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Top News - Oil

Halliburton tops profit estimates, upbeat on overseas growth
Halliburton beat quarterly profit expectations on Tuesday, helped by strength in its drilling and evaluation business, especially in overseas markets, sending its shares up more than 2%.
With a better economic environment and acreages internationally, oilfield services are setting their sights outside the United States to grow, with the North American segment dominated by higher efficiencies but fewer wells. The company's international revenue was boosted by improved activity in the Middle East, in line with larger rival SLB, which beat analysts' estimates for quarterly profit last week.
"In 2024, we expect international E&P spending to grow at a low double-digit pace ... we believe the Middle East/Asia region will likely experience the greatest increases in activity with other regions closely behind," Chief Executive Jeff Miller said during a post-earnings call.
Though revenue from North America fell in the fourth quarter, the top U.S. fracking service provider said it expects strong business in the region in 2024 due to "stable levels" of activity and contracted nature of its portfolio.
"Halliburton has viewed NAM for a while as a cash flow machine and while activity is likely flattish it remains at elevated levels," said James West, a senior managing director at Evercore ISI.
However, he warned that "we do not expect the same amount of production growth in 2024 as the industry experienced in 2023."
Halliburton said it expects lower revenues in the first quarter on weather-related seasonality.
The company said it returned $1.4 billion of cash to shareholders in 2023 through stock repurchases and dividends, which represents over 60% of its free cash flow, and plans to return over 50% in 2024.
The Houston-based company's adjusted net income was 86 cents per share for the three months ended Dec. 31, higher than 80 cents expected by LSEG analysts.

US oil and gas dealmaking reaches fever-pitch in 2023, Enverus says
Blockbuster takeovers by oil and gas majors pushed the value of U.S. energy dealmaking last year to a record $192 billion, more than triple the amount in 2022, according to data from analytics firms Enverus on Tuesday.
Acquisitions in the Permian shale basin straddling West Texas and New Mexico, the largest U.S. oilfield, soared in the last two years as oil prices jumped on strong demand after Russia's invasion of Ukraine and producers sought producing wells to guarantee future supplies.
Three pending deals - Exxon Mobil's offer for Pioneer Natural Resources, Chevron's bid for Hess and Occidental Petroleum's for CrownRock - drove fourth quarter deal values to $144 billion - a record level for any quarter and year.
"Oil and gas is undergoing a historic consolidation wave comparable to what occurred in the late 1990s and early 2000s giving rise to the modern supermajors," said Andrew Dittmar, a senior vice president at Enverus.
Deal mania should continue this year, he said, pointing to potential divestitures and the expected offer of closely held shale oil and gas producer Endeavor Energy.
Reuters last month reported the Midland, Texas-based company could fetch between $25 billion and $30 billion in any sale.
Buyers looking to hive off pieces of those big acquisitions could generate a flurry of smaller deals this year, Dittmar said. Private-equity firms also have raised new capital and "would likely be interested in these non-core assets," he said.
For 2023, acquisitions of oil-producing assets predominated in the U.S. There was a total of about $186 billion in such deals last year with Exxon's pending $65 billion offer for Pioneer the largest.
A smaller $6 billion overall was spent on natural gas-focused deals last year, compared with $10.6 bllion in 2022, with the largest being Tokyo Gas' 9531.T$2.7 billion acquisition of Texas-based Rockcliff Energy, according to Enverus.
Even though U.S. gas futures NGc1 plunged by about 44% in 2023 after rising about 20% in 2022, the deal comes as part of the Japanese company's efforts to expand its North American shale gas operations to meet growing demand for natural gas as an energy transition fuel.

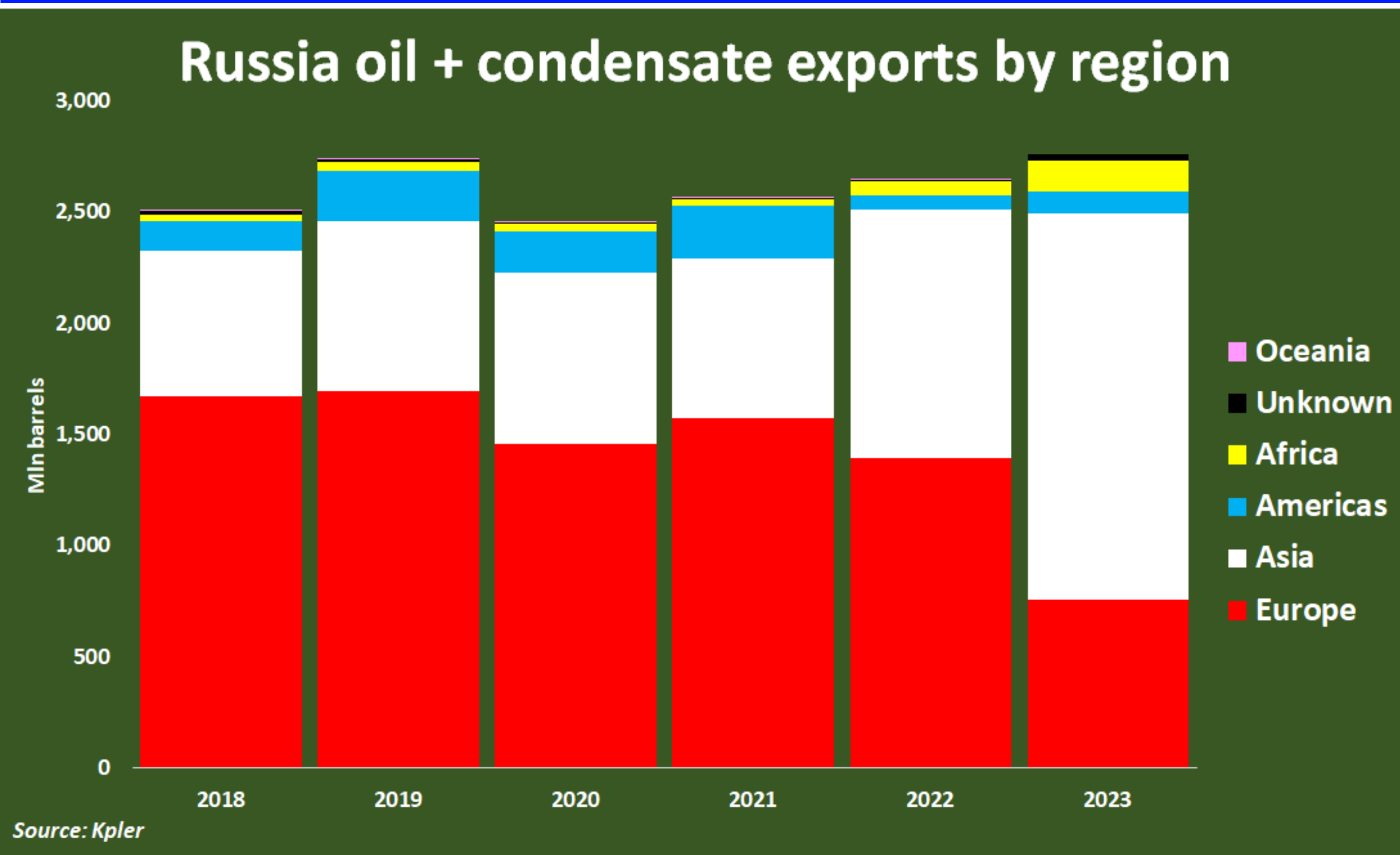
Top News - Agriculture

Accounting probe hits ADM as crop glut, lower margins point to tough 2024
An investigation into accounting practices in Archer-Daniels-Midland's Nutrition segment could not come at a worse time for the company as sinking crop prices look set to erode profit for its core grain trading and processing businesses this year.
Before news of the accounting issues broke and sent ADM shares tumbling 24% on Monday, the biggest fall since 1929, according to the Center for Research in Security Prices, the company had been forecasting the Nutrition unit it has been expanding for much of the past decade would return to profit growth in 2024.
The recovery in the business segment that generated about 11% of profit for ADM in 2022 would have helped cushion the blow from thinning margins in soybean crushing and ethanol, and from lower crop prices as global supplies of corn and soy rise, analysts said.
"It is now uncertain whether Nutrition operating profits will return to (year-over-year) growth in 2024," said Arun

Sundaram, senior equity analyst at CFRA Research. "We expect the investigation and uncertain outlook to cast a shadow over ADM's shares, as the Nutrition segment was once the fastest growing and most profitable segment," he said.
CFRA cut its 12-month price target for ADM to $61 a share from $76 previously, one of several analysts that downgraded ADM share targets Monday.
S&P Global on Tuesday warned that its credit ratings for ADM, including the company's "A" issuer rating, were at increased risk of a downgrade pending the investigation. Shares were up just 1% on Tuesday after sinking to a nearly three-year low the previous day.
ADM and its crop processing and trading rivals cashed in on historically wide soy crushing margins over the past two years due to strong demand for vegetable oil to make biofuel, and reduced soy product supplies from drought-hit Argentina. Those margins are now thinning due to expanded U.S. processing capacity and a projected crop rebound in Argentina.
Meanwhile, margins for producing ethanol biofuel, a cornerstone of ADM's portfolio, have narrowed and a global grain glut has curbed crop exports from the U.S., home to the bulk of ADM's operations.
Rivals including Bunge have more of an export base in Argentina and Brazil.

LOWERED OUTLOOK
ADM on Sunday put its CFO Vikram Luthar on administrative leave and postponed the upcoming release of fourth-quarter results and its annual 10-K filing with the U.S. Securities and Exchange Commission (SEC).
The investigation started in response to a voluntary document request by the SEC. ADM said it was cooperating with the regulator. An SEC spokesperson declined to comment about the voluntary document request and if the agency is investigating ADM.
The company also cut its adjusted earnings forecast to "above $6.90" per share for 2023 from an "excess of $7 a share" view earlier, and withdrew all of its forward-looking outlooks for Nutrition.
ADM has invested billions of dollars over the past decade in Nutrition, the smallest yet fastest growing of its three main business units, starting with its $3 billion acquisition of WILD Flavors in 2014. In that time, annual adjusted earnings per share swelled from $2 to $3 a share to a record $7.85 in 2022.
ADM executives frequently tout the segment as the future of the company, aiming to capitalize on healthier eating trends and rising consumer demand for natural ingredients and flavorings.
The unit also provided more earnings stability as company results were tied less directly to the highly cyclical commodities market.
It was unclear if two recent Nutrition unit acquisitions due to close early this year would be impacted. ADM announced the purchase of Revela Foods, a Wisconsin-based developer and manufacturer of dairy flavor ingredients, and UK-based flavor and ingredient firm FDL late last year. Analysts also struggled to gauge future returns for the Nutrition segment.
"If we can't rely on the financial statements, it's hard to

Chart of the Day



judge the return that they are getting for all these acquisitions if there is going to be a massive restate of profits that affects multiple years," said Seth Goldstein, strategist with Morningstar.

China to encourage hog farmers to reduce capacity after price slump
China will "guide" farmers to reduce hog production capacity as it steps up regulation of the industry, the agriculture ministry said on Tuesday, after an aggressive expansion drive led to an oversupply of pigs and heavy losses.
Big agribusinesses in the world's top pork producer havemodernised farms and expanded pig herds so rapidly in recent years that a downturn in demand led to plummeting hog prices, mounting losses, and rising debt last year.
Farmers lost an average of 76 yuan ($10.60) per hog in 2023, Lei Liugong, director of market and information technology at the ministry, said in a press briefing.
As a result, struggling producers sped up slaughter of pigs late last year to cut their losses, raising the country's pork production to a nine-year high of 57.94 million metric tons.
Lei said the sow herd at end-December was down 2.5 million heads from a year ago to 41.42 million heads.
But herd numbers are still high and thus destocking will continue in the next one to two months, continuing to depress prices, he said.
But the fall in the number of breeding sows will help the market recover in the second quarter of the year, he added.
To accelerate the return of supply and demand to equilibrium, the ministry will guide farms and households to reduce production capacity and fatten pigs at the right time, Lei said.
At the same briefing, Chen Bangxun, the ministry's director of the development planning department, said there is room for China to continue reducing the amount of high-protein soybeans used in livestock feed.
The current proportion of soybean meal in feed formula fell to 13%, down 1.5 percentage points from 2022, which is equivalent to a reduction of about 9 million metric tons of soybean consumption, Chen said.
Soybean demand in the world's largest importer is largely driven by the livestock industry as the beans are crushed into meal for animal feed.
China, aiming to reduce its soybean imports, has promoted low-protein feed diets, and the use of oilseeds, leftover food and animal carcasses for feed.

Top News - Metals

Rio Tinto taps Australia's largest solar farm to power aluminium assets
Rio Tinto on Wednesday announced a deal to buy power from a new solar farm in Queensland as it seeks to green its aluminium operations on the country's east coast and halve its direct and indirect emissions by 2030.
The company has signed a 25-year agreement with green energy firm European Energy Australia, which is building the 1.1 gigawatt Upper Calliope solar farm in Queensland which when complete will be the country's largest, Rio said.
Once developed and approved, the solar farm will have the potential to cut down Rio's operating carbon emissions by 1.8 million tonnes per year.
Rio Tinto is Australia's 10th biggest emitter, according to data from the Clean Energy Regulator. In 2022, it reported direct and indirect emissions at 30.3Mt CO2 equivalent, around two-thirds of which came from its aluminium division.
The company tried for years last decade to sell the aging division, before it considered closure, under former chief Jean-Sébastien Jacques.
The construction of the Upper Calliope plant is targeted to start in 2025 or 2026 and will be built at a site about 50 kilometres south-west of Gladstone.
The solar power deal is also expected to provide ways to repower Rio's three production assets in Gladstone — the Boyne aluminium smelter, the Yarwun alumina refinery and the Queensland Alumina refinery, the company said in a statement.
The mining giant in June 2022 asked for proposals to develop wind and solar energy plants in Australia's Queensland state to power three of its aluminium projects by 2030.
Upper Calliope is the first successful applicant in a formal request for proposals made by Rio for renewable power and firming projects in Central and Southern Queensland, it said.

Poland, Baltics want aluminium, LNG bans in new EU sanctions package on Russia
Poland and the Baltic states are calling for import bans on Russian aluminium and liquefied natural gas (LNG) for the European Union's 13th package of sanctions against Moscow over its Ukraine invasion, a Polish official said.
The EU is aiming to pull together more measures ahead of the second anniversary of the Ukraine war at the end of February. But diplomats said they are running out of options that would have enough support from EU member states.
Poland and the Baltic countries have been the staunchest supporters of sanctions ahead of every new package.
These countries are also suggesting more measures to combat sanctions circumvention and to tighten sanctions in the aviation sector, the Polish official said.
They also want to expand the list to include products that can be used to make drones and align sectoral measures imposed on Russia with measures against Belarus in another effort to prevent circumvention.
"The big items are already sanctioned and the big ones left like LNG and nuclear are not available," a senior EU diplomat said.
The EU diplomat said that each new package was moving to close the loopholes and there was a long list of new entities and individuals that could be added.
The previous package, agreed in December, managed to push through two new bans - diamonds and liquefied petroleum gas (LPG), known as propane and butane.
The package banned direct Russian diamond imports as of Jan. 1, with an indirect ban coming in March in

coordination with the Group of Seven countries.
"It's (13th package) at the embryonic phase. We might be able to unblock one thing from that (Polish) list but we expect lots of new listings of individuals from the Commission rather than sectoral," a second diplomatic source said. "There is a push to include more third country companies but it's a big issue because it risks trade ties." EU officials said the 13th package will focus more on bad actors and circumvention, adding that about 60% of sanctioned goods reach Russia via China. Central Asia has been the other major artery for goods to Russia.
However, there is no consensus on how this can be stopped. Some officials and diplomats caution that adding entities or third countries risks reputational damage while others see the risks as worthwhile.
"We have the mechanism since the 11th package, which we can use - we haven't used it yet - to sanction countries ... for aiding sanctions circumvention as well," the senior EU diplomat said.
"Some (EU) countries think ...(the mechanism) is already a deterrence but in my mind we have to use it at least once to make it a deterrent."

Top News - Carbon & Power

Analysts cut EU carbon price forecasts on weak industry, power sector demand

Analysts have lowered price forecasts for European Union carbon permits for 2024 to 2026, with weak demand from power plants and sluggish industrial demand set to weigh on the market.
EU Allowances (EUAs) are forecast on average at 74.11 euros a metric tonne in 2024 and 83.31 euros in 2025, a Reuters survey of nine analysts showed. That is down 11.3% and 6.3% respectively from forecasts made in October. The average forecast for 2026 was 100.13 euros a tonne, down 2.8% from the October forecast of 102.97 euros/tonne. The EU's Emissions Trading System (ETS) forces manufacturers, power companies and airlines to pay for each tonne of carbon dioxide they emit by surrendering carbon allowances as part of Europe's efforts to meet its climate targets. “Economic growth is likely to remain sluggish in the near term across Europe, which is likely to lead to further demand destruction from many of the industrial sectors under the EU ETS,” said Paula VanLaningham, director of carbon research at LSEG.
Industrial output in Germany, Europe’s largest economy, fell in November for the sixth consecutive month, the federal statistics office said earlier in January.
Forecasts for the first quarter of this year were cut by 12.9% to 72.61 euros/tonne from 83.35 euros/tonne.
“We don't see much in the way of price upside this year. Fundamentals are set to be unsupportive and investors are likely to hold net short positions again, keeping downward pressure on prices,” said Energy Aspects analyst Ben Lee.

MARKET MONITOR as of 07:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$74.67 / bbl	0.40%	4.21%
NYMEX RBOB Gasoline	$2.23 / gallon	-0.10%	5.92%
ICE Gas Oil	$808.00 / tonne	-0.68%	7.63%
NYMEX Natural Gas	$2.50 / mmBtu	2.12%	-0.48%
Spot Gold	$2,030.70 / ounce	0.10%	-1.55%
TRPC coal API 2 / Dec, 24	$93.75 / tonne	-0.42%	-3.35%
Carbon ECX EUA	€63.45 / tonne	0.63%	-21.05%
Dutch gas day-ahead (Pre. close)	€26.75 / Mwh	-0.93%	-16.01%
CBOT Corn	$4.57 / bushel	0.11%	-5.53%
CBOT Wheat	$6.09 / bushel	0.29%	-4.85%
Malaysia Palm Oil (3M)	RM3,976 / tonne	0.71%	6.85%
Index	**Close 23 Jan**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	307.53	0.48%	2.03%
Rogers International	26.80	1.25%	1.80%
U.S. Stocks - Dow	37,905.45	-0.25%	0.57%
U.S. Dollar Index	103.36	-0.25%	2.00%
U.S. Bond Index (DJ)	425.51	-0.36%	-1.21%

The benchmark EU carbon contract CFI2Zc1 currently trades around 62.50 euros/tonne and has fallen more than 20% since the start of the year.
Strong renewable power output across Europe has cut demand for permits from thermal power plants while the change in the compliance deadline date is also expected to shift some demand to later in the year, the analysts said.
Companies will this year have to surrender allowances by Sept. 30 instead of April 30 as in previous years, allowing them more time to compile data and purchase allowances.

Woodside says Santos merger talks still at early stage as it forecasts higher production
Woodside Energy CEO Meg O'Neill said on Wednesday there was no recent precedent for sizable premiums in oil and gas deals as the producer reported it was still in the early stages of talks over a potential $52 billion merger with Santos.
The company on Wednesday forecast a jump in 2024 production and reported a 3% sequential rise in fourth-quarter revenue on higher realised prices.
Asked about reports that Santos shareholders want any merger to come with a sizable premium, O'Neill said recent deals in the sector had tended in the opposite direction.
"I would note there have been a number of mergers announced within the last three or four months in the oil and gas sector, in both Europe and the US, and the precedents for our sector is really low to nil premium," O'Neill said in an interview.
The comments reveal a potential gulf between the expectations of Santos shareholders eager for a meaty premium after years of disappointing share performance and a Woodside concerned about overpaying for its smaller rival.
Woodside and Santos in December confirmed they were in preliminary talks to create a major oil and gas company, which together would have assets in Australia, Alaska, the Gulf of Mexico, Papua New Guinea, Senegal and Trinidad and Tobago.
O'Neill said talks were still at an early stage and there was no certainty a deal would progress. Woodside would be disciplined and only pursue a transaction that was "value-accretive for shareholders," she added.
The country's top independent gas producer reported on Wednesday a record 2023 production of 187.2 million barrels of oil equivalent (mmboe) and flagged the potential for further growth in this year's guidance of 185 million to 195 mmboe.
Revenue rose 3% to $3.36 billion for the December quarter thanks to a jump in realised prices, compared with $3.26 billion in the previous quarter. It missed a Visible Alpha consensus estimate of $3.59 billion, according to RBC.
While milder winters in Asia and Europe had led to slightly softer liquefied natural gas (LNG) pricing compared to previous years, O'Neill said she remained "bullish" about the fuel's long term prospect.

Top News - Dry Freight

EU to allow wider measures to control Ukraine grain imports
The European Commission is looking into ways of allowing eastern EU member states to restrict farm imports from Ukraine as it extends trade liberalisation with Kyiv for a further year to June 2025.
The EU has suspended import duties, quotas and trade defence measures for imports from Ukraine since June 2022 to support its economy after Russia's invasion.
However, cheap Ukrainian grain exports have sparked protests by governments, farmers and truckers in neighbouring countries such as Poland and Hungary.
EU Trade Commissioner Valdis Dombrovskis said the Commission was about to present a proposal for the new period to June 2025, taking into account the sensitivities of agricultural sectors in eastern member states of the bloc.
The existing arrangement does include safeguards but these only apply if the whole EU market is affected.
"We're looking at the best ways to do it, including the possibility of having the safeguards not only in the case of disturbances to the EU market as a whole, but also in case of disturbances in a single member state or a few member states," Dombrovskis told reporters before a meeting of EU ministers on trade.
The EU trade chief said the Commission was looking into how to safeguard the most sensitive products, adding he had discussed the issue with the agriculture ministers of Poland and Hungary in the past 24 hours.
One EU diplomat said the plan would allow affected EU members to take action quickly for an initial four months, subject to a Commission assessment within three weeks. Ukraine would also be encourage to align more with EU standards.
Earlier Hungarian Foreign Minister Peter Szijjarto said the influx of cheap Ukrainian grain had "ruined" central European markets.
"We have banned the import of Ukrainian grain and some agricultural products... We would like to maintain that measure... We would like to come back to the original agreement which was to secure transit for Ukrainian grain," he said.
Until mid-September last year, the EU had allowed five countries - Bulgaria, Hungary, Poland, Romania and Slovakia - to ban domestic sales of Ukrainian wheat, maize, rapeseed and sunflower seeds, while allowing them to transit for export elsewhere.

EXCLUSIVE-Fortescue faces rare delays for China iron ore customs clearance - sources
At least two iron ore cargoes from the world's No.4 supplier Fortescue Metals Group are facing unusual customs delays at north China's Caofeidian port due to inspections for solid waste, sources with knowledge of the matter said.
The cargoes were in two shipments totalling roughly 400,000 metric tons, the sources said, worth around $55 million, though only the portions earmarked for portside

sale by Fortescue after arrival face delay, while volumes already sold were little affected.
One of the partial cargoes has been delayed at Caofeidian, among China's busiest for handling the key steelmaking ingredient, since December, while another arrived this month. Normally, it takes one to three days for iron ore shipments to clear Chinese customs, the sources said. Several industry insiders said they had not previously heard of such inspections for major iron ore importers.
The delays come as Fortescue and Chinese state iron ore buyer China Mineral Resources Group (CMRG) - set up in July 2022 to centralise purchasing and gain more bargaining power with global mining firms - negotiate a 2024 procurement deal.
According to several traders and steel mill sources, CMRG and Fortescue have had difficulty reaching terms on the agreement, although it could not be determined whether there was any connection with the shipping delays.
It was not clear whether FMG's cargoes faced similar obstacles at other Chinese ports.
All of the sources requested anonymity because of the sensitivity of the matter. Caofeidian port authority and Caofeidian customs did not immediately respond to requests for comment. CMRG does not have public contact information and could not be reached for comment.
Fortescue did not directly address the delays in response to a query from Reuters. "We continue to see strong demand for our products with shipments continuing to flow to our customers," a spokesperson said.
While the inspections are unusual, the volumes held up represent a relatively small portion of Fortescue's China portside sales - which totalled 3.6 million tons in the September quarter, 7.8% of its total global shipments.
Australia's big three iron ore miners Rio, BHP and Fortescue have kept tight-lipped on their negotiations with CMRG since its inception. They escaped an unofficial Chinese ban on a wide swathe of commodities from the country including coal, wine and barley that started in 2020 and only began easing in 2023 as diplomatic ties improved. China buys more than two-thirds of the world's seaborne iron ore. Its iron ore imports hit an all-time high of 1.18 billion tons in 2023, a 6.6% annual rise, customs data showed.

Picture of the Day

French farmers block the A16 highway with their tractors to protest over price pressures, taxes and green regulation, grievances that are shared by farmers across Europe, near Beauvais, France, January 23. The slogan reads "I love my job but I would like to make a living from it". REUTERS/Abdul Saboor

(Inside Commodities is compiled by Jerin Tom Joshy in Bengaluru)

For questions or comments about this report, contact: **commodity.briefs@thomsonreuters.com**

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