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Top News - Oil

US oil stockpiles rise more than forecast, distillates build to Sept 2021 high -EIA
U.S. crude oil stockpiles rose unexpectedly last week and fuel inventories grew by more than expected, with distillates building to their highest level in over two years, the Energy Information Administration (EIA) said on Wednesday. Crude inventories rose by 1.3 million barrels in the week ended Jan. 5 to 432.4 million barrels, the EIA said, compared with analysts' expectations in a Reuters poll for a 700,000-barrel drop.
The surprise stock build caused crude futures to turn negative. Earlier in the session, both benchmarks were up by more than $1 a barrel.
Crude stocks at the Cushing, Oklahoma, the delivery hub for U.S. crude futures fell by 506,000 barrels last week, the EIA said. This was a "fairly bearish report all around. We saw solid build to the products once again, because we're seeing really strong refining activity to start the year," said Matt Smith, an analyst at Kpler.
Distillate stockpiles, which include diesel and heating oil, rose by 6.5 million barrels in the week to 132.4 million barrels, their highest since September 2021, EIA data showed. That compares with analyst expectations for a build of 2.4 million barrels. The biggest component of distillates is ultra-low sulfur diesel (ULSD), which contains a maximum of 15 parts per million of sulfur. ULSD inventories were up about 7.2 million barrels last week to 124.3 million barrels, a high since August 2021.
Gasoline stocks rose by 8 million barrels in the week to 245 million barrels, the highest since February 2022, the EIA said, compared with analysts' expectations for a 2.5 million-barrel rise.
Inventories of the motor fuel in the Midwest rose to 56.5 million barrels, the highest since April 2022, the EIA said.
Refinery crude runs fell by 161,000 barrels per day (bpd) and refinery utilization rates slipped 0.6 percentage point to 92.9% of total capacity. Net U.S. crude imports rose by 1.32 million bpd, the EIA said.

Surging tanker rates close the door on US crude oil shipments to Asia
The economic incentive to import oil from the U.S. Gulf Coast to Asia has closed as the cost of booking supertankers on the route has surged amid a jump in bookings for the vessels, traders said this week.
With the arbitrage for U.S. shipments closed, Asian refiners may make up some of the difference with similar Middle Eastern crude oil after top regional producer Saudi Arabia cut their sales prices for February, which is expected to carry over to other regional crudes. The spur in Middle Eastern crude demand may support prices for the region's oil which has flagged in the previous months.
The cost of chartering a Very Large Crude Carrier (VLCC) capable of loading 2 million barrels of oil from the U.S. to Asia jumped to around $10 million this week from about $8 million last week, according to traders and data from shipbroker Simpson Spence & Young on LSEG Eikon.
The freight rally has increased the premium for West Texas Intermediate (WTI) crude from the U.S. to over $4 a barrel against Dubai quotes on a cost-and-freight basis for delivery in April from around $2 last week, traders said. That has pushed WTI to a premium of $1 per barrel more than Murban crude from the United Arab Emirates, which is somewhat similar to WTI, for delivery to Asia, up from parity or a small discount last week, said several traders that participate in the market. "No deal (for WTI) is heard settling at the new prices. The arbitrage window is now closed," said a Singapore-based oil trader.
The tightness in the tanker market followed South Korean shipowner Sinokor Merchant Marine booking four VLCCs last week to haul oil from the U.S. to China from January to March, according to a source with direct knowledge of the matter, shipbrokers and Kpler data. The VLCCs were Agitos, Olympic Target, Oceanis and Agios Nikolas and the charter rates ranged from $8.39 million to $9.7 million, the data showed.
Sinokor declined to comment on the bookings.
"A high level of spot activity out of the U.S. Gulf has tightened vessel availability in the Atlantic Basin and rates have responded higher," said Jefferies analyst Omar Nokta in a note. The price cuts by Saudi Arabia for February could add to the shipping demand as some refiners are expected to tweak their loadings next month to take more Saudi oil and increase their overall Middle East purchases, traders and analysts said.
U.S. crude shipments rose to a record in 2023, Kpler data showed, though volumes were estimated to be falling in January after a rise in Murban exports. That trend is likely to continue in the near term amid the freight increase.
"The hike on freight rates came as a shock," said a Singapore-based trader with a North Asian refinery. "The direct outcome is that the U.S. crude is no longer competitive in Asia."

Top News - Agriculture

Brazil's Conab cuts soy forecast, still expects record crop
Brazilian farmers will produce a record soybean output in the 2023/24 cycle even after bad weather led crop agency Conab on Wednesday to cut expected production by some 5 million metric tons. Conab said the El Niño pattern had brought excessive heat and dryness in the center of Brazil and too much rain in the south.
As a result, Conab pegged soybean output at around 155.3 million tons, 4.2% lower than an initial forecast.
Conab said harvesting had begun early and was underway in areas of Mato Grosso, Brazil's leading grain

state. It said high temperatures and water shortages, mainly in the Central-West Region, had spoiled plants on some fields.

Conab said average soy yields for the 2023/24 harvest will be 2.2% lower compared to last season, at 3,431 kilograms per hectare.

Private forecasters also said Brazil's soy crop outlook had worsened. At least two lowered output expectations for the crop in January, to between 151 million tons and 153 million tons. Conab has kept a conservative view on corn as well, saying total output will fall by almost 11% to an estimated 117.6 million tons.

The agency mentioned a reduction in corn's planted area and said lower production of second corn was expected. Second corn, which is planted after soybeans are harvested in the same fields, faces increased climate risk this season. That crop represents about 75% of national production in a given year.

Reduced corn production will affect Brazil's ability to export, Conab data shows.

The country is expected to ship some 35 million tons of corn this season, down from 56 million tons in the previous one, when it surpassed the United States as the world's top corn supplier.

Brazil should remain the world's top soybean exporter, shipping an estimated 98.4 million tons in the 2023/24 cycle, Conab said. That compares with a record of 101.8 million tons from the previous one.

Malaysia palm output to improve this year on improved labour availability

Malaysia's palm oil production is expected to improve this year as a labour shortage eases, though challenges remain as planters seek to comply with European and U.S. regulations targeting links to deforestation and forced labour in the commodity's supply chain, industry officials said at a seminar on Thursday. The country's palm oil sector, which relies on foreign workers for 70% of its plantation workforce, has seen a severe labour crunch in recent years, in part due to the COVID-19 pandemic.

Ahmad Parveez Ghulam Kadir, Director-General of the Malaysian Palm Oil Board (MPOB), said on Thursday that output in Malaysia should come in at 18.75 million metric tons this year while stocks were seen at 1.95 million metric tons amid a recovery in labour supply.

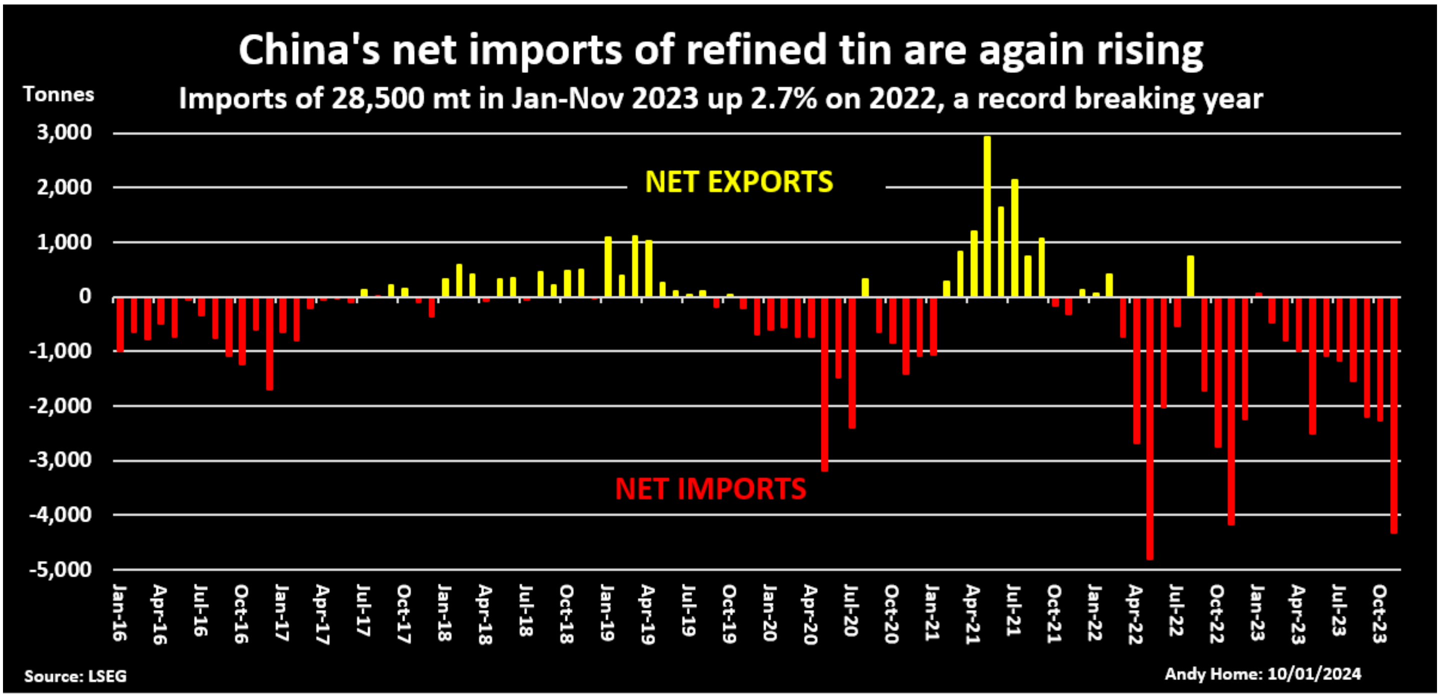
Exports for the year are seen at 15.6 million tons versus 15.1 million tons last year, while the price of crude palm oil should range between 3,900 ringgit-4,200 ringgit per ton, he added.

"For 2024, the labour situation is expected to improve but the concerns on availability are still there," the official said, adding that while 2023 showed a mixed performance, most key indicators were expected to improve this year.

Malaysia's Plantations and Commodities Minister Johari Abdul Ghani said the government was committed to addressing labour issues, including on workers' welfare, as well as improving its sustainability measures.

The EU passed a law last year banning imports of commodities linked to deforestation, while the U.S. in recent years has suspended shipments of some Malaysian palm oil companies, citing allegations of forced labour. Indonesia and Malaysia, the world's largest producers of palm oil, have criticised the EU law as discriminatory and aimed at protecting the bloc's oilseeds market. The two countries have also sought to persuade buyers that its sustainability certifications, known as ISPO and MSPO, respectively, already met international standards. "Malaysia must continue to position its palm oil industry as a global leader in sustainability," minister Johari said, adding that MSPO certification had reached about 94.2% of oil palm planted areas in Malaysia.

Chart of the Day



Top News - Metals

Share of Russian aluminium in LME warehouses rises to 90% after UK curbs

The share of available aluminium stocks of Russian origin in London Metal Exchange-approved (LME) warehouses rose to 90.4% in December from 78.8% in November, data on the exchange's website showed on Wednesday. The rise follows a restriction imposed by Britain from Dec. 15 on UK entities and individuals taking physical delivery of Russian-made base metals, part of wider sanctions on Moscow for its war in Ukraine.

The crackdown along with muted demand in the physical market contributed to additional deliveries to the LME-registered warehouses, dubbed as a market of last resort. "People are getting more nervous about holding the Russian inventory," said an analyst.

On-warrant aluminium inventories - those which have not been earmarked for removal and are available to the market - in LME-registered warehouses rose by 74% since the UK sanctions were announced. Warrants are title documents conferring ownership of metal. "With regard to recent UK Government sanctions, the LME is actively monitoring for market orderliness in respect of Russian metal," the LME, the world's oldest and largest metals market, said in a separate comment.

The exchange added that "Russian metal continued to flow through the warehousing network during December". The amount of Russian primary aluminium stocks on LME warrant rose to 338,375 metric tons in December from 154,775 in November, the data showed.

The high share of Russian-origin metal in LME inventories has been a concern for some producers, which compete with Russia's Rusal, and some Western consumers who have been avoiding the Russian metal since Moscow's invasion of Ukraine in 2022.

The share of Russian-origin copper stocks increased to 43% in December from 40% the previous month, the LME said. The amount of Russian copper in inventories rose to 59,725 tons from 55,825. The Russian nickel share rose to 31% from 26% as the amount increased to 17,772 tons in December from 11,106 tons in November.

Vale BM says decision to merge Canada nickel ops with Glencore a priority

Vale Base Metals (VBM) is prioritising a decision on whether to combine its nickel operations in Canada's Sudbury basin with those of Glencore this year, a move that could reduce costs for both companies, its chairman said. Nickel is a key component in electric vehicle batteries and mining companies have been trying to cut costs to produce it at a time of declining prices.

Talks for a Sudbury tie-up have been on and off since 2006, when annual savings were put at more than $500 million, with a number of options being touted for the mining and processing operations in the area.

"We've got some interesting thoughts on what is possible, (including) tailings (waste) and some of the old areas that could be redone and we are working through that," VBM Chairman Mark Cutifani told Reuters in an interview on the sidelines of the Future Minerals Forum (FMF) mining gathering in Riyadh.

"During the course of this year we should work out whether there's something we can do together or not. Certainly that is one of my priorities," he added.

Glencore declined to comment. VBM, the copper and nickel spin-off of Brazil's Vale, and Glencore share boundaries in the 60-km (37-mile) Sudbury basin.

VBM owns five mines, while Glencore owns the Nickel Rim South mine that is winding down operations after 15 years, and the Onaping Depth project. The assets also produce copper and precious metals. "It makes sense to do something where we are sharing infrastructure," Cutifani said. Cutifani could not say what savings would be made now. As part of its plan to spend $25 billion to $30 billion in new projects in Brazil, Canada and Indonesia over the next decade, VBM aims to almost double nickel production to 300,000 metric tons per year.

Top News - Carbon & Power

Renewable energy growth must accelerate to reach 2030 goal-IEA

Global renewable energy capacity is expected to grow by two and a half times by 2030 but governments need to go further to achieve a goal of tripling it by then agreed at United Nations' climate talks, the International Energy Agency (IEA) said.

In its annual renewable energy outlook report, the IEA said new capacity added last year increased by 50% from the previous year to 510 gigawatts (GW). That takes installed capacity to 3,700 GW.

Under current policies and market conditions, global renewables capacity is forecast to grow to a total of 7,300 GW by 2028. To reach the 2030 goal agreed last year, it will require reaching at least 11,000 GW.

World governments agreed to triple renewable energy generation capacity by 2030 and move away from fossil fuels at the COP28 U.N. climate conference in Dubai last December. But no mechanism was agreed to finance the shift to clean energy in developing countries.

The report said the biggest challenge to meeting the goal will be scaling up financing and deployment of renewables in most emerging and developing economies. "In the absence of any help for African and low-income countries in Asia and Latin America, they will not be able to reach their clean energy targets. That will be a fault line in reaching the 2030 goal," Fatih Birol, executive director of the IEA, told Reuters.

Over the past year, higher inflation and interest rates have also increased equipment and financing costs of renewables projects and policies have been slow to adjust to the new macro-economic environment. Insufficient investment in grids is also hampering faster deployment of renewables, as well as slow and bureaucratic permitting procedures and administrative barriers. Last year, China had the largest growth in renewables and is expected to account for nearly 60% of new renewable capacity by 2028.

China's role is crucial in reaching the 2030 goal because it is expected to install more than half of the new capacity required globally by the end of the decade, the IEA said. Solar photovoltaic and onshore wind additions to 2028 are also expected to more than double in the United States, the European Union, India and Brazil compared with the last five years. Despite many announcements of green hydrogen projects - where hydrogen is produced by using renewable energy to split water and heralded as a cleaner fuel for energy intensive industry and transport - progress is slow, with only 7% of current projects expected to come online by 2030, the IEA added.

Oil, gas lobby group warns against US slowing LNG approvals

The head of the largest U.S. oil and gas lobby group on Wednesday said that if regulators slow down or stop approving liquefied natural gas exports, they will put allies in Europe and Asia at risk. American Petroleum Institute President Mike Sommers issued the warning in response to media reports this week that the administration of President Joe Biden, a Democrat, is considering whether to weigh climate change criteria in approvals for LNG terminals or expansions.

"Halting US LNG approvals would put our allies at risk. This should not be controversial," Sommers said at an API event focused on top issues for 2024, adding that US LNG exports help reduce global emissions by displacing coal overseas. Ahead of the Nov. 5 presidential election, the Biden administration is balancing demand for U.S. LNG from European allies reducing dependence on gas from Russia, with outcry from environmentalists demanding a halt domestic fossil fuel projects.

The U.S. has become the world's biggest exporter of LNG even as the administration has sought to transition away from fossil fuels, with environmentalists pressuring it to go faster.

U.S. Department of Energy (DOE) reviews for LNG export permits have lengthened under Biden to 11 months or more, from seven weeks under former President Donald Trump, a Republican who worked to maximize U.S. energy output.

Officials from the DOE and White House have been meeting to determine whether federal regulators should factor in climate change when deciding whether a proposed gas export project meets the national interest, Politico reported on Tuesday, citing sources familiar with the discussions. The DOE had no update on its LNG approval process, a spokesperson said.

The Biden administration passed the biggest climate bill in U.S. history, the Inflation Reduction Act, and has imposed numerous climate regulations.

Meanwhile, the U.S. has become the world's biggest oil and gas producer. That has prompted protests from environmentalists including author Bill McKibben and groups in the U.S. Gulf coast to stop future approvals for LNG exports including from Venture Global's Calcasieu Pass 2 (CP2) project in Louisiana.

CP2 is awaiting approval from the Federal Energy Regulatory Commission, followed by export authorization

MARKET MONITOR as of 07:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$71.93 / bbl	0.78%	0.39%
NYMEX RBOB Gasoline	$2.11 / gallon	0.96%	0.36%
ICE Gas Oil	$775.25 / tonne	-0.03%	3.26%
NYMEX Natural Gas	$3.01 / mmBtu	-0.95%	19.73%
Spot Gold	$2,034.50 / ounce	0.55%	-1.36%
TRPC coal API 2 / Dec, 24	$103 / tonne	0.98%	6.19%
Carbon ECX EUA	€69.56 / tonne	-0.61%	-13.45%
Dutch gas day-ahead (Pre. close)	€31.00 / Mwh	0.00%	-2.67%
CBOT Corn	$4.73 / bushel	0.27%	-2.32%
CBOT Wheat	$6.27 / bushel	0.44%	-2.03%
Malaysia Palm Oil (3M)	RM3,794 / tonne	0.98%	1.96%
Index	**Close 10 Jan**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	300.20	-0.88%	-0.40%
Rogers International	26.30	-0.96%	-0.09%
U.S. Stocks - Dow	37,695.73	0.45%	0.02%
U.S. Dollar Index	102.23	-0.13%	0.88%
U.S. Bond Index (DJ)	425.66	0.04%	-1.17%

from the DOE, before construction can begin.
Venture Global spokesperson Shaylyn Hynes said "American LNG is the best weapon in our arsenal to quickly displace global coal use and combat climate change." Environmental groups said they will hold a sit-in at the DOE from Feb. 6-8 to seek a halt in licensing new LNG terminals. The groups have also urged the administration to adhere to campaign promises and international climate commitments. In December, the U.S. agreed along with nearly 200 countries at UN climate negotiations in Dubai to transition away from fossil fuel production.

Top News - Dry Freight

Ukraine's Dec Black Sea food exports top U.N.-brokered deal at its peak -brokers
Ukraine exported 4.8 million metric tons of food via its Black Sea corridor in December, surpassing the maximum monthly volume exported under a previous U.N.-brokered grain deal, brokers said on Wednesday.
Prior to Russia's invasion in February 2022 Ukraine exported about 6 million tons of food per month via the Black Sea.
It now relies on the corridor along its western Black Sea coast near Romania and Bulgaria, its small ports on the Danube River, and exports over land via eastern Europe.
Kyiv believes it has managed to dislodge Russian forces from the western part of the Black Sea, securing grain exports which are crucial to its economy as well as important imports.
"Thanks to the work of the Ukrainian Navy, which ensured the functioning of the Ukrainian sea corridor, Ukraine shipped a record amount of agricultural products by water in December," Spike Brokers, which tracks and publishes export statistics, said on the Telegram messaging app.
Via its small ports on the Danube River Ukraine exported 1.3 million tons of food in December, Spike Brokers said.
Ukraine has exported 15 million metric tons of cargo through its Black Sea corridor since creating it in August, including 10 million tons of agricultural goods, a senior government official said this week.
Ukraine launched the corridor after Moscow withdrew from the U.N.-brokered deal in July and threatened to treat all vessels as potential military targets.
Maximum monthly volume exported via the UN-brokered corridor was 4.2 million tons in October 2022, Deputy Infrastructure Minister Yuriy Vaskov told foreign diplomats last year.
Ukraine, a major global grain grower and exporter, expects an exportable surplus of 50 million tons in the 2023/24 July-June season.
The country had exported 19.9 million tons of grain as of Jan 10 with January's volumes exceeding those from a year earlier.

Tunisia buys about 50,000 T durum, 50,000 T feed barley in tender
Tunisia's state grains agency is believed to have purchased about 50,000 metric tons of durum wheat and 50,000 tons of animal feed barley in international tenders on Wednesday, European traders said.
The durum wheat was believed to have been bought in two 25,000 ton consignments at estimated prices of $446.97 and $448.73 a ton c&f, both from trading house Viterra.
The barley was also believed to have been bought in two 25,000 ton consignments at $241.73 and $242.73 a ton c&f, again both from trading house Viterra.
Reports reflect assessments from traders and further estimates of prices and volumes are still possible later.
The tender sought durum in two 25,000 ton consignments for shipment between Jan. 20 and Feb. 15, depending on origins supplied. The barley was also sought in two 25,000 ton consignments for shipment between Feb. 1 and Feb. 29, depending on origins supplied.
Finance for the purchase is being provided by the African Development Bank, one of the agencies assisting Tunisia in its difficult economic position.
Offers will be accepted for grain to be shipped from ports in member countries of the ADB. Members include the main western European countries, the United States, Canada and Argentina but not Black Sea region countries including Russia, the ADB website shows.

Picture of the Day

Protesters take part in a symbolic shutdown of the Cobre Panama mine, owned by Canada's First Quantum, just over a month after the Panamanian supreme court declared unconstitutional the contract to operate the lucrative copper deposit near the Caribbean coast of the isthmus, in Donoso, Panama, January 9. REUTERS/Roberto Cisneros

(Inside Commodities is compiled by Lactus Fernandes in Bengaluru)

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