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Top News - Oil

U.S. oil output set to rise in Feb to record, but growth slows -EIA

Oil output from top shale regions in the United States is due to rise by about 77,300 barrels per day (bpd) to a record 9.38 million bpd in February, the U.S. Energy Information Administration (EIA) said in its productivity report on Tuesday.

The oil increase was the lowest in more than a year, with volumes shrinking on weaker productivity per well and on inflation cutting into oil companies' production budgets.

U.S. crude oil output in the Permian in Texas and New Mexico, the biggest U.S. shale oil basin, is set to rise by about 30,400 bpd to 5.64 million bpd in February, its highest on record, the EIA projected.

In the Bakken region of North Dakota and Montana, the EIA forecast oil output next month will rise 20,000 bpd to 1.23 million bpd, the largest total since November 2020.

In the Eagle Ford shale in South Texas, output will rise about 4,200 bpd to 1.21 million bpd in February, its highest total volume since April 2020.

In the Permian basin of West Texas and New Mexico, oil production is forecast to fall by nearly two-thirds from the same month a year ago.

Total natural gas output in the big shale basins will increase 0.5 billion cubic feet per day (bcfd) to a record 96.7 bcfd in February, the EIA forecast.

In the biggest shale gas basin, Appalachia in Pennsylvania, Ohio and West Virginia, output will rise to 35.4 bcfd in February, the highest since hitting a record 36.2 bcfd in December 2021.

Gas output in the Permian and the Haynesville in Texas, Louisiana and Arkansas will rise to record highs of 21.7 bcfd and 16.6 bcfd in February, respectively.

The EIA said producers drilled 1,011 wells in December, the most since March 2020. Total drilled-but-uncompleted (DUC) wells rose by 40 to 4,577 in December, the most since August 2022.

Big Oil's good times set to roll on after record 2022 profits

The West's top energy firms are expected to rake in a combined record profit of $200 billion from a turbulent 2022 marked by huge volatility in oil and gas prices after Russia's invasion of Ukraine with buoyant earnings likely to roll through 2023.

Flush with cash, BP, Chevron, Exxon Mobil, Shell and TotalEnergies also delivered shareholders unprecedented returns through dividends and share buybacks last year.

These firms are expected to post a combined profit of $199 billion for 2022 when they report final quarterly results later this month and in early February.

Profits are forecast to decline to $158 billion this year due to weaker energy prices and inflationary concerns, but that would still be well above the previous 2011 record, according to analysts estimates provided by Refinitiv.

A strong 2022 also helped these companies cut their debt to a combined $100 billion, a 15-year low, allowing them to start 2023 more prepared for any future downturn.

Net debt hit an all-time high of around $270 billion in 2020 when they borrowed heavily to weather the COVID-19 pandemic.

"Because of this, we expect shareholder returns to remain robust for the year," RBC Capital Markets analysts said in a note.

WINDFALL WOES

But the bumper profits could revive calls on governments around the world to further hike windfall taxes on the sector as economies struggle with high energy prices.

Shell earmarked $2.4 billion in extra tax in 2022 from windfall taxes in Europe and Britain, while Exxon said windfall taxes around the world would cost the company at least $2 billion in 2023. TotalEnergies said on Tuesday it would take a $2 billion windfall tax hit in the fourth quarter.

Exxon and Chevron earned close to $100 billion last year and led gains, according to estimates.

They benefited the most from high energy prices, rewarded by a fossil-focused cash generation strategy that contrasted with European majors' bet on renewables.

Boards responded to the price rally by recovering some of the investments cut during the pandemic, particularly in U.S. shale oil and gas production which can be quickly ramped up.

Exxon and Chevron plan a 10% increase in investments this year from 2022, to about $41 billion.

Even BP, which aims to cut its oil and gas output by 40% by the end of the decade, sharply increased spending in U.S. shale and the Gulf of Mexico.

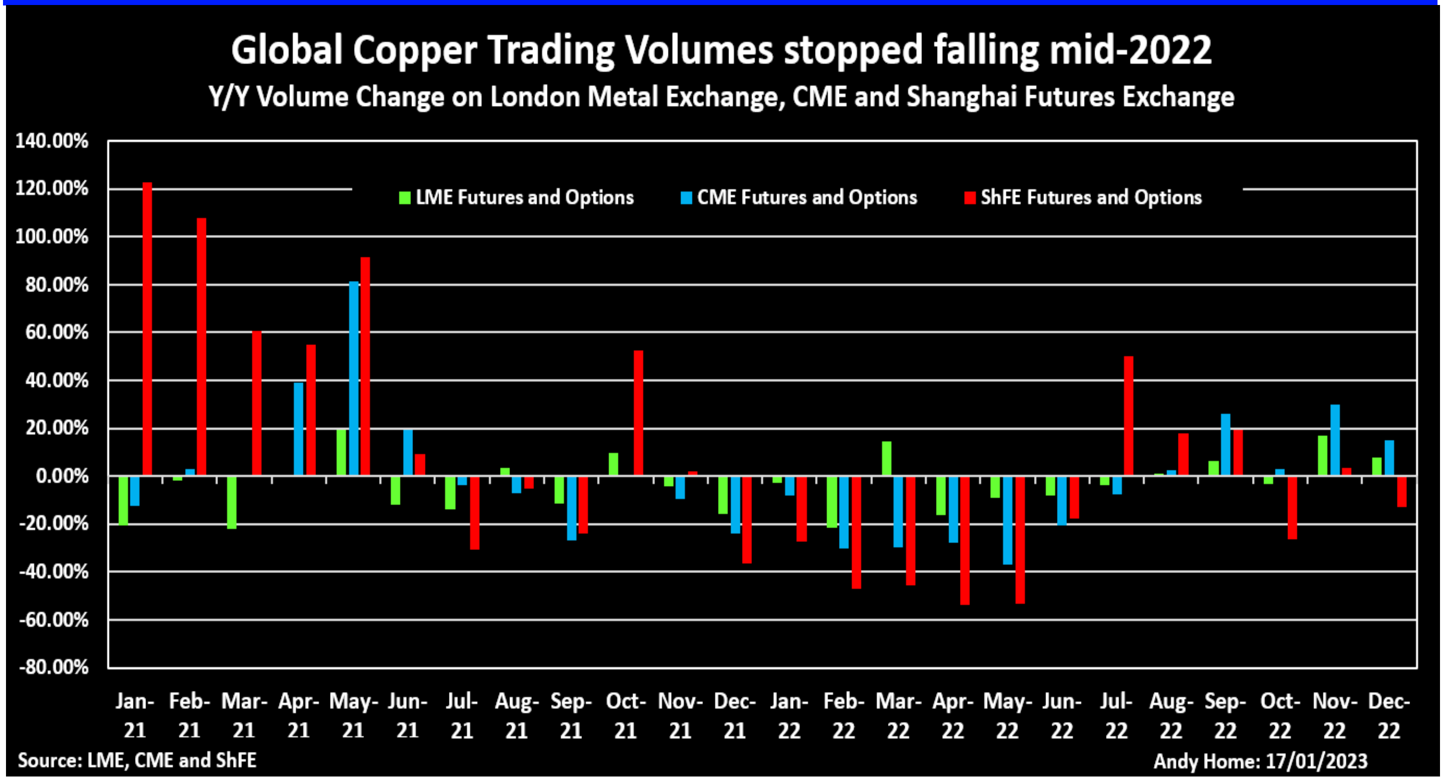
While European producers are unlikely to significantly loosen spending, they might use some of their excess cash to further invest in low-carbon energy.

Shell, BP and TotalEnergies, which aim to expand rapidly in renewables in the coming years, increased the pace of acquisitions of low-carbon business last year, including in solar, wind and biogas. They have not yet disclosed their 2023 plans.

Banks including HSBC and J.P. Morgan predict more

upside potential for European stocks this year after U.S. oil majors led in share performance and profits in 2022.
"The European majors appear much more attractively valued than the U.S. majors on our estimates," HSBC said in a note.
Chevron reports its full-year results on Jan. 27, Exxon on Jan. 31, Shell on Feb. 2, BP on Feb. 7 and TotalEnergies on Feb. 8.

Chart of the Day



Top News - Agriculture

Brazil summer grain crop to outgrow storage capacity for first time in 20 years
Brazil's 2022/2023 summer grain production will outgrow total storage capacity for the first time in 20 years amid expectations of a record soybean harvest, according to government data obtained by Reuters from Conab, the food supply and statistics agency.
Brazil will harvest a combined 189.5 million tonnes of soybeans, corn and rice in the summer, while it has total storage capacity for 187.9 million tonnes, the data shows.
The situation highlights Brazil's historical logistical bottlenecks which this year may be exacerbated by a large winter corn harvest.
It also challenges the new administration's plan to revive government rice, beans and corn inventories to guarantee food security and a local livestock feed supply.
"It is possible that at the peak of the soybean harvest, in the second half of February, March, we will have the old problem of not finding warehouses," Stelito dos Reis Neto, Conab's storage chief, said in an interview. "Maybe it will be a little worse this year."
Paulo Polezi, CFO of silo maker Kepler Weber, told Reuters the storage deficit only reinforced the need to invest in such structures in Brazil. He cited a study saying a 10 billion real ($1.96 billion) investment was needed to close the storage gap.
Polezi also noted a lack of buffer stocks meant large volumes of grain have to move at the same time, boosting freight costs at season peak times.
Conab's share of Brazil's overall storage capacity is 1%.
Neto Reis said Brazil had practically no competition in the first half, when it exports most of its soybean crop, which eases storage pressure.
But in the second half Brazil's logistical woes worsen amid greater competition in export markets, especially with the arrival of the U.S. soybean harvest.
After Brazil's soy is harvested, the country sows its second corn crop. This winter, it will raise production by 12% to an estimated 96 million tonnes of corn.

India contracts to export 5.6 mln tonnes of sugar this season
India has contracted to export about 5.6 million tonnes of sugar since the government said late last year that mills could ship up to 6.1 million tonnes of the sweetener by May, government, trade and industry sources said.

Dealers have already shipped about 2.5 million tonnes of the total contracted quantity, said the sources, who asked not to be named because they are not authorised to talk to the media.
Indian mills have exported almost an equal amount of raw and white sugar, with the raw variety sold between $480 and $510 a tonne free on board (FOB) and white sugar at $485-$540 a tonne FOB, they said.
India, the world's biggest producer of sugar and the second biggest exporter, sells the sweetener to countries across Asia, Africa and the Middle East.
After record exports of more than 11 million tonnes in the previous season to Sept. 30, 2022, the government allowed mills to export only 6.1 million tonnes of the sweetener in the current season.
Authorities said they could take a view on the second tranche of sugar exports after getting a clearer idea about local production.
The government will assess production next month, the sources said.
The Indian Sugar Mills Association said that mills have produced nearly 4% more sugar since the current season started on Oct. 1.
Production this season is likely to fall 7% after erratic weather conditions cut cane yields, farmers, millers and traders told Reuters last month.
Lower output could curb further exports, potentially pushing up global prices and allowing rivals Brazil and Thailand to increase shipments.
Mills are earning at least 20% more by shipping out rather than selling in the domestic market, but lower output could make it difficult for the government to allow additional exports, said one Mumbai-based dealer with a global trade house.
"India was in a sweet spot due to attractive global prices, and that's the reason we have nearly hit the 6 million tonne ceiling for sugar exports," said Rahil Shaikh, managing director of exporter MEIR Commodities India.

Top News - Metals

Barrick set to report highest quarterly gold output for 2022

Canadian miner Barrick Gold Corp on Tuesday reported a 13.4% sequential rise in gold production in what could be its highest quarterly output last year, driven by strong performances from its mines in Nevada and Ivory Coast.
Gold prices gained 9.9% during the October-December quarter, the best since mid-2020. They have continued their upward trend this year as cooling U.S. inflation raised hopes for slower interest rate hikes from the Federal Reserve.
Lower interest rates tend to boost bullion, decreasing the opportunity cost of holding the non-yielding asset.
Barrick said in October that access to high-grade ore, which essentially contains more gold, at its Nevada mines would drive the company to a "strong finish" in the fourth quarter. The miner had previously expected high-grade ore in late third-quarter.
Carlin and Cortez mines are part of Nevada Gold Mines, a joint venture between Barrick and Newmont Corp. Tongon mine in Ivory Coast also reported higher output.
Barrick on Tuesday reported total preliminary gold output of 1.1 million ounces in the quarter ended Dec. 31, up from 988,000 ounces.
The company said it expects all-in sustaining costs per ounce of gold, an industry metric that reflects total expenses, to fall about 1% to 3% from the previous quarter.
Copper production during the quarter fell 22% sequentially to 96 million pounds, due to lower throughput as well as lower grades at Lumwana mine in Zambia.
Barrick, which is scheduled to post its fourth-quarter results on Feb. 15, said Copper's AISC is expected to rise in the range of 26% to 28% from the previous quarter.

COLUMN- Funds jump back into copper, betting on Chinese recovery: Andy Home

Copper has begun the New Year on a surge, with funds piling back into the market in anticipation that China's rapid emergence from a year of lockdowns will translate into recovering demand Tuin the world's largest metals buyer.
London Metal Exchange (LME) three-month copper broke back up through the $9,000-per tonne level last week for the first time since June. Currently trading around $9,130, the copper price is up by 9.6% since the start of January.
The rally has been driven primarily by shifts in fund positioning on both the LME and the CME with the bulls back in town and bears in retreat.
Investors played copper from the short side for much of last year, if they were prepared to engage at all. Rolling lockdowns in China, an energy crisis in Europe and aggressive rate hikes in the United States were all good reasons to give Doctor Copper a wide berth.
The funds' sudden return is a sign that many are betting on a much sunnier outlook.

BULLS BACK IN TOWN
Money managers have rapidly accumulated long positions on the CME copper contract this month, lifting bets on higher prices by 32% to 65,703 contracts, according to the latest Commitments of Traders Report.
The resulting price surge has forced bears onto the back foot, outright short positions sliding from 40,807 contracts to 36,907 in the week to last Tuesday.
Funds were net long to the tune of 28,796 contracts on that date, the most bullish collective positioning since last April.
The same dynamic is playing out on the London market

with the price rally placing some $3 billion of short positions under pressure, according to analysts at Citi. ("Metal Matters", Jan. 17, 2023)
Citi estimates a 400,000-tonne collective investment short position was accumulated over the middle of last year in a $7,800-8,600 price band. "To the degree these short positions have not already covered, this may support copper in the short term", the bank said.

BACK IN FAVOUR
Renewed speculative interest in copper has been evident for several months with global trading activity showing signs of recovering from a long slump.
All three major copper venues - the LME, CME and the Shanghai Futures Exchange (ShFE) - saw volumes and open interest fall consistently over much of 2021 and the first half of 2022.
The market stopped contracting around July, with both the LME and CME registering consistent year-on-year volume growth over the back end of 2022.
LME copper volumes ended the year down by just 1.9% on 2021 levels, the most resilient performance among the core contracts in a year of nickel-induced turmoil on the London market.
CME futures open interest fell to 149,642 contracts at the end of November, its lowest end-month level since 2014. It has since rebounded to a current 198,018.
CME options trading has been booming. Volumes of vanilla monthly options hit an all-time record of 126,171 contracts in November. Open interest at the end of December was also an all-time high of 82,599 contracts.
Activity has spread to the CME's newer weekly options contracts and its "micro" copper product, a tenth the size of the main contract but one that has already traded the equivalent of over 600,000 tonnes since its May launch.
Doctor Copper, it seems, is back on the investment radar after a year in the wilderness.

THE ONLY WAY IS UP?
Investors' rekindled enthusiasm for copper's prospects jars with the current somewhat gloomy picture of industrial recession in Europe and sharp economic slowdown in the United States.
The World Bank last week slashed its global growth forecast for this year from 3.0% to 1.7% the slowest pace outside the 2009 and 2020 recessions since 1993.
It's clear, though, that copper long positioning is primarily a bet on Chinese recovery, underpinned by measures to revitalise a foundering property sector and more metals-intensive green infrastructure. It's worth noting that copper's gains have been overshadowed by those of iron ore, which is even more leveraged to a resumption of Chinese property construction. Dalian iron ore futures jumped 3% last Friday to hit 17-month highs.
Both commodities are pricing in a full-blown bounce-back in Chinese activity after the New Year holidays.

MARKET MONITOR as of 07:14 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$80.97 / bbl	0.99%	0.88%
NYMEX RBOB Gasoline	$2.56 / gallon	0.72%	4.23%
ICE Gas Oil	$932.00 / tonne	0.51%	1.19%
NYMEX Natural Gas	$3.54 / mmBtu	-1.25%	-20.87%
Spot Gold	$1,905.30 / ounce	-0.16%	4.43%
TRPC coal API 2 / Dec, 23	$170 / tonne	3.03%	-7.98%
Carbon ECX EUA / Dec, 23	€79.47 / tonne	-0.11%	-5.36%
Dutch gas day-ahead (Pre. close)	€59.60 / Mwh	7.87%	-21.13%
CBOT Corn	$6.85 / bushel	-0.07%	0.92%
CBOT Wheat	$7.52 / bushel	1.08%	-5.08%
Malaysia Palm Oil (3M)	RM3,857 / tonne	1.63%	-7.59%
Index (Total Return)	**Close 17 Jan**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	301.44	0.53%	0.03%
Rogers International	28.57	0.53%	-0.33%
U.S. Stocks - Dow	33,910.85	-1.14%	2.30%
U.S. Dollar Index	102.58	0.18%	-0.91%
U.S. Bond Index (DJ)	409.80	0.31%	4.42%

How optimistic a scenario that is remains to be seen. There is plenty of uncertainty around COVID transmission rates, the timing of any meaningful turnaround in the property market and the likely negative hit on exports from slower growth everywhere else.
If copper is already pricing in a full recovery, reality is only likely to disappoint.
Doctor Copper's new fund friends may have to be patient.

Top News - Carbon & Power

Coronado sees coking coal enquiries tick up as China eases unofficial ban
Coronado Global Resources, which has not typically sold Australian coking coal to China, has received enquiries for long term supply as Beijing lifts its unofficial ban on coal imports from Australia, its chief executive said on Wednesday.
Thawing diplomatic relations between Australia and its biggest trading partner led China to allow three power utilities and the country's largest steelmaker to resume Australian coal purchases this month for the first time since 2020.
So far, trade has been subdued given the early stage of approvals, China's Lunar New Year holidays and high prices in Australia that have made imports less attractive.
"We haven't traditionally sold Australian coal into China but we have been getting enquiries," Chief Executive Gerry Spindler, who will retire from his role in late May, told Reuters. Douglas Thompson, previously the company's chief operating officer, will step into the top job.
The miner's Australian coal is mostly accounted for, but there is some flexibility on long term supply, Spindler said.
"We have seen enquiries ... (for) extra tonnage for a number of years," he said. "We don't know for sure if they are coming direct from customers or from traders."
Coronado runs the Curragh mine complex in Queensland's Bowen Basin, as well as three operations in Virginia and West Virginia in the United States.
Coronado was a beneficiary of China's unofficial ban because it sold more coal to China from its Buchanan mine in the United States, a flow Spindler said he expects to continue even as Australia opens up. Coronado produced 8.8 million tonnes of coal in the first half of 2022, up 10% with its U.S. production returning to pre-COVID levels. It reports its full-year results on Feb. 21.

Japan's JERA signs ammonia supply MOUs with Yara, CF Industries
Japan's biggest power generator JERA signed ammonia supply memorandums of understanding (MOUs) with CF Industries of the United States and Norway's Yara Clean Ammonia Norge AS, as it aims to co-fire ammonia to reduce emissions, it said on Tuesday.
JERA plans to use a 20% ammonia fuel mix at all its coal-fired power plants by 2035, and to develop technology to use 100% ammonia in the 2040s, as Japan - among top CO_2 emitters globally - targets carbon neutrality by 2050.
Under the MOUs, JERA agreed with Yara and separately with CF Industries to look at the possibility of buying up to 500,000 tonnes of clean ammonia per year for the 20% co-firing operations at the Hekinan Thermal Power Plant Unit 4 in Japan.
As part of the agreement, JERA and CF Industries, the world's top ammonia producer, would study 'potential supply options, including an equity investment alongside CF Industries to develop a greenfield clean ammonia facility in Louisiana, as well as a supplementary long-term offtake agreement from CF Industries' Donaldsonville Complex in Louisiana, the U.S. company said separately.
Yara and JERA also plan to collaborate on blue ammonia production in the U.S. Gulf and to produce more than 1 million tons per annum, according to a separate statement issued by Yara on Tuesday.
Tokyo hopes to use ammonia to gradually replace coal and develop a fully ammonia-fired power plant by 2050 but its reliance on coal and gas for power generation has grown since the 2011 Fukushima disaster, which left its nuclear power industry in crisis.
In 2021, JERA and IHI Corp began to use small volumes of ammonia along with coal at JERA's Hekinan coal-fired power station in central Japan as part of a demonstration project to reduce the facility's emissions of CO_2.

Top News - Dry Freight

EXCLUSIVE- Glencore copper mine in Peru running at 'restricted' capacity due to protests -source

Glencore Plc's huge Antapaccay copper mine in Peru is operating at "restricted" capacity due to anti-government protests that saw an attack on the facility last week, a company source told Reuters on Tuesday.

Peru, the world's No. 2 copper producer, is currently in the throes of its worst civil unrest in over 20 years, posing a risk to mining activity and copper transport that has buoyed global prices of the metal on supply worries and hit some company share prices.

"The mine has not yet suspended operations, which overall continue in a restricted manner," the company source said, asking not to be named. Road blockades by protesters were preventing trucks from moving its copper, the source said.

"Due to the road blockades, no type of transport activity is being carried out, this includes the transport of concentrate for export."

Antapaccay, located in the province of Espinar in the Cusco region, is one of Peru's largest mines. It produced 135,987 tonnes of copper between January and November last year, company data shows. Last week, two Antapaccay company vehicles were burned and the area around the workers' housing was attacked. In response, Glencore said it would evacuate staff from the site.

The source said the mine was still trying to evacuate its 2,400 staff and contractors, an effort that has been complicated by the ongoing blockades.

"The local protest leaders continue to incite the population and have set themselves the objective of paralyzing the mine," the person said.

Representatives for Antapaccay and Glencore did not respond to Reuters requests for official comment.

Peruvians in the country's south have been protesting since the Dec. 7 ouster of leftist President Pedro Castillo after he tried to shutter Congress illegally. They are demanding the removal of new President Dina Boluarte and a new constitution.

The protests have led to the deaths of 42 people, with a further eight killed in related accidents.

Las Bambas mine, owned by China's MMG Ltd in the Apurimac region, has also seen transport of copper concentrates impacted by the blockades. Last week, Minsur also temporarily suspended operations at its San Rafael mine, one of the largest tin mines in the world.

Algeria buys milling wheat in tender - traders

Algeria's state grains agency OAIC has bought milling wheat in an international tender which closed on Tuesday, European traders said in initial assessments.

Initial purchases reported were around $334.50 a tonne cost and freight (c&f) included, they said. Estimates of tonnage bought ranged between 510,000 tonnes to 600,000 tonnes.

Traders said a large part of the volume was expected to be sourced from the Black Sea region.

More detailed assessments prices and tonnage bought are expected later.

The wheat is sought for shipment in two periods from the main supply regions including Europe: March 1-15 and March 15-31. If sourced from South America or Australia, shipment is one month earlier.

Algeria is a vital customer for wheat from the European Union, especially France. Algeria does not release results of its tenders and reports are based on trade estimates.

Picture of the Day

A file photo shows the sun rising behind the cooling towers of Kendal Power Station, a coal-fired station of South African utility Eskom, as the company's ageing coal-fired plants cause frequent power outages, near Witbank, in the Mpumalanga province, South Africa. REUTERS/Siphiwe Sibeko

(Inside Commodities is compiled by Anjana J. Nair in Bengaluru)

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

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Refinitiv
28 Liberty Street, New York, NY 10005

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