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Top News - Oil

Two diverted oil tankers enter Red Sea but disruptions continue

Two oil tankers that had diverted away from the Red Sea have turned back and passed through the Bab al-Mandab Strait, ship-tracking data shows, though tensions in the region continued to disrupt global shipping and trade.
The vessels' return, as tracked by LSEG and Kpler, comes nearly a week after the United States and Britain launched strikes against Houthi positions in Yemen in retaliation for the militant group's protracted attacks on commercial shipping since November.
Until the strikes and despite the Houthi attacks, the majority of vessels continued to traverse the Red Sea, but more ships are diverting course because of escalating tensions.
It was not clear what prompted the two tankers' return, but some industry analysts said vessels willing to continue using the Red Sea route might be able to profit from trepidation in other corners of the freight market.
"It could be the case that some tanker owners are willing to go through the Red Sea if the freight (cost) is right," said Alberto Ayuso Martin, head of research at Spain-based Medco Shipbrokers.
Overall traffic of oil-laden tankers through Bab al-Mandab was 58% lower than the 2023 average over Jan. 13-17, said Mary Melton of analytics firm Vortexa, extending a 38% fall prior to the strikes between Jan. 6 and Jan. 10.
Tankers transporting "clean" fuels such as diesel and jet fuel have been more severely affected than those carrying residual fuels, known as "dirty" because of their higher toxicity, and crude oil, Vortexa's Melton said.

DESTINATION UNKNOWN

The two Aframax tankers that passed through Bab al-Mandab on Jan. 17 after previously turning away from the Red Sea are the Indonesia-flagged Gamsunoro and the Marshall Islands-flagged Free Spirit.
Both tankers are carrying heavy fuels and last called at Fujairah - one of the biggest fuel oil hubs in the world - in the United Arab Emirates (UAE), the data shows.
The owners of the cargoes and their destinations are unclear, but both vessels had signalled for Saudi Arabian Red Sea ports in the past week.
Saudi oil giant Aramco can bypass Bab al-Mandab because of an oil pipeline connecting Saudi Arabia's eastern oil facilities and its western coast, Chief Executive Amin Nasser said. He added that oil products exports could face diversions.
Reuters has tracked at least 22 other oil tankers to have diverted or paused since last Friday's warning from the U.S.-led Combined Maritime Forces (CMF) in Bahrain for ships to avoid the Bab al-Mandab Strait for several days.
As many as 15 oil tankers were taking the longer route around the Cape of Good Hope in either direction, which can add up to three weeks to voyages between Asia and Europe.
A further seven remain in the Gulf of Aden or in the northern half of the Red Sea.

US crude stockpiles fall more than expected on strong refiner demand - EIA

U.S. crude oil stockpiles fell more than expected last week on strong demand from refineries, while gasoline and distillate inventories rose to multi-year highs, the Energy Information Administration (EIA) said on Thursday.
Crude inventories fell by 2.5 million barrels to 429.9 million barrels in the week ended Jan. 12, the EIA said, compared with analysts' expectations in a Reuters poll for a 313,000-barrel draw.
Crude stocks at the Cushing, Oklahoma, delivery point for U.S. futures were down by 2.1 million barrels, the EIA said.
Benchmark U.S. West Texas Intermediate crude futures rose by more than 1% following the report, trading at $73.75 a barrel by midday ET (1700 GMT).
"We are seeing strong demand for crude at refineries," said Timothy Snyder, economist at consultancy Matador Economics.
Refineries were running at 92.6% of total capacity, with utilization rates edging down just 0.3 percentage point in the week, while refinery crude runs rose by 135,000 barrels per day (bpd), the EIA said.
The four-week average for refinery crude runs is currently 11.7% above year-ago levels, according to EIA data.
Net U.S. crude imports also fell last week by 528,000 bpd due to a jump in exports of 1.7 million bpd to 5.0 million bpd as shipping activity picked up.
"That (rise in exports) probably represents a bit of bunching of shipments after a bit of a lull over the holidays, but is still quite supportive for last week," said Tim Evans, an independent energy analyst.
Meanwhile, gasoline stocks rose by 3.1 million barrels in the week to 248.1 million barrels, the EIA said. Analysts had forecast for a 2.2 million-barrel build.
Gasoline inventories hit their highest level since March 2022, with Gulf Coast stockpiles swelling to their most since May 2021.
Distillate stocks, which include diesel and heating oil, rose by 2.4 million barrels in the week to 134.8 million barrels, versus expectations for a 900,000-barrel rise, the EIA data showed.
Distillate stocks are at their highest level since August 2021.
"We're continuing to build fuel inventories. It could be a longer term issue," said Dennis Kissler, senior vice president of trading at BOK Financial.
Cold weather typically leads to a build up in inventories seasonally at this time of year, he said. He expects inventories to drawdown in February and March, but warned that weakness in the Chinese economy could be a headwind.

Top News - Agriculture

Strategie Grains cuts forecasts for EU wheat exports, 2024 harvest

Consultancy Strategie Grains lowered its estimate for soft wheat production in the European Union this year by more than 2 million metric tons, mainly due to a cut in Germany where the area sown is now expected to fall to its lowest level since 1999.

In a monthly cereal report, Strategie Grains forecast EU soft wheat production at 122.7 million tons in the 2024/25 season, down from 124.8 million forecast in December and 2.6% below last year's harvest.

It projected the total EU soft wheat area would fall by 3.2% year on year, mainly because of excessively wet conditions at planting time in the west and north of the EU.

By contrast, Strategie Grains raised its forecast for barley production to 53.4 million tons from 52.7 million last month and now 13% above last year. Winter barley acreage was not hurt by the downpours, the consultancy said, while raising its estimate for Germany at the expense of wheat.

"Concerns now centre on yield potentials, especially for soft wheat, which was hit by the adverse conditions at planting time in many places," it said.

"With rains forecast to return during the second half of January in western and northern parts of the EU, the situation will need to be closely monitored," it added.

This year's lower soft wheat area would be compensated by larger growing areas for spring barley and maize, expected to rise 7.1% and 2.4% respectively, with the maize harvest forecast raised 63.6 million tons from 63.5 million last month.

For the current season Strategie Grains made a sharp cut to its forecast for EU soft wheat exports, now expected at 31.7 million tons against from 32.5 million last month, citing a lack of competition against Russian wheat and poor demand.

A fall in prices in recent weeks against Russian and Ukrainian origins could boost French and German exports but there was little chance it could fully compensate for the sluggish first half of the campaign, the consultancy said.

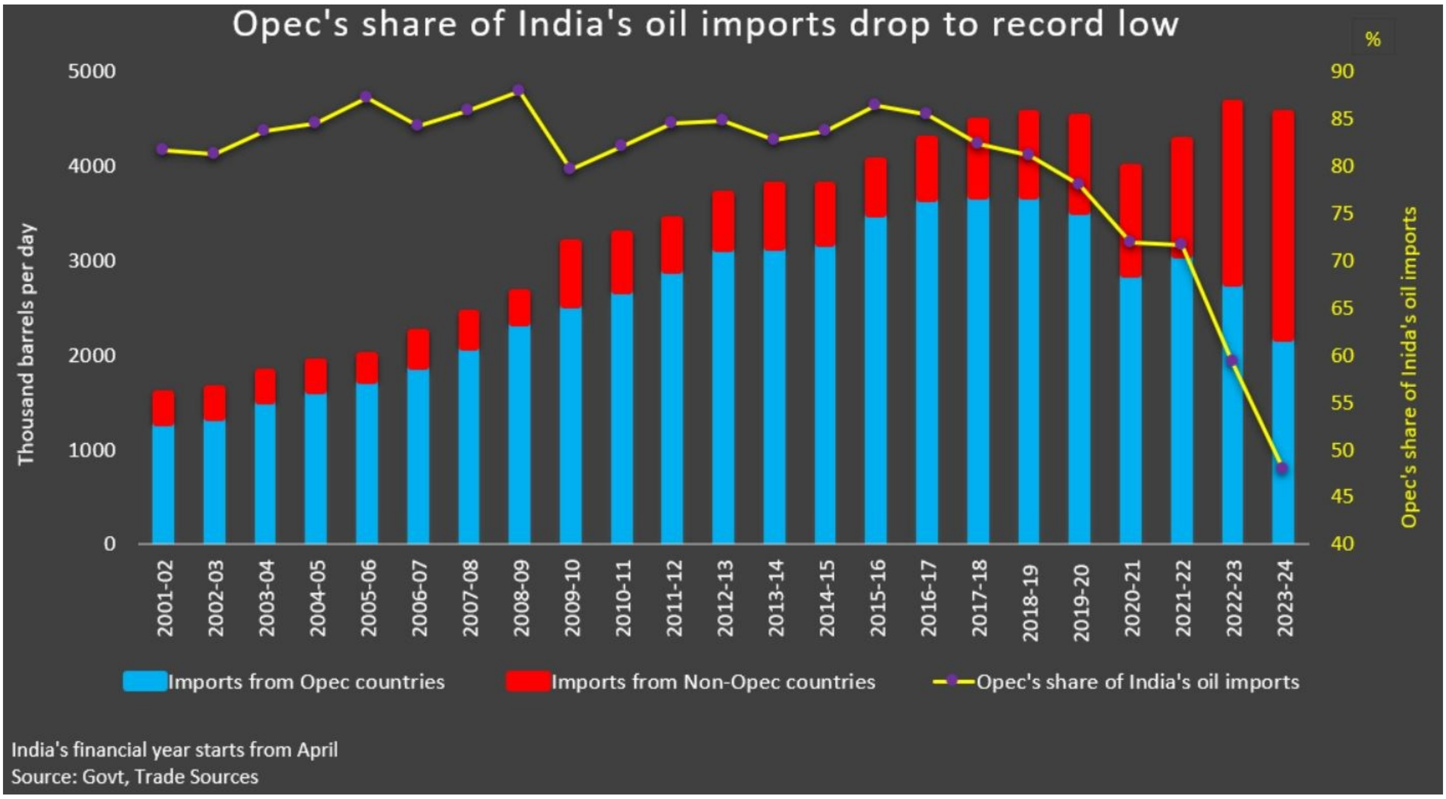
China's embrace of GMO crops gains momentum with new import, planting approvals

China on Thursday approved additional varieties of genetically modified soybeans and corn for import and production while expanding their planting areas nationwide, as part of a drive to improve food security and reduce imports.

The agriculture ministry approved the domestic production of six more varieties of genetically modified corn, two of soybeans and one of cotton, and another two of gene-edited soybeans, a notice on the ministry's website said.

The planting zones for most of the varieties were expanded from "ecologically suitable" areas to the whole country, according to the notice. Previously, some corn varieties were restricted to the Northern or Southern producing areas.

Chart of the Day



For imports, the ministry approved gene-modified insect- and herbicide-resistant soybean variety, DBN8002, developed by Beijing Dabeinong Technology Group Co Ltd, which had been licensed for planting in Argentina since 2022.
China also approved a Corteva Inc herbicide-tolerant corn variety DP202216.
The new approvals extend for five years, effective from Jan. 2, 2024.
As the world's largest importer of soybeans and corn, which GM varieties China approves can have huge implications on the planting size beyond its borders, Even Pay, agriculture analyst at Trivium China, said. "Farmers don't want to plant varieties if China can't buy them."
With Chinese firms now allowed to develop and sell GM seeds, it is likely that Beijing will be a lot more forthcoming with import approvals, making GM seeds more attractive and creating a significant advantage for Chinese seed companies overseas, Pay said.
China, the world's second largest corn grower, has moved cautiously on deployment of technology for genetically modified organisms (GMO), but is steadily opening up to the cultivation of GMO crops.
In December, China issued licences for a first batch of 26 companies to breed and sell GM corn and soybean seeds domestically after years of pilot testing.
"We can expect the scope of planting to increase over the next few years and eventually become very significant," Pay said.
For now, these crops have yet to enter the industrialization phase as it still needs to go through variety validation, production, operation and other processes which involves government licenses, Zhejiang Xinan Chemical Industrial Group Co Ltd, which received approvals for four varieties, said in a stock filing.
Market penetration of gene-modified crops could reach 85% in three to five years once the industry is fully commercialised, GMO developer Beijing Dabeinong Technology said in a filing this month.
China is pushing for higher domestic crop yields this year to ensure food security and wants to reduce its reliance on soybean and grain imports, now at more than 100 million tonnes a year.

Top News - Metals

Glencore, Trafigura target spot prices for mined copper sales, sources say
Glencore and Trafigura are pushing Asian smelters to accept low spot prices for turning their mined copper into metal this year, as opposed to industry benchmarks that are much higher, three sources with knowledge of the matter said.
Historically, the industry has used annual benchmarks for their fees, known as treatment charges (TCs), for contracts to process concentrate into copper.
But London-listed Glencore and Trafigura want to base TCs on the spot market, where the expansion of Chinese and global smelting capacity, as well as tight concentrate supplies have depressed processing charges.
Commodity traders Glencore and Trafigura are offering to pay Asian smelters TCs linked to a basket of assessments from price reporting agencies including Fastmarkets and SMM for 2024 supply, the sources said.
The sources spoke on condition of anonymity because they were not authorised to speak publicly on the matter.
The two trading houses also aim to impose caps on TCs to lock in margins in the event of an increase in supplies of mined copper that could drive up TCs.
Supplies last year were estimated at around 22 million metric tons, and some analysts have said the market this year could move into deficit if supply disruptions continued.
A source at a major smelter said unless supply improved after the Lunar New Year in February, smelters might have to accept the trading houses' terms.
Both Trafigura and Glencore want to cap TCs in the mid-$60s a ton area, a second smelter source said, adding that the cap could vary depending on volumes and relationships.
The sources said there was no floor, only proposed caps.
Glencore and Trafigura declined to comment.
Ahead of China's Lunar New Year holiday beginning on Feb. 10, activity in the top producer and consumer will slow down.
The shortage of material following supply chain disruptions and the increase in China's smelter capacity have pushed concentrate processing charges down to around $40 a metric ton on the spot market, 50% below the benchmark of $80 a ton.
The $80 a ton was agreed between Chilean miner Antofagasta and China's Jinchuan Group [RIC:RIC:JCGRP.UL] last November, before closure of Panama's mine and a major cut in Anglo American's guidance in December.
China is home to half of the world's copper smelters and the largest buyer of raw copper materials including concentrates and scrap.
Its imports of copper ore and concentrate in 2023 hit a record high of 27.54 million tons, up 9.1% from 2022, customs data showed.
Glencore supplied the world with more than one million tons of copper metal and concentrates in 2022 and its guidance for 2023 is also around one million tons.
Trafigura does not disclose the size of its copper portfolio, but the firm supplies smelters around the world with copper concentrate.

Italy to put ArcelorMittal steelworks under government control
Italy will put the former Ilva steel company under special administration to keep it afloat, the government told trade unions in a meeting on Thursday.
The move follows weeks of clashes between Prime Minister Giorgia Meloni's administration and ArcelorMittal, the main shareholder in Acciaierie d'Italia (ADI), as Ilva is now known.

ArcelorMittal, which owns 62% of the group while state-owned investment agency Invitalia has the remaining 38%, was not immediately available for comment.
It could potentially launch a legal appeal against Rome's decision once it is effective.
Michele De Palma, from the FIOM major metalworkers' union, said the government needed around two weeks to appoint one or more commissioners.
Meanwhile, he added, ArcelorMittal has started a procedure for an extra-judicial agreement which government officials have said seems a way to waste time.
Similar to Chapter 11 bankruptcy in the United States, the special administration would allow ADI to reorganize debts and obligations while the government is looking for a new industrial partner.
Rome aims to provide liquidity to ADI through an up to five-year loan worth 320 million euros ($347.65 million).
Weighed down by an increase in energy prices and a drop in rolled steel coil prices, ADI has run out of cash and has accumulated huge debts with suppliers including energy giant Eni.
ADI's main plant in the southern Italian city of Taranto is one of the largest in Europe, and is a major employer in Italy's under-developed south. ($1 = 0.9205 euros)

Top News - Carbon & Power

US LNG feedgas cut by Arctic freeze, problems at Freeport LNG
The amount of natural gas flowing to U.S. liquefied natural gas (LNG) export plants dropped to a one-year low this week as an Arctic freeze caused some energy firms to divert fuel to the domestic market and Freeport LNG's facility in Texas experienced mechanical problems.
Gas flows to the seven big U.S. LNG export plants have fallen to an average of 13.9 billion cubic feet per day (bcfd) so far in January from a monthly record of 14.7 bcfd in December, according to data from financial firm LSEG.
On a daily basis, LNG feedgas was on track to jump about 4.2 bcfd over the past two days to 13.5 bcfd on Thursday after dropping by 5.8 bcfd from Jan. 13-16 to a one-year low of 9.2 bcfd on Tuesday.
One billion cubic feet of gas is enough to supply about 5 million U.S. homes for a day.
Most of this weeks reductions occurred at U.S. energy company Cheniere Energy's Sabine Pass facility in

MARKET MONITOR as of 07:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$74.12 / bbl	0.05%	3.45%
NYMEX RBOB Gasoline	$2.20 / gallon	-0.34%	4.35%
ICE Gas Oil	$798.50 / tonne	1.08%	6.36%
NYMEX Natural Gas	$2.64 / mmBtu	-2.15%	4.97%
Spot Gold	$2,028.19 / ounce	0.27%	-1.67%
TRPC coal API 2 / Dec, 24	$100 / tonne	-2.44%	3.09%
Carbon ECX EUA	€63.47 / tonne	0.73%	-21.03%
Dutch gas day-ahead (Pre. close)	€28.75 / Mwh	2.31%	-9.73%
CBOT Corn	$4.56 / bushel	0.11%	-5.89%
CBOT Wheat	$5.99 / bushel	0.34%	-6.37%
Malaysia Palm Oil (3M)	RM3,940 / tonne	1.16%	5.89%
Index	**Close 18 Jan**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	304.17	0.93%	0.92%
Rogers International	26.45	0.27%	0.47%
U.S. Stocks - Dow	37,468.61	0.54%	-0.59%
U.S. Dollar Index	103.42	-0.11%	2.06%
U.S. Bond Index (DJ)	424.21	-0.17%	-1.51%

Louisiana and Corpus Christi operation in Texas, Freeport LNG's plant in Texas and Cameron LNG's plant in Louisiana.
Freeport LNG told Texas environmental regulators that liquefaction train 2 shut on Jan. 16 and train 3 tripped on Jan. 17.
Officials at Freeport LNG had no comment, but LSEG data showed that at least two of the three liquefaction trains at Freeport LNG were on track to be in service on Jan. 18.
As for the other LNG export projects, with next-day gas prices at the Henry Hub benchmark in Louisiana soaring to a 22-month high of $13 per mmBtu earlier this week, some analysts said energy firms likely sold gas supplies into the U.S. spot market rather than liquefy it for sale overseas.
The analysts said that was especially likely with global gas trading at a five-month low of around $9 per mmBtu at the Dutch Title Transfer Facility (TTF) benchmark in Europe and a seven-month low of $10 at the Japan Korea Marker (JKM) in Asia.

RWE plans further Japan offshore wind push after Niigata win, S.Korea in focus
German renewable energy company RWE plans further expansions into Japan's offshore wind sector after winning its first project last month, a senior executive told Reuters, and also considers South Korea a promising market. RWE, the world's second-biggest offshore wind company, won the right to build a 684-megawatt (MW) wind farm in Niigata prefecture in northern Japan in a consortium with Mitsui & Co and Osaka Gas as part of the second round of Japanese state auctions.
RWE plans to launch the farm in June 2029 and will share capital expenditures with partners based on their share, Sven Utermohlen, CEO of RWE Offshore Wind, said on Wednesday.
He declined to disclose the share and investments.
"Our average (capital expenditure) assumption for our wind farms is approximately 3 million euros ($3.27 million) per megawatt," Utermohlen said, noting the average cost has risen because of relatively high inflation in the industry and would depend on factors including water depth, distance to shore, size and supply chain.
For RWE, Japan is a strategic core market in Asia, he said.
The company also wants to expand in South Korea but has decided not to continue with additional offshore wind development in India and Taiwan.
"We're actively developing further projects and also actively preparing for the upcoming auction rounds in Japan to participate again... We can't do the whole world and we felt that for us, Japan and South Korea are more attractive than India and Taiwan."
RWE, which operates 3.3 gigawatt (GW) of offshore wind power in Europe, wants to expand in Japan by taking part in future state offshore wind auctions and by developing floating offshore wind once legislation is in place, he said.
"We believe that Japan, obviously, with the long-term goal of 45 gigawatts by 2040, will have to go floating. Otherwise, that is just not achievable," Utermohlen said.
RWE has previously teamed-up with Kansai Electric Power Co on a joint feasibility study for a floating offshore wind project.
The first round of Japan offshore wind auctions, in which RWE participated, was won in 2021 by consortiums led by Mitsubishi Corp.
Japan plans to launch a third round to build 1 GW of offshore wind farms later this year.
Foreign companies have been advocating for bigger and more aggressive auctions as more attractive and cost-effective, a view Utermohlen shares.
"Scale would allow the supply chain to make investments in Japan, build up manufacturing capacities and also maintain them, keep them busy, which then over time also gets the costs down," he said. ($1 = 0.9186 euros)

Top News - Dry Freight

Wheat shipments via Suez plunge amid Red Sea attacks: WTO
Wheat shipments via the Suez Canal fell by almost 40% in the first half of January to 0.5 million metric tons due to attacks in the Red Sea and Gulf of Aden, the World Trade Organization said on Thursday on social media platform X.
The WTO data, based on a dashboard developed jointly by the International Grains Council (IGC) and the World Trade Organization, adds to signs of ship diversions following attacks on vessels by Iran-aligned Houthi militants in Yemen.
Earlier this week, shipping sources had said they expected some grain cargo diversions but that most would continue to risk passing through the Suez Canal which is the shortest shipping route between Europe and Asia.
In December, around 8% of wheat shipments from the European Union, Russia and Ukraine that would typically travel via the Suez Canal followed alternative routes, the WTO said.
That surged to around 42% in the first half of January, it said. Prior to the attacks, the share of alternative routes was only about 3% on average, it said.
However, it appeared that few if any shipments were being cancelled altogether. "The surging number of diversions appears to have had a limited impact to date on total deliveries," the WTO said.

Exclusive-Ukraine's maritime grain exports to fall 20% m/m in January – source
Ukrainian maritime grain exports are expected to fall by around 20% in January from the previous month due to the crisis in the Red Sea and the New Year holidays, a senior Ukrainian government official said on Thursday.
"Looks like it could be around minus 20%. But in any case it would be a very substantial volume," the source told Reuters, declining to be named because of the sensitivity of the matter.
Such a decrease would be a setback for wartime Ukraine which exported a record high amount of food via its Black Sea corridor in December, surpassing the maximum

volume exported under a previous U.N.-brokered grain deal in a single month.
Agriculture Minister Mykola Solsky said earlier on Thursday that key Ukrainian food exports might decrease this month because of the situation in the Red Sea.
Attacks by Iran-allied Houthi militia in Yemen on vessels in the region since November have slowed trade between Asia and Europe and alarmed major powers.
The U.S. has begun strikes on Houthi sites aiming to degrade their ability to attack shipping in the Red Sea.
Passage through the Red Sea is very important for Ukraine, as almost a third of its exports via the alternative Black Sea corridor are sent to China.
Ukraine, one of the major global producers and exporters of food products, harvested about 80 million metric tons of grains and oilseeds in 2023 and its combined grain and oilseed exportable surplus is about 50 million tons in the 2023/24 July-June season, the government said.
The farm ministry data showed grain exports had reached 20.9 million tons as of January 17, 2024 versus 25.1 million as of January 20, 2023.
The volume included 11.2 million tons of corn and 8.3 million tons of wheat. Food and metal products traditionally dominated Ukrainian exports before the Russian invasion in February 2022, but the share of metals has now fallen significantly due to Russia's destruction of large factories in southern Ukraine.

Picture of the Day

Sun sets behind electricity pylons of high-voltage electrical power lines, in Gavrelle, near Arras, France, January 11. REUTERS/ Pascal Rossignol

(Inside Commodities is compiled by Sreshtha Uniyal in Bengaluru)

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