon ECX EUA	€76.78 / tonne	1.08%	-4.47%
Dutch gas day-ahead (Pre. close)	€28.80 / Mwh	-9.58%	-9.58%
CBOT Corn	$4.78 / bushel	0.16%	-1.29%
CBOT Wheat	$6.19 / bushel	-0.08%	-3.24%
Malaysia Palm Oil (3M)	RM3,636 / tonne	-0.66%	-2.28%
Index	**Close 02 Jan**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	300.22	-0.39%	-0.39%
Rogers International	26.25	-0.28%	-0.28%
U.S. Stocks - Dow	37,715.04	0.07%	0.07%
U.S. Dollar Index	102.16	-0.04%	0.82%
U.S. Bond Index (DJ)	430.25	-0.74%	-0.11%

Top News - Dry Freight

Argentina farm exports halved in 2023 to settle at nearly $20 bln

Argentine farm exports totaled about $19.7 billion in 2023, data from the country's major oilseeds crushing and export body showed on Tuesday, a 51% drop from the previous year, largely because bad weather reduced agricultural output.

Argentina is a major global exporter of processed soybeans, corn and wheat, but a major drought hit its farms in 2022-2023, adding to economic weakness.

December data from industry body CIARA-CEC showed in a monthly report that companies in the sector exported a total $1.25 billion, down two thirds from the same period a year earlier.

Farm exports represent a major source of U.S. dollar reserves for the central bank and are essential to finance imports and pay down government debt.

Libertarian President Javier Milei last month sent Congress a bill proposing hiking taxes levied on soymeal and soyoil exports to 33% from their current level of 31%, days after also laying out plans to raise corn and wheat export taxes to 15% from 13%.

The head of CIARA-CEC has sharply criticized the proposed export tax hikes as "very bad news for the country's economy" and amounting to a punishment to the its top export industries.

Still in his first month as president, Milei faces a severe economic crisis, with negative net foreign reserves, triple-digit inflation and increasing distrust of the local peso.

France's CMA CGM hikes shipping rates between Asia and Mediterranean

French shipping group CMA CGM will increase its container shipping rates from Asia to the Mediterranean region by up to 100% as of Jan. 15 compared to Jan. 1, it said in a notice posted on its website on Tuesday.

As of Jan. 15 - which refers to the date of loading in the origin ports - and until further notice, CMA CGM' Freight All Kinds (FAK) rate for a 40-foot long container between Asia and the West Mediterranean will be $6,000, up from $3,000 on Jan. 1.

Prices for shipments to the East Mediterranean, the Adriatic, the Black Sea and Syria were also sharply raised.

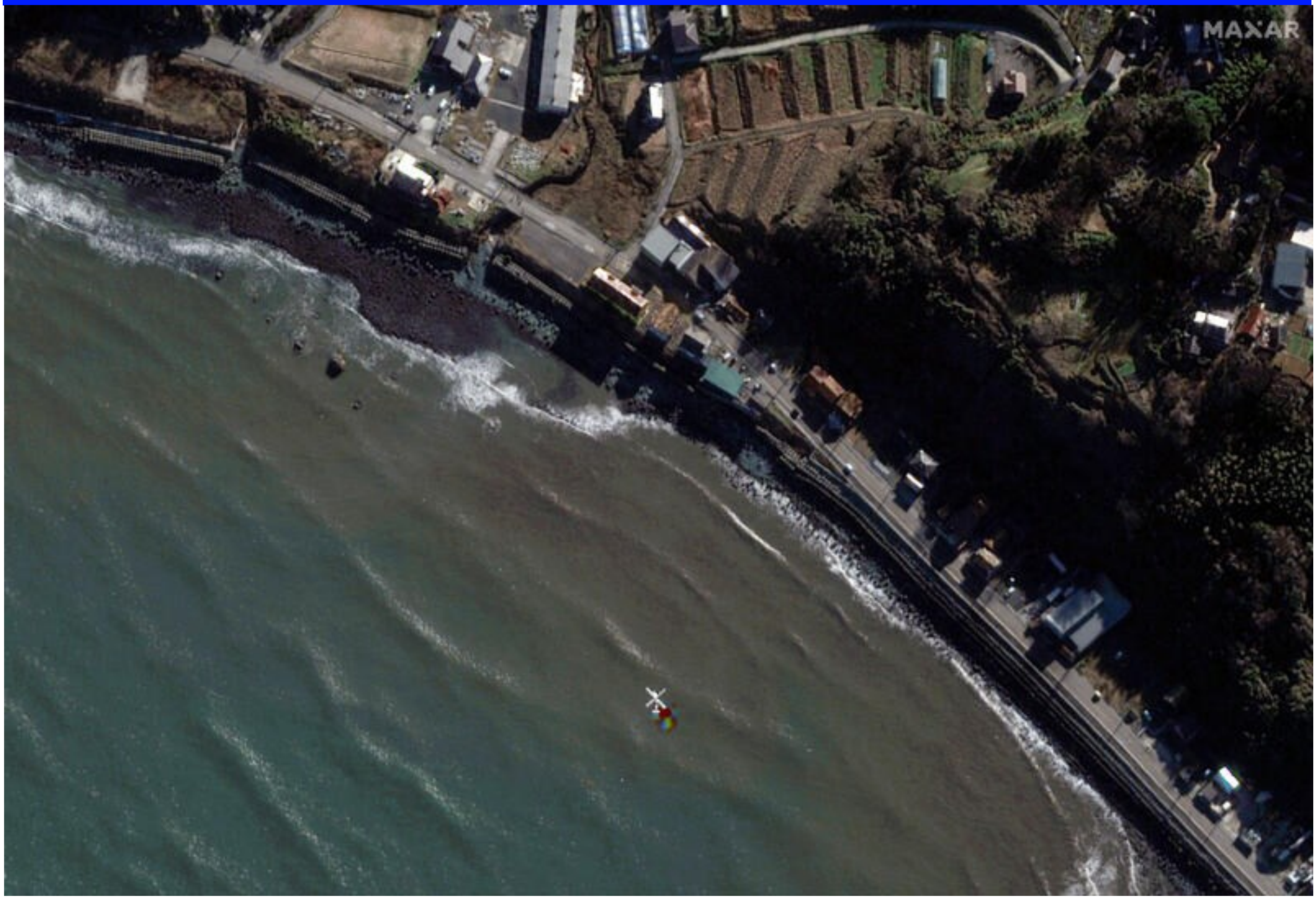
A CMA CGM spokesperson declined to provide further details on the rate hikes when contacted by Reuters.

Shares in shipping companies have risen since attacks by Yemen-based Houthi militants on some vessels in the Red Sea on expectations that longer routes will result in higher freight rates.

Denmark's Maersk has said it will decide on Tuesday whether to resume sending vessels through the Suez Canal via the Red Sea or follow rival Hapag-Lloyd in continuing to re-route them after a weekend attack on one of its ships.

The CMA CGM spokesperson said the group had nothing to add since last week, when it said it was planning a gradual increase in the number of vessels transiting through the Suez Canal, while standing ready to reassess and adjust its plans as needed.

Picture of the Day



A satellite image shows a helicopter approaching the coastline, in Wajima, Japan, January 2. Maxar Technologies/Handout via REUTERS

(Inside Commodities is compiled by Sreshtha Uniyal in Bengaluru)

For questions or comments about this report, contact: **commodity.briefs@thomsonreuters.com**

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