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Top News - Oil

US fuel inventories surge as refiners boost runs, post holiday lull

U.S. gasoline and distillate inventories posted large builds last week as demand slipped, while crude stocks fell more than expected, the Energy Information Administration said on Thursday, news that sank prices for crude, gasoline and heating oil.

U.S. gasoline stocks rose by 10.9 million barrels, the largest build since May 1993, to 237 million barrels in the week to Dec 29, the EIA said, compared with analysts' expectations in a Reuters poll for a 215,000 barrel drop.

Distillate stockpiles, which include diesel and heating oil, rose by 10.1 million barrels, the most since January 2019, to 125.9 million barrels, versus expectations for a 588,000 barrel rise, the EIA data showed.

Gasoline futures fell to 2.9%, while heating oil futures fell 1.3% and crude benchmarks eased more than 1%. Brent futures were down $1.25, 1.6%, to $77 by 12:18 p.m. ET (1718 GMT), while U.S. crude futures eased $1.04, or 1.4%, to $71.69.

Gasoline supplied, an indicator of demand, fell 1.2 million barrels per day (bpd), the largest drop since December 2022, to about 8 million bpd.

Distillate fuel oil supplied fell to 2.7 million bpd, the lowest since 1999.

"Weaker implied demand makes sense, given the post-holiday lull after the front-running of demand ahead of the holiday period, nonetheless, such chunky product builds will weigh on sentiment," said Kpler analyst Matt Smith.

Crude inventories fell by 5.5 million barrels in the last week to 431.1 million barrels, driven by stronger refinery runs and higher year-end exports as companies looked to avoid a year-end storage tax.

Analysts' had expected a 3.7 million-barrel drop, in a Reuters poll.

Refinery crude runs rose by 121,000 barrels per day in the last week, EIA said.

Refinery utilization rates rose by 0.2 percentage points in the week to 93.5%.

Crude exports climbed 1.4 million bpd to 5.3 million bpd.

Net U.S. crude imports fell last week by 758,000 barrels per day, EIA said. Crude stocks at the Cushing, Oklahoma, delivery hub rose by 706,000 barrels last week, the EIA said.

Domestic crude production fell by 100,000 bpd to 13.2 million bpd.

APA to acquire rival Callon Petroleum in $4.5 billion deal

U.S. oil producer APA said on Thursday it was buying rival Callon Petroleum in an all-stock transaction valued at $4.5 billion including debt, following on the heels of a record year for dealmaking in the largest U.S. shale field.

Callon's assets will add heft to APA's operations in the Permian shale basin of West Texas and New Mexico, with about 145,000 drilling acres that puts nearly 64% of APA's production in the United States.

The Permian has become a prime target for oil and gas producers looking to increase their inventory.

"The important thing here is we're adding scale in two ways, both in the inventory and with the activity... we do see great value in this transaction," APA CEO John Christmann said during a conference call.

Callon's shares were up 4.5%, while APA was down 6.6%.

The drop in (APA) share price reflects limited synergies and questions about the extent of the quality drilling acreage being acquired, wrote Jefferies market strategist William Atcheson.

But other analysts viewed the acquisition as a positive for APA.

"It goes a long way to addressing investor concerns surrounding inventory depth," said Gabriele Sorbara, analyst at Siebert Williams Shank & Co.

Callon and APA's boards unanimously approved the deal, the companies said in statements announcing the merger, which is expected to close in the second quarter.

Energy firms have been taking advantage of a surge in their share prices to launch all-stock acquisitions, avoiding big cash outlays that would jeopardize buyers' balance sheets.

Under the deal, each share of Callon will be exchanged for 1.0425 shares of APA, an about 14% premium to Callon's prior close and which values each Callon share at $38.31.

Once the deal closes, existing APA shareholders will own about 81% of the combined company and existing Callon shareholders will hold nearly 19%.

Top News - Agriculture

Saskatchewan workers at grain handler Viterra set to strike

More than 400 Canadian workers at grain handler Viterra are set to strike on Friday in Saskatchewan, pending a last round of talks, the Grain and General Services Union said.

Viterra, based in Rotterdam, is one of Canada's largest handlers of wheat, canola and other crops.

Saskatchewan is the country's biggest grain-growing province.

Viterra is owned by commodity giant Glencore, the investment arm of the Canada Pension Plan and British Columbia Investment Management Corp.

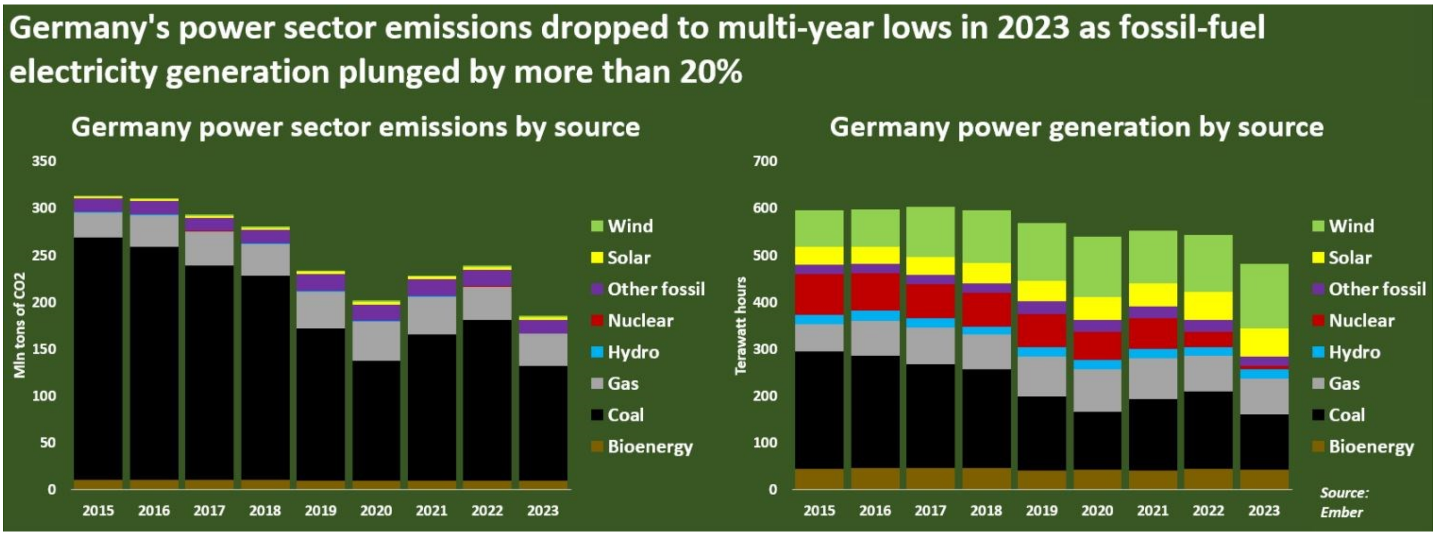
Negotiations have lasted more than a year around key issues of wages, work-life balance and "workplace respect," according to a notice Tuesday on the union's website.
"This strike notice underscores the urgency and gravity of the situation," said general secretary Steve Torgerson.
Union and Viterra officials are scheduled to meet on Thursday in Regina for a second straight day with a federally-appointed mediator.
Viterra may consider a lock-out if an agreement cannot be reached, and is working on contingency plans to minimize disruptions for customers, the company said in a statement.
"We are committed to the collective bargaining process and remain cautiously optimistic that we will be able to arrive at an agreement,", said Jordan Jakubowski, vice-president of human resources for Viterra Canada.
Rival Bunge Ltd last year said it would acquire Viterra, subject to regulatory approval in Canada and elsewhere.
Canada is one of the world's largest wheat exporters.
Two union locals are affected - 384 operations and maintenance workers and 65 employees in the company's Canadian head office.
The strike is set to occur at 3 p.m. Eastern Time (2000 GMT) on Friday.

Czarnikow expects small global sugar surplus helped by Brazil weather
Czarnikow on Thursday forecast a small global sugar surplus of 1.6 million metric tons for the current 2023/24 season due to favourable weather in top producer Brazil and rains in the latter half of the season in Thailand.
The trader and supply chain services company expects sugar production will total 179.7 million tons in 2023/24, up 1.3 million tons from its December forecast. Its consumption forecast was little changed at 178.1 million tons.
It noted many countries in Europe have had a successful harvest despite increased rainfall at the tail end of the season, while Russia has also had a fruitful year, with yields exceeding expectations.
Looking to 2024/25, Czarnikow said increased cane prices in places such as China and Thailand should prompt farmers to expand acreage, boosting global sugar production to 180.2 million tons and leaving the market with a small 0.3 million ton deficit.

Top News - Metals

EXCLUSIVE-First Quantum in talks with Jiangxi Copper on sale of stake in Zambian mines-source
Canadian miner First Quantum Minerals is in talks to sell a stake in its Zambian copper mines to Chinese state-owned Jiangxi Copper Corp, aiming to bolster the company's finances, a person familiar with the matter told Reuters.
Details are yet to be finalized and it was not clear whether the latest talks would lead to a transaction, the person said.
The talks began last month after First Quantum suffered a major blow in Panama, where it was ordered to shut one of the world's biggest copper mines, which debt rating agency Fitch has warned could hurt the company's borrowing capacity.
In Zambia, First Quantum wholly owns the Sentinel mine and 80% of the Kansanshi mine, with the rest owned by the Zambian government. Jiangxi, First Quantum's top shareholder, could end up buying one of the two mines or a stake in one of them, the person added.
"The Chinese want the Zambian mines ... so the company (First Quantum) could sell one of the Zambian mines," the source said.
The person declined to be named as they were not authorized to talk to media.
A First Quantum spokesperson declined to comment on the talks and said the company will provide an update

Chart of the Day



later this month on the company's plan to meet its debt obligations.
Some $1.05 billion of First Quantum's debt comes up for maturity in early 2025.
Jiangxi Copper did not respond to an email query by Reuters.
The two Zambian mines together generated $943 million revenue in the quarter ending September 2023 and $210 million in operating profit, according to company filings.
Based on the earnings, the Zambian assets could be valued around $6 billion, analysts estimate.
First Quantum and Jiangxi held similar talks over the Zambian mines in 2019.
Those discussions ended up with Jiangxi picking up a significant minority stake in the company instead of stakes in the mines.
Jiangxi now owns an 18.2% stake in First Quantum.
The two parties have a standstill agreement which prevents the Chinese company from raising its stake beyond 20%.
First Quantum has lost more than half its market value, or about C$10.3 billion ($7.7 billion), since protests erupted in late October against its Cobre Panama mine. The mine accounted for about 40% of the company's revenues.
In December, Fitch warned that if the Cobre Panama mine were permanently shut, First Quantum's net debt leverage ratio in 2024 would increase to more than 5 times earnings before interest, tax, depreciation and amortization, which could result in a covenant breach.
Net debt leverage ratio is a measure used to assess a company's borrowing capacity.
"If unresolved, the covenant breach may trigger an event of default across all its debt instruments," the rating firm said. ($1 = 1.3353 Canadian dollars)

Endeavour Mining ousts CEO over 'serious misconduct'
Endeavour Mining, said on Thursday it had removed CEO Sebastien de Montessus with immediate effect, citing "serious misconduct". The action followed an investigation by the board into an irregular payment instruction of $5.9 million issued by him in relation to an asset disposal by the company.
Endeavour's Canadian-listed shares plunged as much as 10.48% to hit a more than two-month low of C$25.86 in afternoon trade.
"The termination could create substantial near-term uncertainty for the company and serve as an overhang as EDV looks to complete two key growth projects over the coming months," RBC Capital Markets analyst Wayne Lam said in a note. Endeavour also disclosed that allegations were made against Sebastien de Montessus last year relating to his personal conduct with colleagues on its confidential whistleblowing channel.
Meanwhile, the company has appointed Ian Cockerill, deputy chair of its board, as the new CEO.
Cockerill has over four decades of experience in the natural resources industry and previously held CEO positions at Gold Fields and Anglo Coal, a subsidiary of Anglo American.
Sebastien de Montessus, who was also removed as president and from the board of directors, did not immediately respond to a request for comment.

Top News - Carbon & Power

SolarEdge sees moderate growth in U.S. solar industry this year
The U.S. solar industry will experience modest growth in 2024, as electricity prices decline and support from the Inflation Reduction Act (IRA) rolls in, SolarEdge Chief Financial Officer Ronen Faier said on Thursday.
"We've bottomed in the last two quarters," Faier told investors at a Goldman Sachs conference in Miami, Florida. Macroeconomic uncertainties in the back half of the year weighed on demand for solar products in the United States, he added.
The solar product manufacturer sees demand improving with expectations for lower interest rates this year.
Incentives from the IRA in top solar markets like California are also beginning to improve the economics and prices of solar products and components, said Faier.
The U.S. Department of the Treasury in December unveiled proposed guidelines for manufacturers of clean-energy products seeking to claim a tax credit, created under the IRA, in a bid to power the energy transition with American-made products.
Battery installation is also expected to continue to grow in both the U.S. and European markets, Faier said, as manufacturers clear out large inventories of battery panels and other equipment.

COLUMN-Germany's landmark year for clean power production masks drop in generation: Maguire
A record 56% of Germany's electricity was produced from clean sources in 2023, and total power sector emissions tumbled more than 20% from 2022's levels to the lowest in decades, data from think tank Ember shows.
Coal-fired electricity generation dropped by nearly 30%, while electricity output from all fossil fuel sources shrank by over 20% to ensure that 2023 will enter the record books in terms of the clean power share of Europe's largest economy. However, enduring output cuts across several key industries - especially in chemicals and fertilizers - potentially flattered Germany's power profile in 2023 by cutting electricity use among traditionally highly energy intensive sectors. A more accurate read on the true extent of Germany's energy transition momentum away from fossil fuels may emerge in 2024, as new fixed power cost deals for businesses kick in and potentially boost total electricity demand in the country.

FOSSIL CUTS VS CLEAN POWER GAINS
The share of clean power in Germany's electricity mix hit a record 55.8% in 2023, compared to 50.7% in 2022 and an average of 47.5% from 2015 through 2020, Ember data shows.

That gain in the proportion of clean power flows across Germany's electricity grids suggests power producers have rapidly expanded the supply of clean power.
However, total clean electricity generation in 2023 actually declined by 2.4% from the total seen in 2022, and at 269 terawatt hours (TWh) was the lowest cumulative sum of clean electricity generated in Germany since 2016. A key driver behind the stunted clean power output levels was the shuttering of Germany's last remaining nuclear power reactors in early 2023, which resulted in a roughly 80% drop in total nuclear generation from the year before. Record generation from wind and solar sources (139 TWh and 60 TWh respectively), as well as the highest hydro output in a decade (20.32 TWh), helped offset most but not all of the decline seen in nuclear output.
Yet despite the year-on-year decline, total clean electricity generation still exceeded the 213 TWh of electricity produced from fossil fuel sources in 2023, thereby pushing clean power's share of the total generation mix to new highs.

RECOVERING DEMAND?
Expanded clean power generation capacity - which grew by a record 14 gigawatts (GW) from solar sites and 6.4 GW from wind sites in 2023 - should help boost total German clean power generation further in 2024.
But the main determinant of the overall clean/fossil generation balance in 2024 will be the level of total electricity and power demand in the country. Particularly important will be demand from Germany's massive industrial sector, especially its chemicals and fertilizer producers which have operated at well below capacity since Russia's invasion of Ukraine in early 2022 severed natural gas flows to Germany's power system.
While power prices have pulled back from the record peaks scaled around mid-2022 following the gas supply cuts, average German wholesale power prices in 2023 remained nearly twice their average from 2019 through 2021, data from LSEG shows. As a result, several energy intensive sectors curtailed output as they sought to secure alternative power supplies and gain greater clarity regarding the outlook for future energy costs. Production of a slew of key industrial goods, including steel, plastics, batteries and cars, contracted over the course of 2023, and output levels remain well below previous peaks, according to data tracked by LSEG.
In response to growing concerns about the economic

MARKET MONITOR as of 07:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$72.62 / bbl	0.60%	1.35%
NYMEX RBOB Gasoline	$2.14 / gallon	0.04%	1.41%
ICE Gas Oil	$764.25 / tonne	1.29%	1.80%
NYMEX Natural Gas	$2.80 / mmBtu	-0.67%	11.46%
Spot Gold	$2,043.29 / ounce	0.00%	-0.94%
TRPC coal API 2 / Dec, 24	$96.88 / tonne	3.34%	-0.12%
Carbon ECX EUA	€75.62 / tonne	-0.26%	-5.91%
Dutch gas day-ahead (Pre. close)	€32.95 / Mwh	2.97%	3.45%
CBOT Corn	$4.80 / bushel	0.16%	-0.88%
CBOT Wheat	$6.27 / bushel	0.44%	-1.92%
Malaysia Palm Oil (3M)	RM3,676 / tonne	0.52%	-1.21%
Index	**Close 04 Jan**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	303.01	-0.08%	0.53%
Rogers International	26.21	-1.19%	-0.44%
U.S. Stocks - Dow	37,440.34	0.03%	-0.66%
U.S. Dollar Index	102.57	0.14%	1.22%
U.S. Bond Index (DJ)	426.97	-0.64%	-0.87%

impact of a sustained industrial downturn, Germany's government and industrial groups agreed in November on a package of measures designed to reduce power prices for key businesses and spur a return to growth in 2024. Should those measures prove effective and trigger increases in output throughout Germany's industrial supply lines, total energy consumption in the country will also increase. Given the increases in renewable energy capacity in 2023, power producers will have scope to lift clean power generation to new highs to meet some of that additional energy use. But if heavy industry and factories simultaneously lift their collective electricity use then power firms will also likely need to boost output from fossil fuels. Higher fossil fuel output may in turn reduce clean power's share of the electricity mix back towards previous levels.

The opinions expressed here are those of the author, a columnist for Reuters.

Top News - Dry Freight

Taiwan buys some 82,975 metric tons wheat of U.S.-origin

The Taiwan Flour Millers' Association purchased an estimated 82,975 metric tons of milling wheat to be sourced from the United States in a tender on Friday, European traders said.

The purchase involved various wheat types for shipment from the U.S. Pacific Northwest coast in two consignments.

The first involved 23,500 tons of U.S. dark northern spring wheat of a minimum 14.5% protein content bought at an estimated $331.06 a ton free on board (FOB), totalling $373.05 a ton cost and freight (C&F), including ocean shipping to Taiwan.

It also involved 13,325 tons of hard red winter wheat of a minimum 12.5% protein content bought at $285.86 a ton FOB or$327.85 a ton C&F and 4,500 tons of soft white wheat of a minimum 8.5% and maximum 10% protein bought at $263.08 a ton FOB or $305.07 a ton C&F.

Trading house CHS was believed to have sold the first consignment, all for shipment between Feb. 27 and March 12.

The second consignment involved 23,125 tons of U.S. dark northern spring wheat with a minimum protein content of 14.5% bought at an estimated $329.80 a ton FOB or $372.77 a ton C&F, they said.

Trading house Columbia Grain International was believed to be the seller.

It also involved 13,700 tons of hard red winter wheat of a minimum 12.5% protein content bought at $296.89 a ton FOB or $339.86 a ton C&F bought from CHS and 4,825 tons of soft white wheat of a minimum 8.5% and maximum 10% protein bought at $250.66 a ton FOB or $293.63 a ton C&F, also purchased from Columbia Grain International.

The second consignment is for shipment between March 16 and March 30.

Reports reflect assessments from traders and further estimates of prices and volumes are still possible later.

The association’s tenders traditionally provide an accurate snapshot of U.S. export prices in Asian markets.

South Korean mills buy 50,000 T wheat from the U.S. - traders

A group of South Korean flour mills bought an estimated 50,000 metric tons of milling wheat to be sourced from the United States in an international tender on Friday, European traders said.

The purchase involved several different wheat types and was all bought on an FOB basis for shipment in 2024 between March 15 and April 15.

Seller was believed to be trading house Columbia Grain International, they said.

The purchase involved soft white wheat of 9.5% to 11% protein content bought in the low $240s per ton, soft white wheat of a maximum 9% protein content bought in the high $250s a ton, hard red winter wheat of 11.5% protein bought at low $270s per ton and northern spring/dark northern spring wheat of 14% protein bought in the mid $300s a ton.

Reports reflect assessments from traders and further estimates of prices and volumes are still possible later.

A Taiwanese milling group also bought U.S. wheat on Friday.

REUTERS TECHNICAL ANALYSIS Q1 OUTLOOK 2024 - WANG TAO

Crude oil may rise strongly in the first quarter of 2024. Palm oil rides on an upward wave c, unfolding towards July 2023 high. Gold looks extremely bullish, driven by an extended wave V. Copper’s signals are mixed, biased to fall while aluminium may rise. Grains are riding on fierce wave c, travelling towards much higher levels. Coffee may drop while cocoa may climb up. Dollar index may fall further but with limited downside. To read the full report, click here.

Picture of the Day

A view shows Sobron hydroelectric dam on the Ebro River, in Burgos province, Spain, January 4. REUTERS/Vincent West

(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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