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Top News - Oil

Prices of Canadian, WTI crude to Asia jump after shipping rates rally, sources say

Prices of Canadian and U.S. West Texas Intermediate crude oil to Asia jumped after shipping costs rallied on concerns that wider U.S. sanctions on the Russian fleet are tightening ship availability, trade sources said on Tuesday.

Asian refiners face a margin squeeze as their costs of crude and shipping have spiked since Washington earlier this month imposed sweeping new sanctions targeting Russian insurers, tankers and oil producers.

Discounts for Canadian crude exported via the Trans Mountain pipeline (TMX) and delivered to China in April have narrowed $1-$2 a barrel from the previous month, the sources said.

China's Rongsheng Petrochemical, top buyer of Canadian TMX crude, bought two Access Western Blend (AWB) crude cargoes from TotalEnergies unit Totsa and another trader at $2-$3 a barrel below June ICE Brent for April delivery, they said, versus deals at about $4 a barrel discount for March.

The Chinese refiner also bought a Cold Lake cargo from Macquarie at a discount of about $1.70 a barrel to June ICE Brent for April delivery, the sources said.

Another Chinese refiner, Shenghong Petrochemical, also bought a Cold Lake cargo from BP at similar levels, they added.

Similarly, offers for U.S. West Texas Intermediate (WTI) Midland crude have jumped close to $6 a barrel to Dubai quotes for deliveries to North Asia, the sources said, although trade has slowed as the current trading cycle is coming to an end.

The freight rate for a very large crude carrier capable of carrying 2 million barrels of oil from the U.S. Gulf Coast to China is at $9.69 million on Wednesday, down $305,000 from Tuesday, shipbroker data showed.

Still, it marks a jump of over $3 million since Jan. 10 when the U.S. imposed additional sanctions on Russian producers and more than 100 tankers.

U.S. major Exxon Mobil tentatively chartered a VLCC from the U.S. Gulf Coast to China for February for $10.1 million on Friday, ship broker data showed.

Japan's Mitsui & Co chartered a VLCC from North Sea to South Korea for $9.95 million for late January, according to shipbrokers, about $3.6 million above previous such deals.

June Goh, a senior analyst at market intelligence firm Sparta Commodities, expects Asian refiners to secure supply by snapping up cargoes from West Africa, Brazil and Canada, although they have become more costly due to higher freight costs and rising premiums.

This could erode refiners' margins and lead to more refinery run cuts, she added.

Strong buying from China and India also pushed spot premiums for Middle East crude to their highest in more than two years last week.

EXCLUSIVE-Aramco chief expects additional oil demand of 1.3 mln bpd this year

Saudi oil giant Aramco's Chief Executive Amin Nasser said on Tuesday he sees the oil market as healthy and expects an additional 1.3 million barrels per day of demand this year.

Speaking to Reuters on the sidelines of the World Economic Forum in Davos, Nasser was responding to a question on the impact of U.S. President Donald Trump's energy decisions, which could increase U.S. hydrocarbon output.

Oil demand this year will approach 106 million barrels per day after averaging about 104.6 million barrels per day in 2024, he said.

"We still think the market is healthy ... last year we averaged around 104.6 million barrels (per day), this year, we're expecting an additional demand of about 1.3 million barrels ... so there is growth in the market," he said.

Asked about U.S. sanctions on Russian crude tankers, he said the situation was still at an early stage.

"If you look at the impacted barrels, you're talking about more than 2 million barrels," he said.

"We will wait and see how would that translate into tightness in the market, it is still in the early stage."

Asked if China and India have sought additional oil volumes from Saudi Arabia on the back of the sanctions, Nasser said Aramco is bound by the levels the kingdom's energy ministry allows it to pump.

Saudi Arabia has been pumping at about three quarters of its output capacity, as part of agreements with OPEC+ to support the market.

"The kingdom and the Ministry of Energy is always looking at balancing the market. They take that into account when they give us the target of how much we should put in the market," he said.

Aramco is working with MidOcean, an LNG firm in which it took a 51% stake, and "looking at expanding our position globally in LNG," without giving details, Nasser said.

Top News - Agriculture

Egypt's Mostakbal Misr makes major Russian wheat purchase

Egypt's state grain buyer, Mostakbal Misr, has made a significant purchase of Russian wheat, set for shipment this month, three sources familiar with the matter told Reuters.

The shipment, which sources said was procured through Russia's OZK Group, and will be loaded onto four vessels sailing under the Egyptian flag.

The sources did not disclose the total volume or price of the transaction, but the vessels, currently on route to Russia's Novorossiysk port, have a combined carrying capacity exceeding 250,000 metric tons.

Lobby group Russian Grain Exporters and Producers Union issued a statement on behalf of its member OZK, saying the Russian company had not entered into any agreement with Mostakbal Misr.

"The OZK Group has not entered into any contracts with Mostakbal Misr for the supply of wheat and does not expect any vessels for loading from the aforementioned company either in Novorossiysk or in any other Russian port," the union said.

Egypt, one of the world's largest wheat importers, has faced challenges in maintaining its grain reserves in recent months.

In 2024, logistical and financial hurdles disrupted the government's regular import operations, causing stocks to dip below the government's six-month target.

The Cabinet recently stated that Egypt's strategic wheat reserves are sufficient for four months of local consumption.

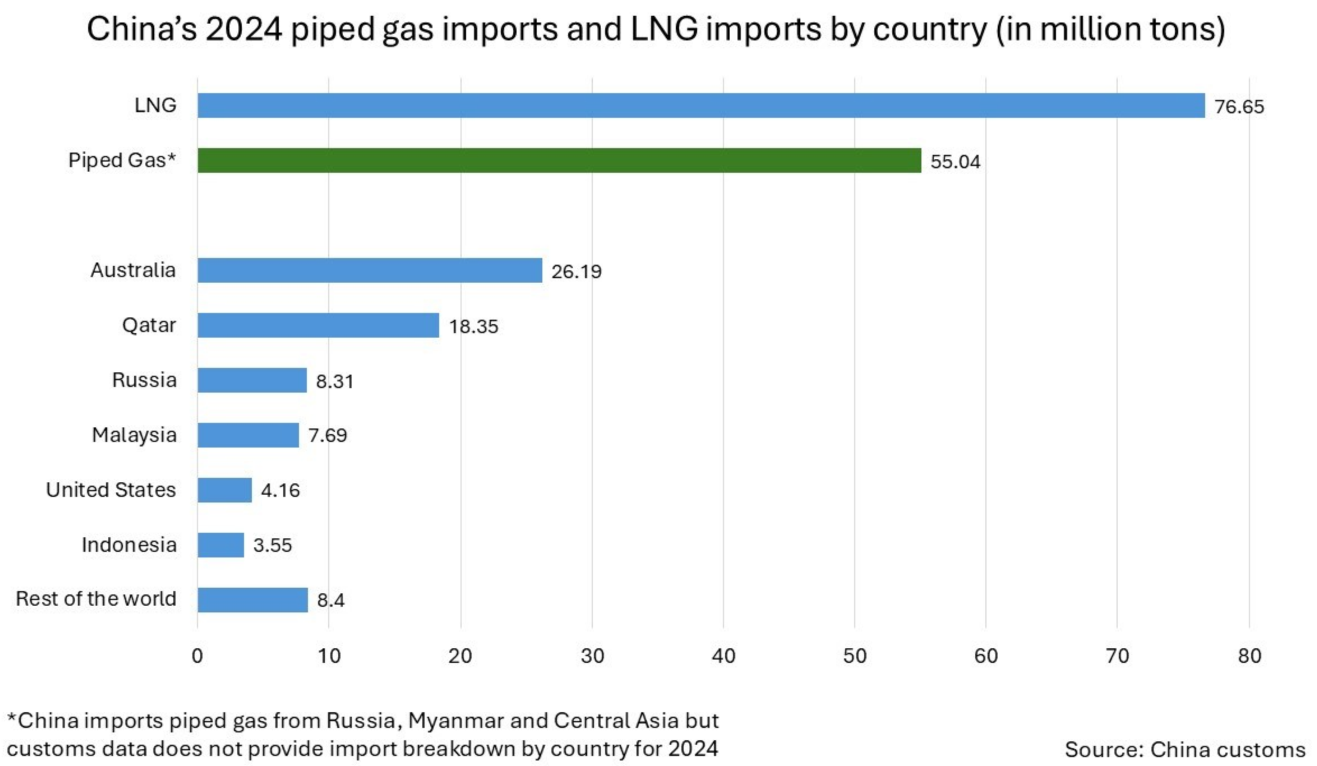
The Russian shipment follows Mostakbal Misr's announcement last week of new supply agreements with European grain producers. These deals, described as efforts to secure favourable prices and diversify wheat sources, include barter arrangements leveraging Egypt's comparative advantages in other sectors. Specific details, including volumes, prices, and supplier countries, remain undisclosed.

Russia has been a key supplier of wheat to Egypt, dominating both state and private-sector imports. Trade data seen by Reuters shows that in 2024 Egypt imported approximately 14.7 million tons of wheat, with 74.3% sourced from Russia.

Mostakbal Misr, established in 2022 by presidential decree, succeeded the decades-old General Authority for Supply Commodities (GASC) as the country's primary grains buyer.

Previously serving as the development arm of the Egyptian Air Force, the organisation's sudden move to this role marked a significant shift in Egypt's wheat procurement strategy, surprising international markets.

Chart of the Day



Bird flu outbreak in Georgia threatens US chicken exports, trade group says

An outbreak of bird flu in poultry in the U.S. state of Georgia, the nation's biggest chicken producer, is set to trigger trade restrictions from major meat importers, an industry group said on Tuesday, warning of a move that could financially harm farmers and processors.

A flock of 45,500 breeder chickens tested positive last week in Elbert County, Georgia, near the border with South Carolina, according to the U.S. Department of Agriculture. It was the state's first confirmed case in a commercial poultry operation, Georgia's agriculture department said.

The case comes as food producers worry that President Donald Trump's threats to impose tariffs on goods from trading partners, such as China and Mexico, will lead to retaliation that could also hurt U.S. agricultural exports.

An outbreak in a commercial flock typically triggers trade restrictions on poultry products from the county or state where the infected farm is located.

The restrictions expected on Georgia's poultry threaten producers and processors, such as Pilgrim's Pride. Initial losses for exports could be about $34 million, the USA Poultry & Egg Export Council said.Mexico, the biggest importer of U.S. poultry products, will likely halt purchases from Georgia for about two to four weeks, until it revises the ban to apply to the county, the industry group said.

Taiwan, the third-biggest importer of U.S. poultry, will block poultry imports from Georgia for six to eight months, the export council estimated.

South Korea will likely impose a ban on Georgia's poultry that should be lifted 28 days after the virus has been eliminated, a process that will likely take three to four months, the council said.

USDA had no immediate comment on potential trade restrictions.

More than 138 million U.S. chickens, turkeys and other birds have died from bird flu or been culled to contain the disease since 2022. About 930 dairy herds and 67 people, mostly farmworkers, tested positive since 2024.

"This is a serious threat to Georgia's No. 1 industry," Georgia Agriculture Commissioner Tyler Harper said in a statement.

China has blocked Georgia's poultry since 2023, when a commercial flock of waterfowl tested positive, USDA records show.

Top News - Metals

Trump's EV rollback not expected to suppress appetite for critical minerals

U.S. President Donald Trump's rollback of electric vehicle targets may temporarily slow demand for lithium and other critical minerals, but is unlikely to hamper the mining industry amid surging global EV demand, analysts and industry leaders said.

Trump on Tuesday revoked predecessor Joe Biden's 2021 executive order that sought to ensure half of all new vehicles sold in the U.S. by 2030 are electric. Automakers had been positioning for a jump in EV demand due largely to that Biden move. Trump's order caused shares of Japanese automakers, South Korean battery makers and Australian, U.S. and Chinese lithium miners to slip. But even if EV demand cools in the world's second-biggest auto market, analysts and industry experts expect traction elsewhere to more than compensate.

Trump has planned other regulatory changes to cut off support for EVs and charging stations. He also aims to strengthen measures blocking imports of automobiles and battery materials from China.

"Every time people take away subsidies or benefits ... it's a dent to the demand scenario," said analyst Glyn Lawcock at Barrenjoey, an Australian investment bank. "(But) ultimately demand will still grow even if the U.S. is a bit slower under Trump." Australian lithium producer Liontown Resources said the global transition to EVs was underway, with or without the United States.

"Longer term, I just don't think it will be an issue on demand," Antonino Ottaviano, Liontown's CEO, said on a Tuesday analyst call.

Much of the EV industry's growth happens in China, accounting for 11 million sales or 65% of the market, compared with North America, which accounts for 20% of the market, Liontown executives said on the call.

Meanwhile, the rest of the world already accounts for 1.3 million EV sales and is growing at 27% year on year, a trajectory that will see it become more meaningful than the entire North American market in less than two years, the Liontown executives added.

That growth potential is something Chinese EV manufacturers are chasing given they are locked out of the U.S. market due to 100% EV tariffsimposed by Biden.

Grid-scale batteries that store days' worth of electricity are rising in popularity across the world, for example.

Critical metals are also used to build many consumer electronics as well as computer servers needed to power the artificial intelligence industry. Albemarle, the world's largest lithium company, declined to comment on Trump's order.

Arcadium, a lithium producer about to be bought by Rio Tinto and the International Lithium Association trade group, was not immediately available for comment.

Rio Tinto also declined to comment on Trump's order, but its CEO Jakob Stausholm told the World Economic Forum on Tuesday that he is bullish on the white metal.

"Lithium demand will probably go up another five times over the next 15 years, so a lot more lithium projects will have to be built," Stausholm told the forum in Davos, Switzerland, adding that he has owned an EV for more than nine years. "It's just a better car" than an internal combustion engine, Stausholm added.

David Klanecky, CEO of privately held battery recycler Cirba Solutions, expects U.S. demand for critical minerals to jump by 2030 due to the demand not just for EVs, but for myriad electronics. Beyond any target rollbacks, miners said they believe measures to wean Western manufacturers off Chinese supplies will underpin support for their metals. "We expect measures taken to build supply chain independence from China ... to have a much greater impact than the rollback of a formal target for EV sales," said Darryl Cuzzubbo, CEO of Australian rare earths developer Arafura. "There is a tipping point looming for electric vehicles at which targets and incentives won't be required to encourage take-up."

COLUMN-China's steel sector is softening, but with resilience: Russell

There are two ways of looking at the 1.7% decline in China's steel output last year.

The first is that it confirms that the world's largest producer of the key industrial metal is now in an established downtrend, and further weakness is likely this year.

The second is that the steel industry is actually remarkably resilient in the face of major economic challenges, and that output has been essentially flat at extremely strong levels for the past five years. Both are essentially factual, and reflect the classic glass half-full or half-empty dilemma.

On the half-empty side of the ledger is the fact that China's steel production peaked at 1.065 billion metric tons in 2020, and has trended lower since then, with 2024 output coming in at 1.005 billion tons.

But another way to look at China's steel output is that it has been within a 70 million ton range between 2019 and 2024, which is actually quite a stable performance.

Perhaps the best way to characterise China's steel production is that it likely has peaked, but the decline so far has been gentle, and output remains relatively high despite the well-publicised struggles of the world's second-biggest economy since the COVID-19 pandemic.

The question then becomes, what is the likely trajectory for China's steel sector in 2025?

Similar to other markets, the answer remains unclear and subject to factors yet to come into play, chief among them what trade tariffs are put in place by the new administration of U.S. President Donald Trump, who resumed the office on Monday.

It's also uncertain as to whether 2025 is the year China's struggling residential property sector gets back on its feet, or whether it remains hostage to weak developer balance sheets and consumer wariness.

A third factor is what will happen to China's steel exports in 2025, after they hit a nine-year high of 110.72 million tons in 2024. This was up 22.7%, or just over 20 million tons, from the previous year, with the increase helping to offset some loss of domestic consumption for steel mills.

The volume of Chinese steel hitting global markets has led to some consternation among countries such as India,

MARKET MONITOR as of 07:35 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$75.39 / bbl	-0.66%	5.12%
NYMEX RBOB Gasoline	$2.10 / gallon	-0.67%	4.58%
ICE Gas Oil	$732.50 / tonne	-0.61%	5.36%
NYMEX Natural Gas	$3.76 / mmBtu	-0.03%	3.36%
Spot Gold	$2,751.68 / ounce	0.27%	4.87%
TRPC coal API 2 / Dec, 25	$118 / tonne	2.83%	5.97%
Carbon ECX EUA	€79.40 / tonne	-1.08%	8.77%
Dutch gas day-ahead (Pre. close)	€50.50 / Mwh	1.81%	4.02%
CBOT Corn	$4.97 / bushel	-0.50%	6.76%
CBOT Wheat	$5.69 / bushel	-0.52%	1.07%
Malaysia Palm Oil (3M)	RM4,184 / tonne	-1.78%	-5.94%
Index	**Close 21 Jan**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	372.33	-0.66%	4.35%
Rogers International	30.64	-0.55%	4.88%
U.S. Stocks - Dow	44,025.81	1.24%	3.48%
U.S. Dollar Index	108.15	0.08%	-0.32%
U.S. Bond Index (DJ)	435.57	0.53%	-0.11%

which is trying to boost the pace of expansion of its own steel sector.
This raises the possibility that China may find it harder to increase steel exports in 2025.
But it is worth noting that not all importing countries are opposed to buying more steel from China, especially those without a domestic steel sector.

BEST-CASE SCENARIO
The best-case scenario for China's steel sector this year is one where trade tariffs aren't too punitive, the domestic economy continues to regain momentum and construction activity stabilises, or perhaps even increases. Under such a scenario, the best outcome for China's steel production would be steady output around 1 billion tons.
This also means that China's demand for iron ore is likely to remain steady as well, although it may ease from the record high of 1.24 billion tons in 2024.
This is largely because much of the 4.9% rise in imports, which was equivalent to 57.5 million tons, went to replenish stockpiles rather than meet increased demand for the key steel raw material.
Port inventories monitored by consultants SteelHome ended last year at 146.85 million tons, up 32.4 million from the 114.5 million at the end of 2023.
It's unlikely that stockpiles will rise again strongly in 2025, which is likely to limit iron ore imports, although if the downward trend in prices of 2024 extends into this year, traders may be tempted to take advantage of cheaper supplies.
(The views expressed here are those of the author, a columnist for Reuters.)

Top News - Carbon & Power

Trump halt on offshore wind power leases hits European companies
Shares in European wind power companies fell on Tuesday after U.S. President Donald Trump suspended offshore leasing for wind on his first day in office, adding to pain in an industry that had turned to the U.S. to help revive its fortunes.
The global offshore wind industry has struggled to play the role that many governments had envisaged in their plans to reduce carbon emissions. Escalating costs, supply chain issues and planning delays have hit the industry and led to project cancellations and delays.
Former President Joe Biden's green investment policy had provided support for the sector. Trump on Monday suspended new federal offshore wind leasing pending an environmental and economic review, saying wind turbines are ugly, expensive and harm wildlife.
Denmark's Orsted was the biggest decliner, plunging 17% as it took a $1.69 billion impairment charge on U.S. projects. A delay and higher costs for Orsted's Sunrise Wind project, which once completed is expected to be the largest U.S. offshore wind farm, were the main reason for the share price plunge, analysts said.
The company also flagged impairments on seabed leases that could be directly linked to Trump, Sydbank analyst Jacob Pedersen told Reuters.
"Orsted now has some assets in the U.S. that are worthless. If there is nothing to be built because of Trump, Orsted can neither sell nor use the leases," he said.
Other companies involved in the wind industry also fell. Portugal's EDP Renovaveis shares fell by around 1.6%, Germany's RWE shed around 0.5%, Norway's Equinor dropped by 2.2% and wind turbine manufacturer Vestas fell by nearly 3% in afternoon trade. Italy's Prysmian on Tuesday said it would abandon a plan to build a plant in the U.S. to make cables for offshore wind parks.
Prysmian's shares, which closed at a record high on Monday, lost around 1% on Tuesday.
Stocks in nuclear companies rallied on Trump's support for boosting power supplies to meet the rising needs for data processing. Stocks of U.S.-based uranium miners like Energy Fuels and enCore Energy rose over 4%, while nuclear power companies like utility Vistra, Talen Energy and Constellation Energy were up between 4% and 8% in the afternoon trade.
Trump's energy secretary pick, Chris Wright, told U.S. senators in his confirmation hearing last week that his first priority would be to expand domestic energy production including nuclear power and liquefied natural gas.

RISK TO EXISTING US WIND POWER PROJECTS
The U.S. has around 2.4 gigawatts (GW) of advanced-stage offshore wind developments that have reached final investment decision and are under construction. Those are unlikely to be impacted by the order, according to Rystad Energy.
The environmental and economic review of existing offshore wind leases could, however, pose some risk for developers of existing projects, analysts said.
The American Clean Power Association (ACP), a U.S. clean energy industry group, said it strongly opposed Trump's executive order on wind leasing and permitting. "States voting for President Trump are eight of the top 10 states in terms of reliance on wind power with many depending on wind for a significant share of their electricity use. Restricting wind development in these regions is certain to increase consumer energy bills," it said. In 2024, the oil and gas industry donated $32.3 million to Trump and groups affiliated to him, as per data from OpenSecrets. In comparison, Trump was able to raise just $453,687 from the U.S. renewable sector.
The U.S. renewable industry contributed $2.9 million in political donations, with 78.7% of it going to Democrat candidates.

Carbon markets investor kicks off $1.5 billion Amazon protection plan in Davos

A carbon markets investor backed by Swiss-trading house Mercuria said on Wednesday it had joined with two non-profits to raise an initial $1.5 billion to help protect the Amazon, by working with Brazilian states, farmers and local communities.

The 'Race to Belém', a nod to the Brazilian city hosting the next round of global climate talks in November, aims to sell credits tied to preserving the world's biggest rainforest.

The initiative is the first major campaign by Silvania, a $500 million nature and biodiversity investment vehicle, working with Conservation International and The Nature Conservancy. In an effort to avoid the criticism some previous projects have faced over their real-world impact, the new plan will seek agreement from all levels of government, farmers and impacted communities, and be carried out across a much larger area.

The move follows record high temperatures across the world last year that are pushing the Amazon closer to the point where it becomes a net emitter of carbon emissions, making the world's agreed goal of capping global warming even harder to reach.

It also comes days after U.S. President Trump pulled the world's biggest economy out of the Paris accord and against a backdrop of weakening corporate commitments as governments move too slowly to enact policies which will help hit its goal.

Race to Belém Chief Executive Keith Tuffley said after launching the scheme in the Brazilian state of Tocantins, that the hope was that other states would join and the initial $1.5 billion funding target this year would be surpassed.

"The consensus is that private sector engagement is now more critical than ever.

The urgency to address climate challenges has only increased, and the Race to Belém highlights this by calling for transformative private investments," Tuffley told Reuters from Davos, during the World Economic Forum meeting.

To help kick-start the project, Silvania said it would give a dollar in upfront capital to states for every ton in credits purchased, up to a total of $100 million.

The price per ton will be negotiated with potential buyers and could lead to hundreds of millions of tons of carbon savings, Tuffley said.

Deployment will begin immediately, with additional phases rolled out over three to five years.

Credits issued under the plan will be classed as a Jurisdictional Reducing Emissions from Deforestation and Forest Degradation, or JREDD+, credit. Existing JREDD+ projects are up and running in countries including Guyana, Ghana and Costa Rica.

Because the baseline reference area being assessed under a JREDD+ project is much bigger, it is easier to track the impact on the environment and local communities than in traditional REDD+ projects overseen by a project developer.

Conservation International Chief Executive M. Sanjayan said in a statement that these credits offered a "generational opportunity to reverse the economic drivers of deforestation".

"This will be a seismic year for the future of the Amazon. We have a chance to look back on the trajectory of Amazonian protection in two distinct eras: pre- and post-COP30," he said.

Top News - Dry Freight

EU 2024/25 soft wheat exports down 36% by Jan 19

Soft wheat exports from the European Union since the start of the 2024/25 season in July had reached 11.74 million metric tons by Jan. 19, down 36% from a year earlier, data published by the European Commission showed on Tuesday.

EU barley exports totalled 2.36 million tons, down 31% from the corresponding period of 2023/24.

However, the Commission said export data for Italy has been incomplete for the past seven weeks. For France, data has been incomplete since the beginning of 2024 while export data for Bulgaria and Ireland has been incomplete since the beginning of the 2023/24 marketing year.

Competition from Black Sea supplies and a poor harvest in France have curbed EU exports this season, though the trend has been amplified by the missing data.

A breakdown of this season's volumes showed Romania was still the largest EU soft wheat exporter, with 3.33 million tons so far, followed by Lithuania with 1.63 million tons, Latvia on 1.52 million tons, France with 1.34 million tons and Germany on 1.34 million tons.

EU 2024/25 soybean imports up 15% by Jan 19, rapeseed up 5%

European Union soybean imports so far in the 2024/25 season that started in July had reached 7.91 million metric tons by Jan. 19, up 15% from a year earlier, data published by the European Commission showed on Tuesday.

EU rapeseed imports totalled 3.41 million tons, up 5% from a year earlier, while soymeal imports jumped 31% to 10.97 million tons and palm oil imports totalled 1.60 million tons, down 19% year on year.

However, the Commission said export data for Italy has not been complete for the past seven weeks. It also noted that export data for France has not been complete since the beginning of 2024 and export data for Bulgaria and Ireland has been incomplete since the beginning of marketing year 2023/24.

Picture of the Day

A sheep grazes during heavy fog ahead of the arrival of Storm Eowyn, in Kildare, Ireland, January 21. REUTERS/ Clodagh Kilcoyne

(Inside Commodities is compiled by Arya Sinha in Bengaluru)

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