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Top News - Oil

OPEC+ seen sticking with oil output policy at Feb. 1 meeting – delegates

An OPEC+ panel is likely to recommend keeping the oil producer group's current output policy unchanged when it meets this week, five OPEC+ delegates told Reuters on Monday.
Ministers from OPEC+ countries - members of the Organization of the Petroleum Exporting Countries (OPEC) and others including Russia - are due to hold a virtual meeting at 1100 GMT on Feb. 1.
The panel, called the Joint Ministerial Monitoring Committee (JMMC), can call for a full OPEC+ meeting if warranted.
Five OPEC+ sources told Reuters last week that the JMMC would discuss the economic outlook and the scale of Chinese demand, and was unlikely to suggest tweaks to current policy.
One said the rebound in oil prices in 2023 made any changes unlikely.
"The boat is not really in stormy seas right now, so why rock something that's not moving?" said Ole Hansen, head of commodity strategy at Saxo Bank.
The group will want to buy some time given the uncertainty related to sanctions on Russia and their impact on supply, Hansen added.
OPEC+ agreed in October to cut its production target by 2 million barrels per day (bpd), about 2% of world demand, from November until the end of 2023.
The JMMC meeting had been due to follow a meeting of the OPEC+ joint technical committee (JTC) on Jan. 31. This has now been cancelled, four OPEC+ sources also told Reuters on Monday.
The JTC was cancelled because there is nothing new to discuss, two sources said.
The committee advises the JMMC and the overall OPEC+ ministerial meeting on market fundamentals.

COLUMN-Asia diesel profit margin to tango with China exports, Russian ban: Russell

The profit from producing diesel in Asia has been declining as Chinese refiners increased exports to the region, but the looming European ban on Russian refined fuels looms as a potential game changer.
The margin, or crack, to produce a barrel of gasoil, the building block of diesel, from Dubai crude at a typical Singapore refinery dropped to $30.90 on Monday.
This was down from a recent peak of $38.89 a barrel on Jan. 25, but more importantly the crack has been dropping since Chinese refiners boosted exports in the fourth quarter of last year.
The profit margin on gasoil reached a fourth quarter peak of $46.83 a barrel on Oct. 18, and it has slid 34% by the close on Monday.
The drop coincided with a policy shift in China with the authorities granting more quotas to export diesel and gasoline as part of efforts to boost economic activity and allow refiners to capture some of the high margins for refined fuels in Asia.
China's diesel exports rose for a second month in December, hitting 2.79 million tonnes, up 32.8% from November's 2.10 million, according to official data released on Jan. 18.
This equates to about 675,000 barrels per day (bpd) and was the highest since March 2021, and also more than double the 290,000 bpd shipped out in May, which was the weakest month in 2022.
While the increase in China's diesel exports have lowered margins at other refineries in Asia for the transport fuel, it's worth noting that even at the current level the crack remains high by historical standards, having not traded above $20 a barrel in the seven years from 2015 to 2021.
The question for the market is are margins for diesel and gasoline going to continue to retreat as China maintains robust exports, or will the European Union ban on imports of Russian refined products, due to take effect on Feb. 5, lead to European buyers competing for Asian cargoes.
It's worth noting that China's exports of refined fuels in January are likely to be lower than those in December, with Refinitiv Oil Research assessing 1.16 million tonnes, down from December's 2.79 million.
The January figure is likely to rise once late-month cargoes are added in, but the final figure is still on track to be well below the December number.
However, Chinese refiners still have plenty of export quotas available and will likely ramp up shipments of refined products from February onwards.
Refiners in China and India can also withstand lower profit margins better than other export-orientated competitors, such as those in Singapore.
This is because they have been ramping up imports of cheaper Russian crude, thus lowering their input costs.
In practical terms the Group of Seven nations price cap on Russian crude and the EU's import ban have boosted the profitability of Chinese and Indian refiners, while lowering crude revenue for Russia and forcing a re-alignment of trade flows.

RUSSIAN DIESEL

While the oil market has largely been able to work around the exit of Russian crude from Europe by re-routing it to Asia, it may be trickier to replicate this with the loss of Russian refined products.

There is some scope for Russian diesel and gasoline to be re-routed to Asia, but the increased freight cost and tanker availability are likely to prove limiting factors.
The potential markets for Russian products are also likely more limited, with Australia, Asia's biggest diesel importer, unlikely to buy Russian fuel, even though it remains happy to buy diesel and gasoline made from Russian crude at refineries in India and China.
Some Asian fuel importers, such as Pakistan, the Philippines and Indonesia, may be happy to buy Russian fuel, but the discounts would have to be steep.
What's more likely is that Asia's diesel and gasoline markets tighten as the EU ban on Russian fuel comes into effect.
Given that much of the region's spare refining capacity lies in China, it's likely that China's exports will have to rise and stay elevated to prevent refining margins, and thus retail fuel costs, from rising sharply.

Top News - Agriculture

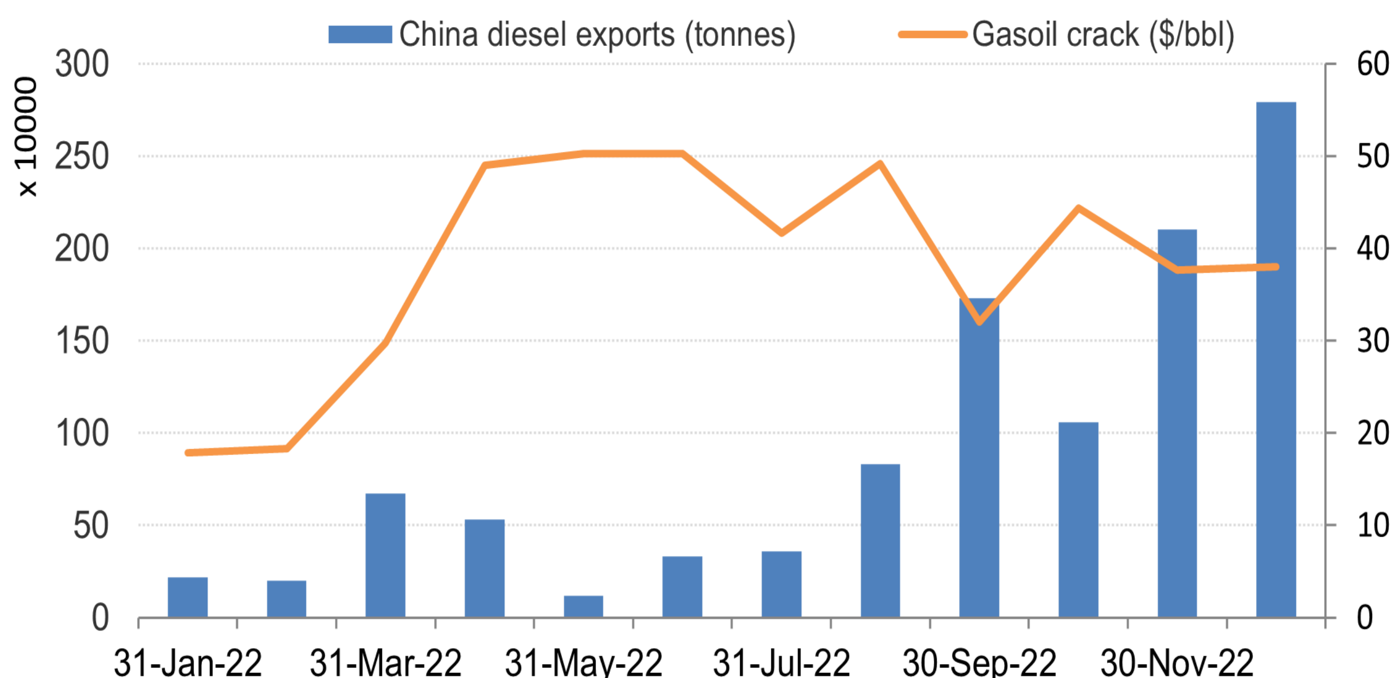
Brazil farmers harvest 5% of soybean planted area, AgRural says

Brazilian farmers have harvested 5% of the planted soybean area in the 2022/23 cycle through last Thursday, agribusiness consultancy AgRural said on Monday, up 3 percentage points from the previous week but still below last year's levels.
At the same time in 2022, 10% of the Brazilian soy fields had been reaped, said AgRural, which currently expects this season's crop to reach 152.9 million tonnes but already hints at potential yield cuts ahead.
Irregular rainfall has been hurting soybean areas in Rio Grande do Sul, Brazil's southernmost state, and should lead AgRural to further reduce its yield estimates for the region in upcoming crop updates, the consultancy said in a statement.
The harvest delay on a yearly basis, AgRural added, comes as top grain producing state Mato Grosso faces a lack of sunshine in-between rain periods, creating a "winter-like" weather. Fieldwork has also been delayed in other states including Parana.
Despite the record output forecast this season, the firm said, the volume harvested so far reached nearly 8 million tonnes, down from 13 million tonnes a year ago, when Brazil faced a crop failure.
AgRural's harvest estimate matches those of other private consultancies, including Patria AgroNegocios and Safras & Mercado , which provided fresh figures on Friday.
With the soybean harvest delay, planting of Brazil's second corn crop was also below last year's levels, reaching 5% of the expected area as of Thursday, AgRural said, down from 14% at the same time in 2022.
"The delay still does not threaten the corn planting window, but it is important that from early February it advances more quickly," the consultancy said.
Farmers in Brazil normally sow their second corn crop, which represents 70-75% of national production in a given year, after soybeans are reaped.

Indian wheat prices drop after Modi releases grain for flour millers

Wheat prices in India, the world's biggest consumer of the grain after China, have dropped nearly 13% from record highs since the government offer last week of 3 million tonnes to bulk consumers such as flour millers.
Prime Minister Narendra Modi's government on Wednesday allowed flour millers to buy up to 3 million tonnes of wheat from state reserves.
On Monday, wheat prices in New Delhi dropped to 28,290 rupees ($347.11) a tonne, down 13% from their record high hit last week because stocks are low.
But domestic prices are still higher than the state-set support or guaranteed price of 21,250 rupees.
The price spike reflects a big drop last year in state purchases of wheat.
Every year the government-backed Food Corporation of India (FCI) buys millions of tonnes of wheat at a fixed support price to build the reserves needed to run the world's biggest food welfare programme.
FCI also buys wheat from local farmers to build strategic reserves to deal with emergencies such as droughts.
Last year, FCI's purchases of wheat fell by 53% to 18.8 million tonnes, as open market prices stayed above the rate at which the government buys the staple from domestic farmers.
"We do not want FCI's procurement to drop this year and that is why we have released 3 million tonnes of wheat," said a government source who did not wish to be identified.
"If prices drop, FCI will be able to buy reasonably sufficient quantities of wheat from farmers," said the official with direct knowledge of the matter.
A jump in India's wheat exports following Russia's invasion of Ukraine pushed up local wheat prices, prompting India to order a ban on exports in May, but that failed to halt domestic price rises.
"The release of government stocks will help in easing shortages, but the stocks should have been released in December," said a Mumbai-based dealer with a global trade house. "The government delayed the release of wheat and allowed prices to rise above the psychological level of 30,000 rupees."

Chart of the Day



Top News - Metals

Chinese-owned copper mine in Peru may halt production over unrest

The huge Chinese-owned Las Bambas copper mine in Peru, normally the supplier of 2% of the metal worldwide, could halt production this week due to protests and blockades that are starting to snarl output of the red metal amid already tight global supply.

The Andean nation, the world's second-largest copper producer, has seen growing social unrest since early December, with key mines hit by road blockades and attacks by protesters, mainly impacting transportation of copper rather than production.

That may now change. China's MMG Ltd said early on Monday that its Las Bambas mine, located in Peru's mountainous south, may have to halt operations from Wednesday due to protests that were sparked by the ouster and arrest of leftist former President Pedro Castillo.

"Transport interruptions affecting both the incoming and outgoing traffic have forced the progressive slowdown of operations at Las Bambas due to shortages of critical supplies," MMG said. Its shares were hit hard by the news, falling 7.5%.

"If the situation does not change, the mine will not be able to continue the copper production from February 1."

The unrest in Peru is the worst in decades, with 48 people having been killed in clashes and 10 others in accidents related to road blockades.

The protesters want quick new elections to replace President Dina Boluarte and Congress, but lawmakers have so far failed to set a new timeline for the voting.

They are set to debate a bill on Monday to bring the ballot forward to this year.
On Sunday, Boluarte pledged to offer a constitutional reform to move general elections to this October, after legislators late last week batted down a proposal that would have opened the door to holding elections this year.
A source close to the Las Bambas operation said road blockades had been extremely effective and usually were rebuilt after being cleared.
The person, speaking on condition of anonymity, added that the key to easing the situation would be for Congress to bring forward the elections, adding that more blockades and protests were expected if that was not done.
Another major player in the mining industry, Glencore, temporarily suspended operations at its huge Antapaccay copper mine in Peru on Jan. 20 after protesters attacked the premises.
A Reuters analysis of power usage by key Peru copper mines, which can be an indicator of mining activity, shows that the protests, while hitting transportation, have yet to fully weigh on production.

Glencore sells Russian aluminium into LME storage, sources say

Commodity trader Glencore has delivered 40,000 tonnes of Russian aluminium to London Metal Exchange-approved warehouses in the South Korean port of Gwangyang, two sources with knowledge of the matter told Reuters.
A build-up of Russian metal is likely to raise concern in the market that benchmark LME prices will weaken - an outcome some producers are keen to avoid as their contracts reference the benchmark.
Glencore declined to comment. A representative of Russian aluminium producer Rusal told Reuters it had not delivered any of its metal into the LME system.
Rusal has consistently said it would not not sell its metal on the LME.
Neither Rusal nor its metal, which accounts for 6% of global supplies, has been targeted by sanctions against Russia following its invasion of Ukraine.
Some buyers have chosen not to renew their contracts to buy Rusal's aluminium, but many more buyers and consumers in the transport, packaging and construction industries have.
Glencore has a long-term contract with Rusal for the supply of 6.9 million tonnes of aluminium. Of that, around 1.6 million tonnes a year would be delivered between 2021 and 2024.
The sources, who spoke on condition of anonymity, said Glencore had more Russian aluminium that could be delivered to LME warehouses.
Glencore delivered Russian aluminium into LME warehouses in Gwangyang in October, according to sources, who did not detail the quantity.
This time it has sold around 40,000 tonnes on the LME and deposited the aluminium in warehouses in Gwangyang operated by warehousing company ISTIM UK, which also declined to comment.
Metal entering the LME's global warehouse storage network, made up of more than 500 warehouses in 32 locations, is issued with a warrant by warehouse operators - a title document conferring ownership.
Metal that is stored in LME warehouses but is not on LME warrant is off warrant.
"They (Glencore) are holding a fair amount off warrant in South Korea. There could be more to come," one of the sources said.
LME data shows 80,950 tonnes of aluminium were stored off warrant in Gwangyang in November.
Last week, before Glencore's delivery, aluminium stocks were around 380,000 tonnes, a drop of 35% since October, close to the 31-year lows hit last August.
Aluminium prices touched a seven-month high of $2,679.50 a tonne earlier in January, up 18% since the start of 2023 on expectations of rising demand in top consumer China, which this month abandoned its zero-COVID policy.
After an industry consultation, the LME last November decided not to ban Russian metal from being traded and stored in its system because a significant portion of the market still planned to buy the country's metal in 2023.
In the absence of a ban, the LME said it was likely "additional tonnages of Russian metal" will eventually be delivered into LME-approved warehouses, but that there is no evidence that this would create disorder.

Top News - Carbon & Power

Japan's JERA raises FY22/23 earnings estimate on lower LNG procurement cost

JERA, Japan's biggest power generator, said on Monday it now sees a net profit of 100 billion yen ($769 million) for the year to March 31, against its previous forecast of a net loss of 200 billion yen, due to lower-than-expected fuel procurement cost.
"We had assumed a tight global LNG market during the winter, but the market has eased thanks to warmer weather in Europe, improving our procurement environment in terms of volume and prices," Tetsuo Yoshida, the head of finance, told a news conference.
Higher-than-expected profit from its trading unit, JERAGM, and stronger contribution from reselling some of the super-chilled fuel by JERA, one of the world's biggest LNG buyers, when its demand was lower, also boosted its earnings, Yoshida said.
The revised guideline is based on an assumption that JERA will not receive the fuel from Freeport LNG, the second-biggest U.S. LNG exporter, by the end of March, according to Yoshida.
The LNG company's plant shut after a pipeline explosion on June 8, 2022 and the restart has been delayed.
Freeport LNG got approval from federal regulators last week to take early steps to restart the plant in Texas, though it has not yet sought permission to restart the facility.
"We don't know when the plant will resume operation," Yoshida said.
JERA, a joint venture between Tokyo Electric Power Company Holdings and Chubu Electric Power Co, said in October that it would book a 110 billion yen loss related to the Freeport LNG fire, mostly due to higher costs to buy alternative fuel from the soaring spot market.
In November, JERA President Satoshi Onoda predicted Freeport would resume a partial operation in mid-December and its shipments to be fully back by March.
Despite the delay of Freeport's restart, JERA stuck to its 110 billion loss estimate from the fire, saying lower spot LNG prices are helping to offset an impact from the delay, Yoshida said.

IN THE RED

Japan utilities are suffering from high costs of imported fuel and weak yen, two main factors hitting their financials, but situation will likely improve in the next business year starting in April as companies plan to raise household power prices in spring.
On Monday, Chubu Electric, which owns 50% in JERA, also raised its 2022/2023 outlook to a net profit of 50 billion yen from its October estimate of a loss of 130 billion yen, citing the recent drop in fuel costs and local wholesale electricity prices. It still posted a net loss of 37.5 billion yen in April-December period.
Hokuriku Electric Power, meanwhile, stuck to its full-year forecast of a record net loss of 90 billion yen after posting 75.8 billion net loss in the nine-month period.

Russian gas supply hit pushes India's GAIL to scout for long-term LNG

GAIL (India) Ltd is scouting for long-term gas import deals and hopes to sign one contract shortly to make up for disrupted supplies from a former unit of Russian energy giant Gazprom, its head of finance said on Monday.
India's largest gas distributor reported a 93% decline in its December quarter net profit as it transmitted less gas locally due to a reduction in liquefied natural gas (LNG) supply from a deal with Gazprom Marketing and Singapore (GMTS).
GAIL is in talks with Abu Dhabi National Oil Co (ADNOC) and many other parties to source gas. "Probably we will get a better deal," Rakesh Kumar Jain told an analyst call.
"The Indian economy is needing more and more gas. Even if GMTS had not happened, we were in the market for sourcing gas. Yes, but GMTS circumstances have forced us more," he said.
GAIL agreed a 20-year deal with GMTS in 2012 to buy an annual average of 2.5 million tonnes of LNG.
At the time, GMTS was a unit of Gazprom Germania, now called Sefe, but the Russian parent gave up ownership of Sefe after Western sanctions over Russia's invasion of Ukraine. Sefe has halted supply to GAIL since May.
Jain said GAIL was seeking more gas import deals primarily to meet local demand and a resumption of supplies under the Gazprom contract would give his company the flexibility "to able to play more in the international markets".
The state-run company has been trading some of the LNG bought on a free-on-board basis under its long-term deals from the United States in global markets.
Jain said in 2023 GAIL would bring in eight extra LNG cargoes from its U.S. portfolio, which were previously sold to a global customer. "We get 90 cargoes from the USA and we intend to bring all of them to India," Jain said.

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MARKET MONITOR as of 07:17 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$77.49 / bbl	-0.53%	-3.45%
NYMEX RBOB Gasoline	$2.49 / gallon	-0.72%	0.38%
ICE Gas Oil	$893.25 / tonne	-1.79%	-3.01%
NYMEX Natural Gas	$2.69 / mmBtu	0.37%	-39.96%
Spot Gold	$1,915.09 / ounce	-0.39%	4.97%
TRPC coal API 2 / Dec, 23	$146 / tonne	-1.35%	-20.97%
Carbon ECX EUA / Dec, 24	€94.16 / tonne	0.61%	7.00%
Dutch gas day-ahead (Pre. close)	€56.40 / Mwh	5.42%	-25.37%
CBOT Corn	$6.82 / bushel	-0.22%	0.55%
CBOT Wheat	$7.51 / bushel	-0.17%	-4.99%
Malaysia Palm Oil (3M)	RM3,858 / tonne	-1.98%	-7.57%
Index (Total Return)	**Close 30 Jan**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	298.90	-1.13%	-0.81%
Rogers International	28.34	-0.77%	-1.13%
U.S. Stocks - Dow	33,717.09	-0.77%	1.72%
U.S. Dollar Index	102.28	0.34%	-1.20%
U.S. Bond Index (DJ)	409.13	-0.26%	4.52%

Top News - Dry Freight

First Australian coal cargoes since end of ban to enter China in Feb

China is set to receive at least two cargoes of Australian coal in early February, according to traders and shiptracking data, the first since an unofficial ban on imports in place since 2020 was lifted earlier this month.

Coal traders will be paying attention to how easily the shipments pass customs for signs that the informal ban is truly over and in the hopes of sending more Australian coal to China.

Australian thermal coal for power generation and metallurgical coal for steelmaking are favoured by Chinese consumers for their high-quality. China's coal demand is forecast to rise in the upcoming months amid an expected economic rebound after Beijing rolled back its draconian zero-COVID strategy.

About 72,000 tonnes of metallurgical coal was loaded on to bulk vessel Magic Eclipse at Hay Point, Australia, on Jan. 23 and is expected to arrive at the southern Chinese city of Zhanjiang in Guangdong province next week, Refinitiv and Kpler shiptracking data showed.

China's top steelmaker Baowu Group bought the cargo, according to a trader familiar with the deal and the shiptracking data.

Baowu is one of the four government-backed firms given permission from China's state planner in early January to purchase Australian coal. The company has 12.25 million tonnes of annual steelmaking capacity at its Zhanjiang base.

Baowu did not immediately respond to Reuters' inquiry seeking for comment.

Another bulk vessel, the BBC Maryland, is carrying about 12,000 tonnes of thermal coal from the Australian port of Newcastle and heading to the eastern Chinese city of Changshu, Kpler data showed. The cargo is scheduled to arrive on Feb. 10 but it is not immediately clear who the buyer was.

China Energy Investment Corp purchased at least two cargoes of Australian coal, Reuters reported in early January. China's local media reported that the other two firms given approval to buy Australian coal have also placed orders.

Other Chinese utilities and steelmakers that are not on Beijing's list of approved importers are still waiting to resume imports.
Customs officials in five major eastern and southern Chinese cities have said that there is no specific requirement for companies importing Australian coal during the customs declaration process.
However, it was unclear if the customs authorities would clear cargoes purchased by companies other than the four approved ones.
Australian thermal coal with a heating content of 5,500 kilocalories was assessed at about $132 a tonne on a free-on-board basis last week, down from about $137 a tonne in early January, according to traders.
Premium low volatile coking coal for delivery on a cost and freight basis to China was assessed at about $320 a tonne last week, up from $315 in early January, the traders said.

Ukraine grain exports down 30.8% so far in 2022/23, ministry says

Ukraine has exported almost 26.3 million tonnes of grain so far in the 2022/23 season, down from the 37.9 million tonnes exported by the same stage of the previous season, agriculture ministry data showed on Monday.
The volume included about 9.4 million tonnes of wheat, 14.9 million tonnes of corn and about 1.8 million tonnes of barley.
The ministry said grain exports so far in January had reached 3.5 million tonnes as of Jan. 30, down from 5.5 million tonnes in the same period last year.
After an almost six-month blockade caused by Russia's invasion of Ukraine, three Ukrainian Black Sea ports were unblocked at the end of July under a deal between Moscow and Kyiv brokered by the United Nations and Turkey.
The infrastructure ministry on Monday said that a total of 18 ships carrying 664,000 tonnes of agricultural goods left Ukrainian ports last week, a third less than the previous week.
"In the Bosphorus, the Russian side in the Joint Coordination Centre (JCC) continues to block the implementation of the initiative and artificially increase the queue of ships," the ministry said on Facebook.
It said that 117 vessels were awaiting inspection in Turkish territorial waters as of Jan. 30, including 92 that are heading west to ports for loading and 25 that are already carrying agricultural products.
It said that over the past week only 20 inspections took place, compared with the ministry's minimum requirement of 84.
"These factors hinder the implementation of the grain initiative: we are seeing a decrease in exports by almost 30% compared to the previous month," the ministry said.
A major global grain grower and exporter, Ukraine's grain output is likely to drop to about 51 million tonnes in 2022 from a record 86 million tonnes in 2021. Officials have blamed the fall on hostilities in the country's eastern, northern and southern regions.

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Picture of the Day

Power-generating windmill turbines are pictured at a wind park in Saint-Philbert-de-Bouaine, France, 2023. REUTERS/Stephane Mahe

(Inside Commodities is compiled by Indrishka Bose in Bengaluru)

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

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