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Top News - Oil

U.S. crude stockpiles post surprise large build - EIA

U.S. crude oil stockpiles last week posted a large build that took analysts by surprise, as inventories in the Cushing, Oklahoma, storage hub gained while the market continued to recover from a winter storm last month, data from the Energy Information Administration showed on Thursday.

Winter Storm Elliott last month brought sub-freezing temperatures and extreme weather alerts to about two-thirds of the United States, forcing oil and gas well freeze-ins at the time.

Crude inventories rose by 8.4 million in the week to Jan. 13 to about 448 million, their highest since June 2021, EIA data showed. Analysts in a Reuters poll had expected a 593,000-barrel drop.

Crude stocks at the Cushing, Oklahoma, delivery hub rose by 3.6 million barrels to 31.4 million, the highest since January 2022, the data showed.

"It's all a function of the freeze-in still," Bob Yawger, director of energy futures at Mizuho in New York, said of the build at Cushing. "Nobody is in a hurry to bring back refineries."

"Until that happens, you're not going to get a draw," he added.

Crude production held steady last week at 12.2 million barrels per day and net U.S. crude imports fell by 1.2 million bpd.

Refinery utilization rates rose by 1.2% to 85.3% of total capacity. Utilization rates, however, were above 90% before the storm.

Refinery crude runs rose by about 202,000 bpd.

Gasoline stocks rose by about 3.5 million barrels in the week, the EIA said, compared with analysts' expectations for a 2.5 million-barrel gain.

Distillate stockpiles, which include diesel and heating oil, fell by 1.9 million barrels in the week, versus expectations for a 122,000-barrel build, the data showed.

Oil prices were mixed on the data and pared gains before recovering. Brent crude futures rose 88 cents to trade at $85.86 a barrel by 11:40 a.m. EST (1640 GMT). U.S. crude futures rose 56 cents to $80.04 a barrel.

Saudi Arabia stays top crude supplier to China in 2022, Russian barrels surge

Russia remained China's second-largest source of crude oil in 2022, following repeat top supplier Saudi Arabia, as Chinese refiners snapped up low-cost Russian barrels while Western countries shunned them after the Ukraine crisis. China's crude oil imports from Russia jumped 8% in 2022 from a year earlier to 86.25 million tonnes, equivalent to 1.72 million barrels per day (bpd), data from the General Administration of Customs showed on Friday.

Russian crude has been trading in widening discounts to global oil benchmarks following Western sanctions over its invasion of Ukraine, which the Kremlin has called a "special operation".

China, which refused to condemn the attack, cranked up procurement of Russian barrels and has largely ignored the sanctions imposed by Western nations on seaborne Russian crude from Dec. 5.

In December, it brought in 6.47 million tonnes of crude oil from Russia, or 1.52 million bpd, compared to 1.7 million bpd in the same period in 2021.

China's state-backed refiners have wound down the purchase of Russian oil since November, but the independent refineries have continued buying from intermediary traders who arrange shipping and insurance, shielding them from the risk of secondary sanctions.

Saudi Arabia shipped a total of 87.49 million tonnes of crude to China in 2022, equivalent to 1.75 million bpd, customs data showed, on par with the level in 2021.

China's state-backed oil refiners largely fulfilled their term contracts with Saudi in 2022 despite the sluggish domestic demand.

Saudi Arabia is expected to remain a key, if not the dominant, crude exporter to China after President Xi Jinping's visit to Riyadh in December, where he told Gulf leaders that China would work to buy oil in Chinese yuan, rather than U.S. dollars.

Customs data also showed that crude imports from Malaysia almost doubled in 2022 to 35.68 million tonnes. The Southeast Asian country is a transfer point for sanctioned shipments originating from Iran and Venezuela.

No Venezuelan crude imports were recorded by Chinese customs throughout 2022 and a total of 780,392 tonnes of crude oil from Iran arrived in China.

China is Iran's biggest oil buyer, but most Iranian exports are rebranded as crude from other countries to evade U.S. sanctions.

Vortexa, a ship tracking specialist, assessed that China's December imports of Iranian oil rose to a record of 1.2 million bpd, up 130% from a year earlier.

Crude shipments from the United States reached 7.89 million tonnes in 2022, down 31% year-on-year.

Top News - Agriculture

Storms to bring rain to parched Argentine fields next week, says grains exchange

A storm front should bring moderate to abundant rainfall across most of Argentina's key agricultural area over the next week, the Buenos Aires grains exchange said on Thursday, which could help farmers plant their fields after a historic drought.

Lack of rainfall in Argentina, the world's largest exporter of soybean oil and meal and the third-largest exporter of corn, has slowed planting of its current soybean and corn crops and nearly halved the country's wheat output.

According to the exchange, most of Argentina's agricultural zone, as well as that of neighboring Uruguay, should between Jan. 19 and Jan. 25 see "moderate to very abundant" rains of 10-75 millimeters (0.39-2.95 inches).

Over the northwest of Argentina's Salta province and most of nearby Jujuy, the exchange forecast severe storms bringing down than 150 millimeters of rain.

The center-north of the region, however, spanning most of Paraguay and the Chaco region should receive little to no rain, it added, as hot tropical winds blow across this region as well as a large part of Argentina's Pampas and eastern Uruguay.

On Wednesday, Argentina's Agriculture Ministry predicted rains across the center and north of the country from the second half of January, but said it was still to early to make estimates on future planting areas.

The ministry said it would need at least a month before it could perform an analysis.

POLL- Palm prices seen falling 23% in 2023 as output rises, but Indonesia to keep supply tight

Malaysian palm oil prices are set to fall for the first time in three years in 2023 amid a mild recovery in production, but will likely remain above pre-pandemic levels as Indonesian policies constrict global supplies, Reuters poll showed.

Benchmark palm prices will average 3,800 ringgit a tonne in 2023, down 23% from last year's record average of 4,910 ringgit, according to the median estimate of a poll of 18 analysts and those in the industry.

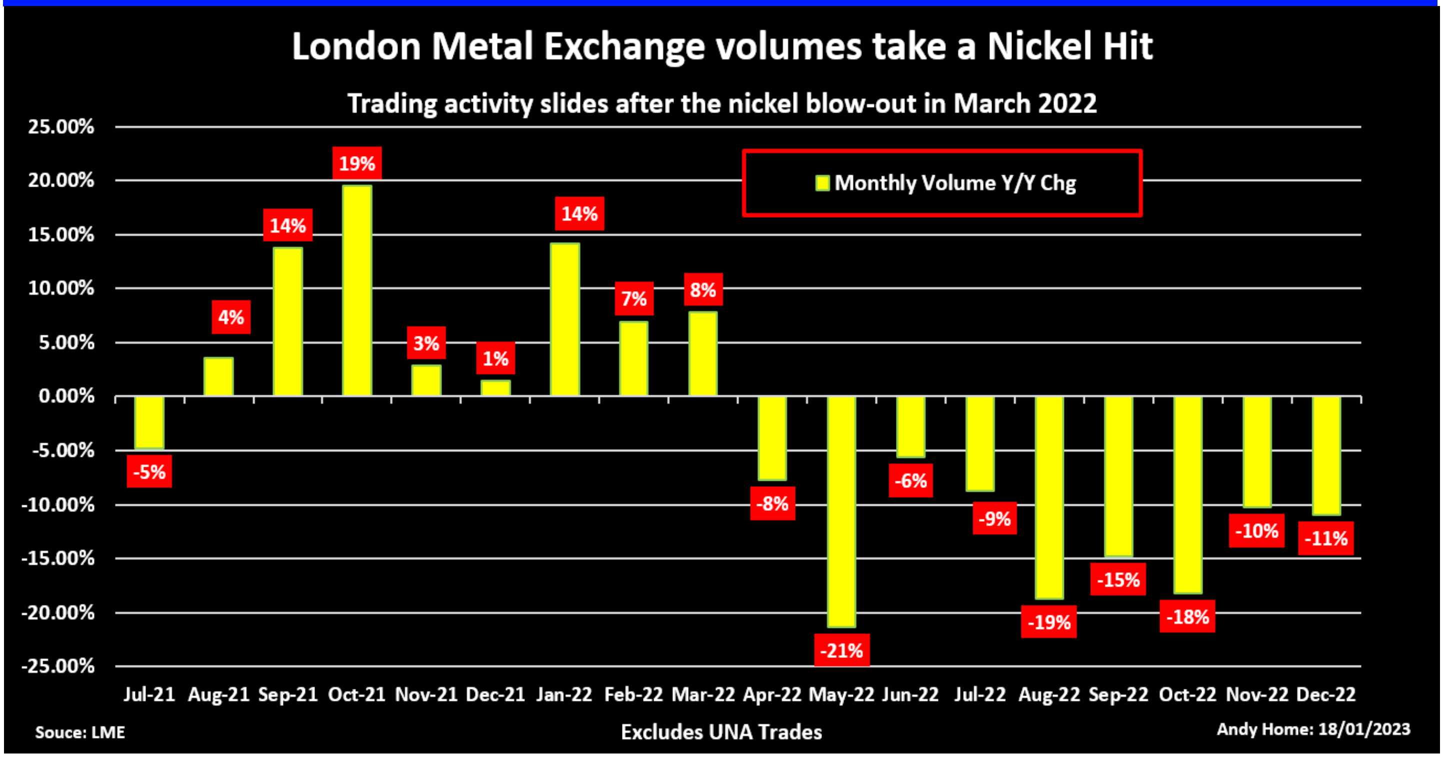
"The Russia-Ukraine conflict and economic affects of the pandemic will continue to impact the market in 2023. However, we feel that the severity of the volatility will be less as compared to the last year," Malaysian Palm Oil Council marketing director Faisal Iqbal said.

SLOW PRODUCTION

Top producers Indonesia and Malaysia are expected to see a marginal rise in production just as global demand is forecast to rise, with China relaxing its COVID-19 restrictions and India increasing imports. China and India are the world's biggest palm oil buyers.

Production in Indonesia is forecast to rise 2.4% to 48 million tonnes this year, from an estimated 46.87 million tonnes last year. Malaysia's production is seen at 19 million tonnes, up 3% from 18.45 million tonnes last year, as the government takes steps to alleviate a damaging labour shortage.

Chart of the Day



Analysts said recent rainy weather will boost productivity in the second and third quarter, but lower fertilizer application in 2022 will limit any significant production growth.

INDONESIA POLICIES

Analysts said moves by top palm oil exporter Indonesia to restrict shipments and boost domestic biodiesel consumption will provide some support for prices given already tight global vegetable oil supplies.

Jakarta's move to a higher 35% palm oil biodiesel blending mandate, the highest in the world, will increase demand for the edible oil even as discretionary blending declines with higher palm oil prices relative to diesel, said Faye Loo, economist at LMC International.

"Even with higher output, Indonesian crude palm oil exports are unlikely to grow much in 2023. This allows Malaysia to export more if they can price themselves into the markets," Loo said. Global supplies are expected to tighten over the next six months as palm oil remains at a large discount compared with competing soft oils, but stocks are likely to recover towards the end of 2023, she said.

Investors will also be monitoring the pace of recovery of China's demand, global recession jitters, and the impact of a potential El Nino on global edible oil production.

Top News - Metals

Copper on the way up, but with many 'ifs'

Copper bulls betting on a strong recovery of physical demand after the Chinese New Year should be wary of getting carried away, market participants say.

A rally fuelled by sentiment and expectations, without an actual increase in consumption, could trap investors in an eventual sharp downturn, such as the one in mid-2022 triggered by the Ukraine-Russia war and an energy crisis.

"The first two weeks of January is always a bit dangerous. People come back after the break feeling refreshed. Things can get a little carried away," said Guy Wolf, Global Head of Market Analytics at broker Marex.

Benchmark London prices hit a seven-month high of $9,550.50 on Wednesday, while the Shanghai contract leaped to its highest since April 25 on Thursday, on hopes that a U-turn in Chinese COVID-19 policy would boost metal demand.

"I am a little skeptical. They were locking people up in apartments but there's quite a lot of evidence that smelters continue to operate. It's not like the 2020 lockdowns where China stopped and reopened," Wolf said.

Helping the copper price rally were also hopes of slowing U.S. interest rate hikes and low copper inventories.

But SHFE copper stocks have been slowly building up, while the premium to import copper into China has plunged 80% since October.

Coronavirus infection in China is rising, and a second wave could come after hundreds of million people travel home for the Jan. 23-27 Lunar New Year holiday.

"I am bearish. The end users haven't been biting. Their order books are not filled. But then everything could change very quickly after the Chinese New Year is over when the government spending taps turn on," said a metals trader.

More stimulus and infrastructure spending could be unveiled at the Chinese National People's Congress in March, ING analyst Ewa Manthey said in a note.

China's expected recovery is seen solely driven by the services and consumer sectors, which are less metals-intensive than industry, while the Federal Reserve is likely to stay hawkish, Citi analysts said in a note.

However, they still see LME copper hitting $10,000 a tonne in three months.

"The vast bulk of last weeks' copper price rally was associated with fresh long positions, as opposed to substantive short covering. This leaves further room for copper to run considering there remains an outstanding copper short position," they said. Long copper positions are building on both the LME and the COMEX.

Copper's long-term prospects still look bright due to its use in green energy transition sectors such as solar, wind and electric vehicles - which see a strong rise in copper usage.

Combined refined copper stocks in LME, SHFE and bonded Chinese warehouses are only four days worth of global copper consumption. The indicator is normally measured in weeks.

"China reopening could easily drive demand up by 100,000-200,000 tonnes, enough to flip the supply-demand forecasts into a deficit," Jefferies analysts said in a note.

"Supply side concerns remain in place for 2023 in Chile and Peru, which account for around 30% and 10% of global mining supply respectively, posing significant upside risk," they added.

Most companies expect the Chinese economic recovery to start around March, with some large ones seeing a rebound as early as from late February, said CRU analyst He Tianyu.

COLUMN- Exchanges diversify as base metals trade shrinks in 2022: Andy Home

The London Metal Exchange's (LME) nickel meltdown in March has cast a long shadow over trading activity on what claims to be the world centre for industrial metals pricing.

Volumes have fallen every month year-on-year since the suspension of nickel trading and the decision to cancel trades. Core activity on the LME, which is owned by Hong Kong Exchanges and Clearing, contracted by 8.3% over the full year. The 127 million lots traded was the lowest turnover since 2010.

The Shanghai Futures Exchange (ShFE) also suffered significant collateral damage. Its nickel volumes shrank even more dramatically but here too it was just part of a broader retreat across base metals contracts.

While trading of traditional base metals products floundered in 2022, newer contracts fared better. It was a good year for the LME's widening array of steel contracts and the ShFE saw volumes surge on its new options suite.

The CME is leading the diversification charge with a host of new copper products aimed at investors and a foray into the world of battery metals pricing.

BASE METAL BLUES

LME nickel volumes slumped by 28% last year, attesting to the loss of confidence in the market after the price melt-up and near exchange meltdown in March.

However, all the LME's main deliverable contracts registered falls in activity last year. Aluminium volumes slid by 9%, lead volumes by 4% and zinc by 3%. Copper was the most resilient with a year-on-year volume decline of under 2% thanks to a pick-up in action over the fourth quarter.

Nickel was also the worst performer on the Shanghai market, volumes collapsing by 70% year-on-year in 2022. But it was equally part of a broader downturn in activity during what was a year of rolling lockdowns in China. Only tin bucked the trend with a 10% increase in activity.

The base metal blues were also playing in the CME's flagship copper contract, which saw 2022 volumes slide by 12% and market open interest touch an eight-year low at the end of November.

OPTIONS FLOURISH

High pricing, high margins and heightened volatility appear to have frightened off many players from taking futures positions in base metals last year.

Action in the options market, by contrast, has been booming. ShFE's copper, aluminium and zinc options contracts, all launched in 2020, registered year-on-year growth of 36%, 50% and 89% respectively.

CME's vanilla monthly copper options saw a 41% rise in trading activity with market open interest of 82,599 contracts at the end of the year a record high.

CME last year launched copper weekly options, event options and a micro futures contract, all of which have rapidly picked up trading momentum. The exchange's copper product suite now looks very similar to that offered in the precious metals space and seems aimed at attracting a similar profile of investor to the copper market.

STEEL SURGE

The CME entered the world of steel trading in 2010 with the launch of a hot-rolled-coil (HRC) contract. Volumes

MARKET MONITOR as of 07:12 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$80.76 / bbl	0.54%	0.62%
NYMEX RBOB Gasoline	$2.61 / gallon	0.39%	5.45%
ICE Gas Oil	$960.50 / tonne	1.86%	4.29%
NYMEX Natural Gas	$3.14 / mmBtu	-4.12%	-29.83%
Spot Gold	$1,927.78 / ounce	-0.19%	5.67%
TRPC coal API 2 / Dec, 23	$175 / tonne	-0.57%	-5.28%
Carbon ECX EUA / Dec, 24	--	--	--
Dutch gas day-ahead (Pre. close)	€61.15 / Mwh	-1.21%	-19.08%
CBOT Corn	$6.75 / bushel	-0.41%	-0.59%
CBOT Wheat	$7.30 / bushel	-0.65%	-7.26%
Malaysia Palm Oil (3M)	RM3,900 / tonne	0.28%	-6.56%
Index (Total Return)	**Close 19 Jan**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	300.86	0.19%	-0.16%
Rogers International	28.47	-0.92%	-0.70%
U.S. Stocks - Dow	33,044.56	-0.76%	-0.31%
U.S. Dollar Index	102.06	-0.30%	-1.41%
U.S. Bond Index (DJ)	411.49	-0.50%	5.37%

last year were a record 260,885 lots, equivalent to over five million tonnes.
The steel scrap contract, dating back to 2012, has also just recorded its highest-volume year, while activity in the European HRC contract more than tripled to 45,735 contracts in what was its second full year of trading.
The steel sector's long resistance to futures pricing appears to be fraying and the LME is also benefiting from increased terminal market participation.
The LME rebar and Turkish scrap contracts marked their seventh anniversary in November. Rebar activity jumped by 65% last year with volumes hitting a record high of 88,698 contracts. Scrap volumes were up by 62% with the full-year total of 399,327 contracts the highest since 2018.
The LME now also offers three HRC contracts and two more scrap contracts for the Indian and Taiwanese markets. The latter in particular seems to be picking up traction with 867 lots trading over November and December, bringing the total to 1,500 in what was the first full year of trading.

BATTERY METALS
The next metallic frontier for futures exchanges is the battery metal sector.
The LME had an early-mover advantage with its cobalt contract, which started trading in 2010. However, activity has been falling sharply over recent years. Volumes last year were just 290 lots, compared with 841 in 2021 and over 14,000 at the contract's peak in 2017.
The cobalt baton has been taken up by CME, which launched its own product in 2020. Volumes mushroomed from 3,397 contracts in 2021 to 17,119 last year. Open interest at the end of 2022 was a record 12,773 contracts.
The CME's lithium contract dates from May 2021 and it managed to notch up a minimal 13 lots of turnover in its first 12 months of trade. However, the market burst into life in September, since when volumes have totaled 468 lots and open interest has climbed to 429 contracts.
If lithium trading takes off on the CME, it will pose an interesting challenge to an industry that has firmly rejected any attempt to commoditise or futurise what it views as a chemically unique product.
Growing appetite for cobalt and lithium futures also serves to underline the pricing vacuum around nickel, the other key electric vehicle battery metal.
LME nickel was the anchor price for a wide spectrum of products ranging from refined metal through nickel matte to the new battery streams such as mixed hydroxide and sulphate.
The market's six-day suspension in March plunged the a global, multi-faceted supply chain into pricing black-out.
Confidence in the anchor price has been severely shaken and the LME has a long hill to climb if it is going to regain the industry's trust.
The Shanghai market doesn't look a viable pricing alternative, given the even starker shrinkage in volumes and ShFE's restrictive physical delivery criteria and resulting chronically low stocks.
Global Commodities Holdings, which operates the globalCOAL trading platform, is planning to launch its own nickel price index by the end of the first quarter.
Based on trades around physical deliveries, it is both a hark-back to the LME's own 19th-century origins and a warning that the LME's monopoly on metals price discovery is facing a growing number of challenges.

Top News - Carbon & Power

China's coal imports from Russia fall in Dec, but up 20% in 2022
China's coal imports from Russia dropped in December as logistics issues and inclement winter in Russia curbed shipments and Chinese demand weakened amid surging COVID infections.
Some 6.89 million tonnes of Russian coal reached China last month, down from 7.16 million tonnes in November, data from the General Administration of Customs showed on Friday. But that was still higher than 4.08 million tonnes in the same period in 2021.
Russian coal exports have been restrained by transport bottlenecks in recent months, while freezing weather made loading and shipping more difficult.
But for the full year of 2022, China's coal imports from Russia surged 20% from a year earlier to 68.06 million tonnes, as western nations shunned trade with Moscow after the Ukraine crisis, forcing Russia to divert its cargoes and to sell them in steep discounts.
Indonesia remained China's top coal supplier in December and in 2022 as a whole, as Chinese utilities favoured its low-sulphur and low-ashes thermal coal.
Arrivals of Indonesian coal were 17.53 million tonnes last month, down from 20.04 million tonnes in November.
During the January-December period, China's imports totalled 170.71 million tonnes, down 12.6% from 2021.
The customs data on Friday showed no coal imports from Australia in December.
Beijing has granted permission to three utilities and China's biggest steelmaker to buy Australian coal, the first such move since it imposed an unofficial ban on coal trade with Canberra in 2020.
The first Australian coal cargo after the partial lifting of the import restriction is expected to reach China in early February. Coal shipments from Mongolia, mainly coking coal for steelmaking, were 4.99 million tonnes in December, up from only 947,993 tonnes a year earlier.
For the full year of 2022, China took in a total of 31.15 million tonnes of Mongolian coal, almost double the 2021 level as COVID-related curbs eased.

Aviation leaders hail green fuel as carbon saviour, but wonder who will pay

Greener fuel is the only way airlines will meet strict global carbon emission targets, executives meeting in Dublin this week agreed, but there's little consensus on who should foot the hefty bill to ramp up production.

Sustainable aviation fuel (SAF), which uses feedstocks like cooking oils to reduce emissions by up to 80% from conventional fuel, is seen as the carbon saviour for an aviation sector often cast as a villain in the fight against climate change.

But the nascent industry makes up less than 1% of fuel used and costs between three to five times more than traditional jet fuel.

That has stirred a debate whether governments, airlines or oil producers - or a combination of all three - should fund the expansion of production required to hit a proposed European Union target of 20% by 2035.

Aengus Kelly, chief executive of lease giant AerCap, said SAF was the only option, but cited an estimate that the transition could require investment of $1.5 trillion over 30 years.

"That's an extraordinary cost," he told the Airline Economics conference, one of a pair of annual events that bring together the world's largest aircraft owners.

"Government won't do it all. That's not going to happen." Willie Walsh, head of airline industry body IATA, told the conference airlines shouldn't expect traditional oil producers to meet the industry's needs.

"There has to be greater sharing of the burden to ensure that the industry, everybody can make it to net zero," he said.

Consumers aren't willing to fork out either, with many airlines saying less than 5% of customers fund carbon offsets or SAF surcharges they offer.

Many complain that action is pointless until huge emerging market emitters like China and India agree to play their part, one executive said.

SPEEDING UP

Some airlines called on the EU to do more to catch up with the United States, where the Inflation Reduction Act is spurring spending.

British Airways owner IAG made its first major investments in SAF in the United States, including a commitment to buy 220,000 tonnes from a Mississippi biorefinery in 2021, because U.S. policy is "much more joined up," said Leigh Hudson, IAG's sustainable fuels and carbon manager.

With the right policy support, 30 SAF plants could be built across Europe over the next eight years, she said in an emailed statement. Ryanair in December agreed to buy its SAF from Shell in an early step towards its target of powering 12.5% of flights with the fuel by 2030.

While it is too soon to say how realistic the 2030 targets are, reaching 2% by 2026 was a vital first step, its director of sustainability Thomas Fowler said.

"If they get the first 2% over the line, then we'll have a good sense," he told Reuters.

Top News - Dry Freight

China bought less soy from Brazil and U.S. in 2022, more from Uruguay

China's soybean imports from the United States dropped 10% in 2022, customs data showed on Friday, reducing the United States' share of the world's top soybean market to less than a third.

Total soybean imports by China last year dropped 5.6% to 91.08 million tonnes, due to high global prices and weaker demand earlier in the year.

But the United States, China's No. 2 supplier, lost out more than Brazil, with shipments down 10% to 29 million tonnes, while arrivals from top supplier Brazil slipped 6% to 54.4 million tonnes.

Drought in Brazil early in the year had tightened supplies and pushed up global prices. Later on, low water levels in the Mississipi river hampered logistics in the United States, slowing exports of beans to China.

Brazil maintained its 60% share of the market, while the United States' share has slipped slightly to under 32%, according to Reuters calculations based on the data.

Smaller supplier Uruguay was the main winner, with exports doubling from 866,000 tonnes in 2021 to 1.79 million tonnes last year. Argentina's imports were little changed at 3.65 million tonnes.

Soybean arrivals in December from both Brazil and the United States were similar to last year's level, at 2.56 million tonnes and 6.02 million tonnes, respectively, but arrivals from Argentina jumped to 1.46 million tonnes from just 340,000 tonnes a year earlier.

Argentina had offered its farmers a preferential exchange rate in September to boost soybean exports.

Egypt's GASC buys 50,000 tonnes of yellow corn in tender

Egypt's state grains buyer, the General Authority for Supply Commodities (GASC), on Thursday said it had bought 50,000 tonnes of Romanian corn in an international tender.The cargo was sold by Ameropa BV at a price of $339 a tonne on a cost, insurance, and freight (CIF) basis, traders said, adding that some offers were excluded because of their specifications.

Traders said this was GASC's first ever international tender for yellow corn.

Supply Minister Ali Moselhy said the corn will be sold to the private sector via Egypt's new commodities exchange in an effort to address a feed shortage and inflation.

The tender sought price offers on either a cost and freight (C&F) or CIF basis for Feb. 10-25 shipment. Payment will be at sight and funded by the International Islamic Trade Finance Corporation.

Picture of the Day

A file photo shows workers on strike walking past the French oil giant TotalEnergies refinery in Donges near Saint-Nazaire during a day of national strike and protests against French government's pension reform plan in France. REUTERS/Stephane Mahe

(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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