

[Oil](#) | [Agriculture](#) | [Metals](#) | [Carbon & Power](#) | [Dry Freight](#)

Click on headers to go to that section

Top News - Oil

In first look at 2025, OPEC expects robust oil demand growth

OPEC on Wednesday stuck to its forecast for relatively strong growth in global oil demand in 2024 and said 2025 will see a robust increase in oil use, led by China and the Middle East, in a surprise early prediction.

The 2025 forecast is in line with the Organization of the Petroleum Exporting Countries' view oil use will keep rising for the next two decades, in contrast to bodies such as the International Energy Agency, which predicts it will peak by 2030 as the world shifts to cleaner energy.

OPEC, in a monthly report, said world oil demand will rise by 1.85 million barrels per day in 2025 to 106.21 million bpd. For 2024, OPEC saw demand growth of 2.25 million bpd, unchanged from last month.

Oil prices, though, have started the year on a weak footing as uncertainty in the market about demand has offset the impact of a new round of supply cuts by OPEC and its allies, known as OPEC+. Brent crude on Wednesday was trading around \$77 a barrel, down almost 2%.

The 2025 forecast was published on the same day as OPEC Secretary General Haitham Al Ghais published an article disputing that oil demand was near a peak, and reiterated the group's call for continued oil industry investment.

"What is clear is that peak oil demand is not showing up in any reliable and robust short- and medium-term forecasts," he wrote. "It is a challenge to see peak oil demand by the end of the decade, a mere six years away."

The 2025 prediction is OPEC's first in its monthly report and would have been expected in July 2024 based on previous practice. OPEC said it had published the forecast earlier than usual to provide long-term guidance for the market.

"The undertaking to reach beyond the previously established time horizon of short-term forecasting serves to support the understanding of market dynamics," OPEC said in the report.

DIFFERENCE ON 2024

In 2025, OPEC anticipates an increase in global economic growth to 2.8% from 2.6% this year in part because of interest rate cuts. China, the Middle East and India will drive the increase in oil consumption, OPEC said.

For this year, OPEC's expectation of oil demand growth is much more than the expansion of 1.1 million bpd so far forecast by the IEA. The IEA, which represents industrialised countries, is scheduled to update its forecasts on Thursday.

According to the IEA, global oil demand growth will halve in 2024 as a result of below-trend economic growth in major economies, efficiency improvements and a booming electric vehicle fleet.

Apart from their differing views on demand, OPEC and the IEA have also clashed on the need for investment in new

oil supply. The IEA says the end of the growth era for fossil fuels undercuts the rationale for increased investment.

OPEC and the wider OPEC+ alliance have implemented a series of output cuts since late 2022 to support the market. A new cut for the first quarter took effect this month.

But the report noted OPEC oil production rose slightly in December, by 73,000 bpd to 26.70 million bpd, led by Nigeria, one of the members that has been recovering from internal challenges that limited output.

OPEC adjusted its production figures lower to reflect the exit from the group of Angola, announced by Luanda last month and said that, as of December, its crude output amounted to 26.5% of the world oil market.

Its market share has declined from 33% in 2017, according to Reuters calculations based on OPEC figures, as a result of successive output cuts and the exit of some members, despite a few other small producers joining.

Still, OPEC delegates have downplayed the issue of market share, citing the group's view that non-OPEC supply growth will slow and members' market share will recover over time.

IEA's Birol predicts 'comfortable' oil market despite Red Sea disruption

The IEA expects oil markets to be in a "comfortable and balanced position" this year, despite Middle East tensions amid a rising supply and slowing demand growth outlook, its executive director Fatih Birol told the Reuters Global Markets Forum on Wednesday.

"If we don't see any major geopolitical surprises, I expect this year a comfortable oil market, a more balanced oil market," the International Energy Agency's Birol said on the sidelines of the WEF's annual meeting in Davos. Birol added that the Paris-based IEA expects a significant increase in oil output from the United States, Canada, Brazil, and Guyana this year, just as global demand growth slows.

Attacks by the Houthis on ships in the Red Sea have forced many companies to divert cargoes around Africa, adding to journey times and costs.

The Iran-aligned Houthis say they are acting in solidarity with Palestinians during Israel's ongoing war with Gaza. Birol noted that so far production has not been impacted by these disruptions. He said that he did not expect a major impact on oil prices, unless one or more major oil producing countries were to get directly embroiled in the conflict.

"I don't expect a major change in the oil price because we have an ample amount of oil coming in the market," he said.

Brent crude futures were trading 1.4% lower on Wednesday at \$77.21 per barrel, and U.S. West Texas Intermediate crude futures (WTI) CLc1 were down 1.0% at \$71.69.



The IEA expects world oil demand to grow by 1.1 million barrels per day (bpd) in 2024. It expects non-OPEC supply growth to reach 1.2 million bpd next year. The Organization of the Petroleum Exporting Countries (OPEC), forecasts demand growth of 2.25 million bpd in

2024. "Moderate oil prices" would be good for economic growth in the context of high inflation rates, he said. Birol highlighted elections in the United States and India, Middle East tensions, and climate and the clean energy transition as some of the key risks in the year ahead.

Top News - Agriculture

FranceAgriMer cuts 2023/24 wheat export forecasts on lower demand

Farm office FranceAgriMer on Wednesday lowered its forecast for French wheat exports in 2023/24, citing lower demand from China and increased competition from Black Sea exporters mainly in Egypt and southern Europe.

In a supply and demand outlook, the office forecast French wheat exports outside the European Union at 10.1 million metric tons from 10.2 million projected last month, now 0.5% below last season's level.

It also cut its forecast for French soft wheat shipments within the EU this season, to 6.55 million tons from 6.69 million expected in December and 2.5% higher than the 2022/23 volume.

French soft wheat stocks at the end of the 2023/24 season were now projected at 3.44 million tons, compared with 3.22 million forecast last month and 34.7% up from last season.

For barley, FranceAgriMer forecast 2023/24 ending stocks at 2.11 million tons, up from 1.81 million last month, after reducing the estimate for exports outside the EU by a similar volume.

Barley stocks at the end of this campaign would now be more than twice the volume at the end of June last year.

Maize ending stocks for the end of 2023/24 were also revised up to 2.18 million tons, from 2.00 million forecast last month and are now 31.9% above last season.

The revision followed a rise in the projected volume of maize to be marketed this season.

The larger carry-over stocks were also due to farmers expecting a rebound from current low prices next season after rains hurt sowings and possibly also crop conditions

ahead of next summer's harvest, FranceAgriMer grain market analyst Adele Dridi said.

Heavy showers in France since mid-October have delayed winter grain sowings, which should lead to a large switch to spring grains, such as spring barley, maize and sunseed, analysts and forecasters said.

Egypt's wheat imports rebound after dip in global prices

Egypt's wheat imports rose by more than a million metric tons in 2023, data seen by Reuters shows, with traders citing a dip in global prices from highs reached after Russia invaded Ukraine.

One of the world's top wheat importers, Egypt uses the grain it buys for heavily subsidised bread available to more than two thirds of the North African nation's 105 million population.

Egypt imported about 10.88 million tons of wheat in 2023, up 14.7% from 9.48 million tons in 2022, the data showed. That was mainly because shipments delivered to state buyer, the General Authority for Supply Commodities (GASC), jumped by 26% to about 5.6 million tons.

Imports by the private sector rose 1.3% to 5.12 million tons.

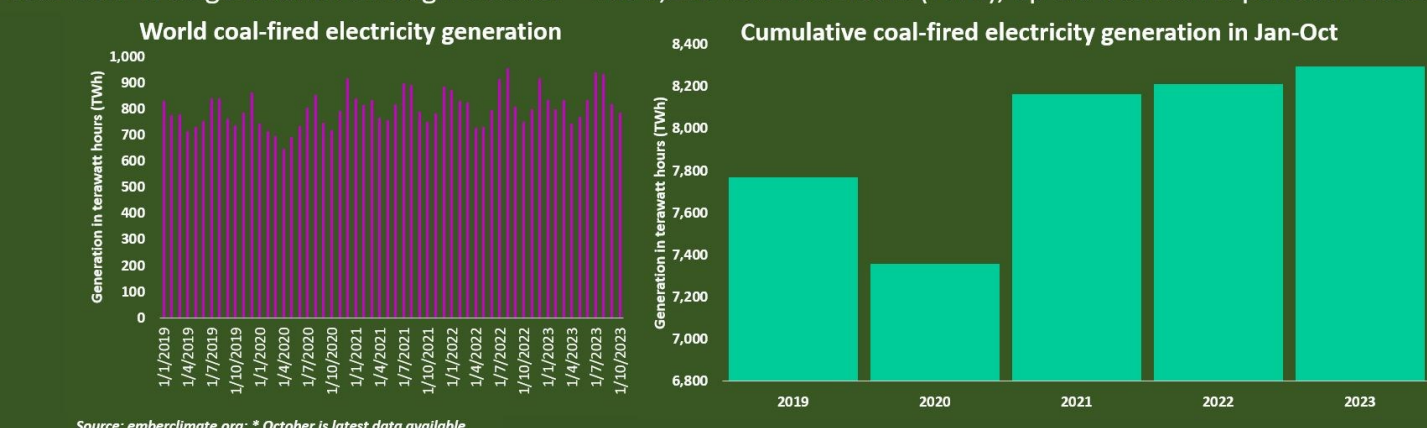
"Imports in 2022 were extraordinarily low because of high prices and the FX crunch following the war in Ukraine, when importers weren't able to buy as much," said Hesham Soliman, president of Egyptian merchant Mediterranean Star.

The growing population and rising demand could have led to a bigger increase in wheat imports but for Egypt's chronic shortage of foreign currency, he said.

Chart of the Day

Global coal-fired electricity generation climbs to new highs in 2023

Total coal-fired generation through October* was 8,295 terawatt hours (TWh), up 1% from same period in 2022



Egypt's total wheat imports fell 18.7% to about 9.5 million tons in 2022, estimated to be the lowest since 2013, as the war in Ukraine disrupted GASC's wheat purchases, caused a spike in global prices and exacerbated a foreign exchange crisis in Egypt that left private importers unable to pay for wheat stuck at ports.

Most of Egypt's 2023 imports came from Russia, with shipments rising 39.5% to 7.56 million tons, accounting for 69.5% of total wheat imports.

Wheat imports from Ukraine have edged up to 1.28 million tons after dipping to 845,587 tons in 2022, with last year's shipments accounting for 11.8% of imports.

Soliman added that imports rose partly because GASC was buying more wheat to sell to the private sector through a new commodities exchange.

Trading on the Egyptian Mercantile Exchange (EMX) began in November 2022 in an effort to tackle private sector price distortions after a spike in the price of unsubsidised bread.

GASC, which is mainly responsible for importing for subsidised bread, can help private sector mills by selling them wheat from its own reserves.

The authority has sold 1.2 million tons since the launch of the exchange, about 1.1 million tons of it in 2023, EMX chairman Ibrahim Ashmawi told Reuters late on Tuesday. "GASC increases its purchases to secure the country's needs," said Ashmawi. "Part of boosting reserves is manoeuvring when there's a shortage in markets, so it sells on the exchange."

Ashmawi added that he does not expect GASC to increase purchases specifically for the commodities exchange but it would do so if needed.

The data seen by Reuters shows total deliveries, not purchases, of wheat shipments to Egyptian ports in the previous calendar year and are not official figures. However, Ashmawi this month told domestic media that total 2023 imports were about 11 million tons.

Top News - Metals

Australia's BHP flags possible writedowns at nickel unit on low prices

BHP Group said on Thursday it was reassessing the value of its nickel operations after a price slump, in a move that could lead to writedowns amid an oversupply of the metal used in electric vehicle batteries.

The world's biggest listed miner, which signed a deal to supply nickel to Tesla in 2021, is reevaluating the business after prices fell 40% in the last year as Indonesian supply jumped, causing restructures and writedowns at nickel mines across Australia.

BHP said it was looking at options to mitigate the impacts of the sharp fall in nickel prices and that it would offer more details at its half-year results on Feb. 20.

"The nickel industry is undergoing a number of structural changes and is at a cyclical low in realised pricing," it said in quarterly production report. "Nickel West is not immune to these challenges.... Given the market conditions, a carrying value assessment of the Group's nickel assets is ongoing."

BHP may write down the value of the West Musgrave nickel project it acquired with its purchase of OZ Minerals last year that experts valued at \$1.2 billion, analysts said. The mine, currently under development, could also be delayed.

BHP could put its Nickel West unit that include its Kwinana plant that produces nickel sulphate under strategic review for a possible sale, although this was seen by analysts as less likely, or choose to delay planned investment.

Earnings tanked at BHP's nickel business in the 2023 financial year, sliding 61% from a year earlier to just \$164 million. The division accounts for less than 1% of its earnings but is a major part of its green energy marketing strategy.

BHP failed to sell the division about a decade ago due to an estimated \$1 billion in closure costs at the time.

Elsewhere, BHP reported a small 2.2% drop in second-quarter iron ore production that was in line with analyst forecasts as it ties in its rail line to a central production hub in the Pilbara region.

Iron ore production from Western Australia on a 100% basis was 72.7 million metric tons (Mt) in the three months to Dec. 31, down from 74.3 Mt reported a year ago.

That compares with a Visible Alpha consensus estimate of 72.5 Mt, according to Morgan Stanley.

BHP said it was working with authorities after a worker at its BHP Mitsubishi Alliance (BMA) coal business was fatally injured in a vehicle incident on Jan. 15.

BHP logged a 4% drop in quarterly copper production to 457,000 metric tons due mostly to lower concentrator grades at its Escondida mine in Chile.

Albemarle to cut staff, pause expansions amid falling lithium prices

Albemarle, the world's largest lithium producer, said on Wednesday it will cut jobs and defer spending on a U.S. refinery project as part of a wide-ranging plan to slash costs amid falling prices of the metal used to make electric vehicle batteries.

Shares of the Charlotte, North Carolina-based company fell 2.8% to \$122.44 in morning trading on the New York Stock Exchange. The stock has lost nearly half of its value in the past 52 weeks.

Oppenheimer & Co analysts cut their price target on Albemarle on Wednesday to \$191 from \$308.

Global supply of the ultralight metal over the past year has outpaced demand from the battery market, fuelling a glut that has dragged on pricing. While lithium prices can vary by region and type, an index of prices tracked by Benchmark Mineral Intelligence, for instance, has dropped by 81% in the past year and nearly 11% in the past month alone.

Albemarle, which supplies Tesla and other automakers, sells most of its lithium on long-term contracts linked to market pricing. The company had flagged last November that a softening in lithium prices would dent 2023 sales, although executives described the market volatility as "road bumps" and not any erosion of long-term expectations for strong demand.

Albemarle said it now plans 2024 capital spending in the range of \$1.6 billion to \$1.8 billion, down from about \$2.1 billion in 2023. The company also plans to defer spending on a massive U.S. lithium refining project in South Carolina that was designed to be one of the world's largest processors of the battery metal.

Albemarle did say it would finish the commissioning of several lithium refineries in China and Australia for which construction is nearly finished. The company also said it would prioritise its permitting efforts to reopen a North Carolina lithium mine.

It was not immediately clear if the budget cuts would affect Albemarle's plans to launch direct lithium extraction technology (DLE) in Arkansas, near where rivals Exxon Mobil, Tetra Technologies and others are working to deploy the novel filtration processes.

The company plans to cut staff, but did not say how many employees would be affected. In all, the moves are

expected to save \$95 million annually, with \$50 million coming in 2024, Albemarle said.

The company said it would record a charge in the first quarter associated with severance and related benefit costs, exit and disposal activities, and asset write-downs. Also on Wednesday, Albemarle said it would sell its stake in Australia's Liontown Resources after Australia's richest person, Gina Rinehart, blocked its \$4.3 billion bid for the lithium developer last year.

The budget come comes a week after protest in Chile's Atacama salt flats, where Albemarle and rival SQM produce lithium, blocked access to key production facilities.

Albemarle had said its operations "continue as usual" and that it was focused on employee safety.

Albemarle plans to release its fourth-quarter results and discuss its 2024 outlook on Feb. 15.

Top News - Carbon & Power

Gas, LNG prices to remain relatively weak in 2024 amid subdued demand -WoodMac

Global prices of gas and liquefied natural gas (LNG) are expected to remain relatively weak in 2024, with demand subdued due to high storage levels in Europe and Asia and a mild Northern Hemisphere winter, consultancy Wood Mackenzie said on Wednesday.

"Wood Mackenzie has been forecasting lower 2024 prices for much of last year, especially compared to forward curves, amid weak market fundamental

expectations," Massimo Di Odoardo, Vice President of Gas Research at Wood Mackenzie, said.

"Global LNG supply growth will remain limited at 14 million tonnes (Mt), but with Asian LNG demand still weak, competition for LNG is unlikely to heat up," he added.

LNG prices dropped 58% in 2023 to levels slightly below \$12 per million British thermal units (mmBtu) and fell further in the first two weeks of January to \$10.025 on Wednesday, their lowest level since June 2023.

MARKET MONITOR as of 07:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	\$73.28 / bbl	0.99%	2.27%
NYMEX RBOB Gasoline	\$2.17 / gallon	0.37%	2.85%
ICE Gas Oil	\$786.25 / tonne	1.06%	4.73%
NYMEX Natural Gas	\$2.89 / mmBtu	0.70%	14.96%
Spot Gold	\$2,013.29 / ounce	0.38%	-2.39%
TRPC coal API 2 / Dec, 24	\$102.5 / tonne	-1.44%	5.67%
Carbon ECX EUA	€63.74 / tonne	0.93%	-20.69%
Dutch gas day-ahead (Pre. close)	€28.10 / Mwh	-6.80%	-11.77%
CBOT Corn	\$4.55 / bushel	0.22%	-6.04%
CBOT Wheat	\$5.94 / bushel	-0.08%	-7.11%
Malaysia Palm Oil (3M)	RM3,883 / tonne	1.78%	4.35%
Index	Close 17 Jan	Change	YTD
Thomson Reuters/Jefferies CRB	301.35	-0.46%	-0.02%
Rogers International	26.38	-0.11%	0.21%
U.S. Stocks - Dow	37,266.67	-0.25%	-1.12%
U.S. Dollar Index	103.27	-0.18%	1.91%
U.S. Bond Index (DJ)	425.39	-0.28%	-1.24%

In Europe, gas prices have fallen 45% to \$10/mmBtu in the past three months, the report said, expecting market sentiment for gas and LNG to remain bearish into 2024.

Gas demand in Europe fell by 7% in 2023 as mild weather reduced consumption, the report said.

"Normal weather dynamics and a possible economic rebound would support demand, however with renewable supply increasing by more than 100 terra watt hours and nuclear production in France continuing to come back, European gas demand will remain flat at best."

In Asia, demand this year is expected to grow by 12.5 million metric tons, or 5% from 2023, but remains 3 million tons lower than its 2021 levels.

On LNG contracting, Di Odoardo said overall activity is expected to soften in 2024 compared to a huge numbers of deals signed in 2021 to 2023.

Key LNG portfolio players are expected to be more selective this year, after signing 72 million tons per annum (mmtpa) in contracts in 2022 and 2023, the report said.

"However, some buyers might take a more opportunistic approach, with U.S. independent players leveraging on low Henry Hub prices to seek more exposure to global LNG prices by taking long-term LNG capacity positions, or more activity emerging in price sensitive Asian markets if contract prices fall further," the report said.

The United States supplies buyers in both Europe and Asia, but is increasingly focused on Europe, especially with the loss of much of the continent's supply of Russian pipeline gas following Moscow's invasion of Ukraine two years ago.

Severe US cold snap prompts peak power and natural gas demand

Freezing temperatures in several U.S. regions triggered peak power demand in parts of the country on Wednesday, after homes and businesses consumed a record amount of natural gas for heating and power generation.

The severe winter storm dumped snow across a broad part of the country this week, shutting a Gulf Coast refinery in Texas, triggering malfunctions at others, and halving North Dakota's oil production.

U.S. government-owned power utility Tennessee Valley Authority saw a peak demand record on Wednesday morning, when demand hit 34,526 megawatts, beating

out the previous all-time high set in August 2007, the agency said.

PJM Interconnection, the largest U.S. power grid operator, covering more than a dozen states from Illinois to New Jersey, extended its cold weather advisory by a day until Jan. 22 for its western region.

Despite some isolated outages and well freezes, the country's power and gas systems have broadly kept the lights on, and the gas flowing, avoiding the consequences of a deadly storm three years ago.

A February freeze in 2021 left millions in Texas and other U.S. Central states without power, water and heat for days and caused more than 200 deaths.

The Electric Reliability Council of Texas (ERCOT), which operates most of the state's power grid, was forced at the time to impose rotating power outages to prevent a grid collapse after an unusually large amount of generation shut due in part to a lack of fuel.

This time ERCOT mustered enough generating supplies to meet record winter demand so far during this storm thanks in part to energy conservation efforts by Texas electricity customers.

As this week's extreme cold moves into the U.S. Northeast, spot power and gas prices in New York and New England jumped to their highest levels since February 2023.

U.S. GAS DEMAND HITS RECORD

U.S. gas demand jumped to a preliminary 167.8 billion cubic feet per day (bcfd) on Tuesday, financial firm LSEG said. That would top the previous all-time high of 162.5 bcfd set in December 2022 during Winter Storm Elliott, according to federal energy data from S&P Global Commodities Insights.

Meanwhile, U.S. gas output dropped by 17.0 bcfd from Jan. 8-16 to 90.6 bcfd on Tuesday, its lowest since December 2022, according to LSEG, due primarily to freeze-offs, which occur when wells, pipes and other equipment freezes.

That output decline was still smaller than gas supply losses of around 19.6 bcfd during Winter Storm Elliot in December 2022 and 20.4 bcfd during the February 2021 freeze.

One billion cubic feet of gas is enough to fuel about 5 million U.S. homes for a day.

Top News - Dry Freight

Red Sea attacks unlikely to hit French cereals exports to Asia for now - FranceAgriMer

Attacks on ships in the Red Sea are unlikely for now to affect exports of French cereals to Asia, notably China which is a key market for France, since they are targeted at ships going towards Israel, farm office FranceAgriMer on Wednesday.

The Iran-allied Houthi militia have been attacking commercial ships in the region since November in an escalation of Israel's war with Palestinian Hamas militants in Gaza. The Houthis have said that they would target ships heading to Israel and that their actions are a show of support for the Palestinians.

"(Wheat exports) going to China are going to go through the Suez Canal and the Red Sea in the opposite way as the one that is threatened," Marc Zribi, head of FranceAgriMer's grain unit, told reporters, after a meeting with representatives of the French grain trade.

"Now, if that zone of the Bab al-Mandab Strait and that part of the Red Sea became a real zone of open conflict in the weeks to come there would certainly be a significant impact but at this stage it's not the case so we can think that exports out of Europe to Asia should not be impacted too much," he said.

The Bab al-Mandab Strait is at the southern end of the Red Sea. Still, shipments data showed some French

wheat exports to China that set off in December have been rerouted since the attacks.

Among the 12 wheat cargoes that have left France for China since last month, five travelled through the Suez Canal and Red Sea, while seven chose the longer route around Africa, including two that had turned back in the Mediterranean, LSEG shipping data showed.

FranceAgriMer in a supply and demand outlook slightly lowered its forecast for French soft wheat exports outside the European Union in 2023/24 citing lower demand from China and Black Sea competition in Egypt.

Jordan buys about 120,000 metric tons wheat in tender

Jordan's state grains buyer purchased about 120,000 metric tons of hard milling wheat to be sourced from optional origins in an international tender on Wednesday,

traders said. It was believed to have been bought from trading house Ameropa all at an estimated \$269.00 a ton cost and freight (c&f) in two 60,000 ton consignments, one for shipment in the second half of March and the other in the first half of April, they said.

Traders reported these estimated offers in the tender from other trading houses in the tender all per ton c&f: MC Food \$283.00, Cargill \$278.96, CHS \$282.70 and Nestwise \$280.00.

Traders said Jordan was expected to issue a new tender to purchase 120,000 tons of wheat in coming days as the country's import requirement continues.

Jordan made no purchase in its previous tender for 120,000 tons on Jan. 9.

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

Picture of the Day

An Egyptian employee uses fire to design a gold ring at the workshop of "GM Joneer Gold" a gold jewellery manufacturer at "El Sagha", at the gold market area in Cairo, Egypt, January 14. REUTERS/Amr Abdallah Dalsh

(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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