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Top News - Oil

China's COVID-19 reopening set to push 2023 oil demand to new high -IEA

The lifting of COVID-19 restrictions in China is set to boost global oil demand this year to a new record high, the International Energy Agency (IEA) said on Wednesday, while price cap sanctions on Russia could dent supply.

"Two wild cards dominate the 2023 oil market outlook: Russia and China," the Paris-based energy watchdog said in its monthly oil report.

"Russian supply slows under the full impact of sanctions (while) China will drive nearly half this global demand growth even as the shape and speed of its reopening remains uncertain."

Weak industrial activity and mild weather helped cut oil demand by nearly a million barrels per day in the OECD developed countries in the last quarter of 2022.

But despite possible but likely mild recessions in Europe and the United States, China's expected reopening is set to fuel rebounds in nearby Asian economies and see it take the lead from India as the world's leader in oil demand growth.

"The preeminent driver of 2023 GDP and oil demand growth will be the timing and pace of China's post-lockdown recovery," the IEA said. Meanwhile the main growth in oil supply is set to come from the United States as output from the OPEC+ producer group will decline by 870,000 barrels per day (bpd), led by Russia.

Russian oil output was dented by only 200,000 barrels per day (bpd) in December after the European Union banned imports of its seaborne crude and a coalition of countries imposed a price cap on its crude, the IEA said.

That was around double what the IEA had predicted in its last report and the agency originally foresaw 3 million bpd being shut in after Moscow's invasion of Ukraine.

Russia's oil exports increased by just under 5% last year, the IEA said on Wednesday, though prices were far lower.

POLL- U.S. crude stockpiles dipped last week, products likely higher

U.S. stockpiles of crude oil were estimated to have declined last week while gasoline and distillates inventories were seen gaining, an extended Reuters poll showed on Wednesday.

Nine analysts polled by Reuters estimated on average that crude inventories fell by about 600,000 barrels in the week to Jan. 13.

The poll was conducted ahead of reports from the American Petroleum Institute, an industry group, due at 4:30 p.m. ET (2130 GMT) on Wednesday, and the Energy Information Administration, the statistical arm of the U.S. Department of Energy, due at 11:00 a.m. (1600 GMT) on Thursday, delayed by a day on account of the Martin Luther King Day federal holiday.

Crude inventories rose by 19 million barrels in the week ended Jan. 6 to 439.6 million barrels. Analysts polled by Reuters had expected a 2.2 million-barrel drop.

Distillate inventories, which include diesel and heating oil, were expected to have increased by about 120,000 barrels last week.

Analysts estimated that stockpiles of gasoline rose by around 2.5 million barrels last week.

The rate of refinery utilization was seen 3.8 percentage points higher from 84.1% of total capacity for the week ended Jan. 6, the poll found.

Top News - Agriculture

India's soymeal exports to jump as drought curbs Argentine supply - industry officials

India's soymeal exports could more than double in the 2022/23 marketing year, as drought in top exporter Argentina lifted global prices, prompting buyers to turn to the south Asian country with cheaper rates, four industry officials told Reuters.

The revival in the exports of the animal feed has boosted soybean crushing in India and the availability of soyoil, which could reduce imports of soyoil and palm oil by the world's biggest buyer in coming months. Oil mills have contracted to export around 160,000 tonnes of soymeal for January shipments and another 100,000 tonnes for February shipments, mostly to Asian countries such as Vietnam, Bangladesh, Japan and Nepal, the officials said.

"Exports demand for Indian soymeal has been improving since it is cheaper than supplies from Argentina," Hemant Bansal, vice president, oilseed crushing and refining at Patanjali Foods Ltd told Reuters. "Asian buyers are saving on freight as well due to the proximity."

Bansal estimated India's soymeal exports in the current marketing year could rise to 1.5-2 million tonnes, from 644,000 tonnes a year ago. Soymeal prices rose in the world market as Argentina's soybean production was forecast to fall to 41 million tonnes in 2022/23 due to drought, from 48 million tonnes previously estimated.

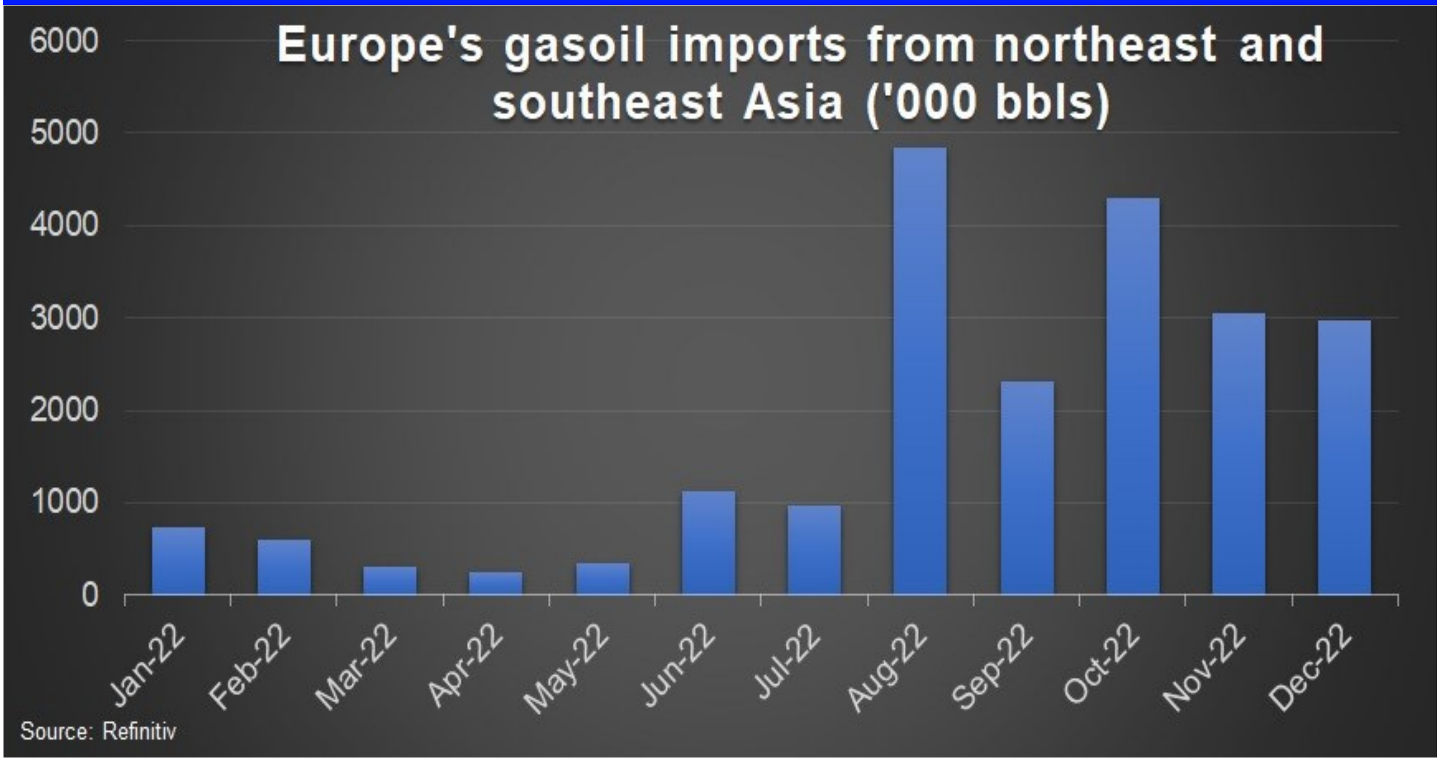
India's soymeal exports in the first three months of the 2022/23 marketing year, which started on Oct. 1, jumped

223% to 325,409 tonnes, according to trade body the Solvent Extractors' Association of India.
Soybean crush margins have improved due to recovery in soymeal exports, but the correction in soyoil prices in the past few days is threatening to wipe out the margins, said Manoj Agrawal, an exporter.
Soyoil and palm oil imports were seen declining in the coming months with improvement in local supplies, a Mumbai-based dealer with a global trade house said.
Edible oil availability has improved because of higher imports in the December quarter and as soyoil supplies are rising from domestic soybean crushing, he added.

French wheat export forecast raised on North Africa demand

Farm office FranceAgriMer on Wednesday increased for a second consecutive month its forecast of French soft wheat exports outside the European Union this season, citing strong demand from North Africa.
France, the EU's biggest wheat producer, is now expected to ship 10.6 million tonnes outside the bloc in 2022/23, against 10.3 million forecast in December and 21% above last season's level, the office said.
It had already increased the forecast by 300,000 tonnes last month.
"What is clear is that demand is still significant from the Maghreb, particularly Morocco," Paul Le Bideau, deputy head of FranceAgriMer's grains unit, told reporters.
The competitiveness of French wheat in North African markets had been helped by rising insurance costs for shipping supplies from Russia, the world's biggest wheat exporter, he said. Market participants consulted by FranceAgriMer had estimates for French non-EU soft wheat exports ranging between 10 and 11 million tonnes, he said, adding there was still much uncertainty over the impact of Russia's ongoing war in Ukraine.
A busy wheat export programme in France has continued in January, including further loadings for Morocco and Algeria, port data compiled by Refinitiv showed.
FranceAgriMer trimmed its outlook for soft wheat exports within the EU, to 6.64 million tonnes from 6.73 million previously.
It reduced its projection of French soft wheat stocks at the end of the 2022/23 season on June 30 to 2.33 million tonnes, from 2.55 million projected in December.
For barley, the office raised its 2022/23 ending stocks outlook to 1.97 million tonnes from 1.85 million previously. This reflected reduced expectations for feed use and exports due to uncompetitive barley prices, though the cereal was capturing some new demand from China, Le Bideau said.
For maize, forecast stocks at the end of 2022/23 were raised slightly, to 2.30 million tonnes from 2.23 million, as a reduced outlook for intra-EU exports and upward revisions to harvest supply and imports outweighed an increased forecast for feed use.

Chart of the Day



Top News - Metals

BHP expects China to underpin commodities demand in 2023

China is set to be a stabilizing force for commodities demand this year as developed nations face economic headwinds, BHP Group Ltd said on Thursday as it posted higher quarterly iron ore shipments that beat expectations.

BHP joined peer Rio Tinto to expect that China's measures to support its property sector will underpin solid demand for their steel-making products.

"China's pro-growth policies, including in the property sector, and an easing of COVID-19 restrictions are expected to support progressive improvement from the difficult economic conditions of the first half," BHP said.

Rio however also said this week that China's reopening from COVID-19 restrictions could raise near-term risks of labour and supply-chain shortages.

The world's largest listed miner said iron ore production from mines it operates Western Australia on was 74.3 million tonnes for the three months ended December, up 1% from 73.9 million tonnes a year earlier and beating a consensus of 71.9 million tonnes.

The mining giant reaffirmed its fiscal 2023 forecast for Western Australian iron ore output at between 278 million tonnes and 290 million tonnes.

"It's a pretty solid result. Pricing we expected would be weaker in the half, costs we expected would be higher, but the in the second half may be some relief," as the rate of inflation growth slows, said analyst David Lennox of Fat Prophets in Sydney. BHP raised cost guidance for its coal divisions, blaming inflation and after floods impacted operations this year, while reiterating that it would not make major investments in Queensland because that state had raised royalty payments.

"We see strong long-term demand from global steelmakers for Queensland's high quality metallurgical coal, however in the absence of government policy that is both competitive and predictable, we are unable to make significant new investments in Queensland."

BHP boosted unit cost guidance for coal-mining joint venture BHP Mitsubishi Alliance to between US$100 and US$105 per tonne and unit cost guidance for New South Wales energy coal division to between US$84 and US$91 per tonne.

In copper, production at the Escondida in Chile was impacted by road blockades that disrupted supply of materials to the mine.

BHP said production at its Olympic Dam copper operation in South Australia had more than doubled to a near-record level after the completion of smelter maintenance. BHP plans to take over neighbouring copper producer Oz Minerals.

However nickel output fell by 2% to 38,000 tonnes, reflecting the slower than expected ramp up of BHP's Nickel West refinery following planned maintenance in the December quarter. Shares edged up by 0.3% to A$49.40.

Davos 2023-LME CEO says nickel reforms to be implemented 'relatively quickly'

London Metal Exchange (LME) will implement recommendations on accountability and position limits "relatively quickly" from an independent review of last year's nickel crisis to prevent market distortions and improve risk monitoring, its chief executive officer said on Wednesday.

"The recommendations around accountability levels and position limits are particularly important, are broadly rules-based, so could be brought about quite quickly," LME CEO Matthew Chamberlain said on the sidelines of the World Economic Forum's annual meeting in Davos, Switzerland. Worries about supplies from major producer Russia after it invaded Ukraine last February and the cutting of large short positions, or bets on lower nickel prices, culminated on March 8, 2022 in disorderly trade which saw prices double to above $100,000 a tonne in a matter of hours.

The LME, the world's largest and oldest metals forum, annulled all nickel trades on that day, for which it is facing legal action, and suspended the market for the first time since 1988.

Independent consultancy Oliver Wyman was appointed by the LME to carry out a review of the debacle.

Trading volumes at the LME have been slowly declining primarily due to increased competition from the over-the-counter (OTC) markets, Chamberlain said in an interview with the Reuters Global Markets Forum.

He said the LME plans to make its platform more attractive to traders by not increasing fees in 2023 "even with inflation".

The exchange will keep its combination system of an open-outcry ring and digital trading "for as long as the ring dealers are willing to support it", Chamberlain said.

Top News - Carbon & Power

FERC chairman says U.S. must boost power reliability amid energy transition
The United States must focus on power reliability as it transitions away from fossil fuels to cleaner energy sources, Willie Phillips, acting chairman of the Federal Energy Regulatory Commission (FERC), said on Wednesday.
Electric power transmission, which FERC has identified as a top areas hindering the energy transition, will be key to stabilize the grid, said Phillips, who spoke at the District of Columbia Clean Energy Summit. Phillips referred to widespread power outages suffered during winter Storm Elliott last month as one of the most recent examples of the vulnerabilities of a grid facing increased demand at the same time amid the shift towards renewable energy.
"It just reminds us that while we think about the clean energy transition and its importance, we have to continue refocus our efforts on reliability and resilience," Phillips said.
"One of the best ways that we can do this, both at the same time, is investment in transmission."

COLUMN-Europe's gas price plunge churns up global coal markets: Maguire
Thermal coal markets were a prominent beneficiary of Europe's power sector turmoil in 2022, with prices surging more than 250% through mid-March as utilities and trading firms scrambled to replace lost supplies of Russian natural gas with other fuels.
Benchmark European thermal coal prices remained close to historic highs throughout 2022 on sustained higher use across the continent, averaging roughly $285 per tonne for the year, compared with about $115 a tonne in 2021.
Higher coal use also yielded more pollution, with cumulative discharge of carbon dioxide (CO_2) by Europe's coal power sector topping 600 million tonnes through November, the highest tally for the period since 2019, data from Ember shows.
However, thanks to a recent plunge in European natural gas prices - down 60% since December 1 on mild winter temperatures, filled storage tanks and diminished industrial use - European coal prices and demand have slumped so far in 2023.

MARKET MONITOR as of 07:18 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$78.57 / bbl	-1.14%	-2.11%
NYMEX RBOB Gasoline	$2.50 / gallon	-0.74%	1.85%
ICE Gas Oil	$923.50 / tonne	-3.15%	0.27%
NYMEX Natural Gas	$3.29 / mmBtu	-0.60%	-26.46%
Spot Gold	$1,908.77 / ounce	0.26%	4.62%
TRPC coal API 2 / Dec, 23	$176 / tonne	3.53%	-4.74%
Carbon ECX EUA / Dec, 23	€83.39 / tonne	0.16%	-0.69%
Dutch gas day-ahead (Pre. close)	€61.90 / Mwh	3.86%	-18.09%
CBOT Corn	$6.79 / bushel	-0.40%	0.00%
CBOT Wheat	$7.43 / bushel	-1.23%	-6.25%
Malaysia Palm Oil (3M)	RM3,880 / tonne	0.34%	-7.04%
Index (Total Return)	**Close 18 Jan**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	300.29	-0.38%	-0.35%
Rogers International	28.73	0.56%	0.23%
U.S. Stocks - Dow	33,296.96	-1.81%	0.45%
U.S. Dollar Index	102.30	-0.06%	-1.18%
U.S. Bond Index (DJ)	413.54	1.26%	4.06%

That clashes with the more bullish posture of coal markets in top coal consuming region Asia, which has been bracing for sharply higher coal use and purchases in 2023 as dominant coal consumer China reboots its economy following a COVID-hit 2022.

WIDE SPREAD

The divergent tones of Europe's and Asia's coal markets are captured by the record-wide price spread between them.

From 2010 through 2020, Europe's API2 (All Publications Index) coal price and Asia's Newcastle coal price traded within $50 a tonne of one another, with Newcastle prices averaging a $5.70 premium over API during that 11-year span.

This week, that spread surpassed $200 a tonne as Asia-focused Newcastle coal prices held firm around $370 a tonne while European coal prices slumped to $165.

Such a wide dislocation is not sustainable, and trading firms sitting with large stockpiles of coal in Europe will likely hastily look to divert them to pricier Asian markets.

Over the near term, such actions will likely narrow the arbitrage window by applying pressure to Asia's coal prices.

But over the longer run European power markets will be roiled by any sustained diversion of coal supplies to other regions, especially with natural gas supplies set to remain tight as planned sanctions on Russian supplies kick in.

At the same time, substantially weaker coal prices in Asia will likely distort buying patterns and trade flows there by encouraging further coal imports by major buyers such as China and India, and potentially curtailing sales by cost-sensitive exporters such as Australia.

CLOSE CONNECTION

Ultimately, the outlook for the coal market in 2023 depends in large part on whether Europe regains a sustained hunger for the fuel.

European natural gas and coal markets became highly interconnected in 2022 as utilities and trading firms were forced to accommodate sharply lower expected supplies of pipelined Russian natural gas while competing for sharply higher volumes of thermal coal and other power-generating fuels.

Both commodities scaled record price highs during the month following Russia's incursion into Ukraine, while gas prices pushed to further new heights in August as a heat-wave cranked up air conditioner use.

Since then, both markets have remained in lockstep - with a price correlation of 0.92 since September 1 - even as the price trend reversed over the second half of 2022 with a plunge in gas prices.

Going forward, the two markets look set to remain hand-cuffed, with the weather and the scale of gas stockpiles in Europe playing a decisive role in determining the price trends for both.

Europe has averted any major cold snaps so far this winter, which has led to a historic swell in natural gas stockpiles that will struggle to accommodate any additional inflows. Those high stocks have in turn been a major driver behind the gas price falls seen since December.

Yet gas inventories remain vulnerable to steep draw-downs should a late winter cold spell kick in just as use from industry starts to recover from the belt-tightening retrenchments seen across Europe in 2022.

In addition, any potential gas stock depletion would be exacerbated by a tightening in local coal markets, as utilities are already under pressure to reduce use of the highly polluting fuel, and are now faced with the most affordable gas prices in close to a year.

So while Europe's flailing weak gas market is currently the main drag on the region's coal market, any upturn in European gas demand stands to underpin the coal market as well.

This ensures that the two markets look set to remain intrinsically linked and mutually influential for as long as Europe's energy system relies predominantly on fossil fuel imports for heating and power.

Top News - Dry Freight

U.N. calls out Ukraine grain deal backlog, urges improvement

United Nations on Wednesday called out inefficiencies in the operation of a deal allowing Ukraine Black Sea grain exports, but did not lay blame for a backlog of more than 100 ships in Turkish waters waiting on travel approval and inspections.

Under the deal agreed by Russia, Ukraine, Turkey and the United Nations in July, ships are inspected in Turkish waters on their way to and from Ukraine. The four parties work together to approve and inspect ships traveling under the agreement.

"The United Nations urges all parties to work to remove obstacles for the reduction of the backlog and improve operational efficiencies," it said in a statement.

U.S. Ambassador to the United Nations Linda Thomas-Greenfield last week accused Russia of a "deliberate slowdown of inspections," saying that 5 million tonnes of food a month should be moving under the agreement.

The Russian U.N. mission did not immediately respond to a request for comment on Thomas-Greenfield's remark.

"We have been pushing to get more inspections. We've been pushing to make sure that the inspections proceed quickly and thoroughly," deputy U.N. spokesman Farhan Haq said. "Everything has to be done with the cooperation of all the parties, and we're trying to do everything we can to move it faster." Since November, three inspection teams have been deployed daily and so far this month have concluded 5.3 inspections a day, said the United Nations, adding: "In the last two weeks, the average waiting time of vessels between application and inspection is 21 days."

It said some 3.7 million metric tonnes in Ukrainian exports moved under the deal in December, up from 2.6 million in November, while during the past two weeks nearly 1.2 million metric tonnes of exports shipped. The package deal also includes facilitating Russia food and fertilizer exports, including ammonia, and the United Nations has been trying to negotiate a restart of Russian ammonia shipments via a pipeline to a Ukrainian Black Sea port.

"The parties negotiating on how to get ammonia to the market through the Togliatti/Yuzhny pipeline are still in discussions and are yet to reach an agreement," the United Nations said. Ammonia is a key ingredient in nitrate fertilizer. Russia's Feb. 24 invasion of its neighbor had stalled Ukraine's Black Sea exports of foodstuffs and also shut down the ammonia pipeline.

Buyers in Thailand purchased about 117,000 tonnes feed wheat- traders

An importer group in Thailand is believed to have purchased about 117,000 tonnes of animal feed wheat to be sourced from various optional origins in an international tender on Wednesday, European traders said.

One consignment of about 60,000 tonnes for shipment between Feb. 15 and March 15 was bought at around $340 a tonne c&f and was expected to be sourced from South America or Australia. Seller was believed to be trading house Viterra.

A second 57,000 tonne consignment was bought for shipment between July 1 and July 31 at about $325 a tonne c&f. It was expected to be sourced optionally from the Black Sea region, United States or Australia and seller was believed to be trading house The Andersons.

The tender sought wheat sourced from any country worldwide except Pakistan, Ukraine and Russia.

Picture of the Day

A file photo shows a general view of the pipe systems on a special ship, "Neptune", the floating liquefied natural gas terminal, during the inauguration of the Liquefied Natural Gas (LNG) terminal 'Deutsche Ostsee' in the port of Lubmin, Germany. REUTERS/Annegret Hilse

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

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