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Top News - Oil

China's oil demand bounce may push producers to reconsider output – IEA
Oil producers may have to reconsider their output policies following a demand recovery in China, the world's second -largest oil consumer, the International Energy Agency's Executive Director Fatih Birol said on Sunday.
Demand in China, the world's largest crude importer and No. 2 buyer of liquefied natural gas, has become the biggest uncertain factor in global oil and gas markets in 2023 as investors bet on the speed of its recovery after Beijing lifted COVID restrictions in December.
"We expect about half of the growth in global oil demand this year will come from China," Birol told Reuters on the sidelines of the India Energy Week conference.
He added that China's jet fuel demand is exploding, putting upward pressure on demand.
"If demand goes up very strongly, if the Chinese economy rebounds, then there will be a need, in my view, for the OPEC+ countries to look at their (output) policies," Birol said.
Producer group OPEC+ angered the United States and other Western nations in October when it decided to cut output by 2 million barrels a day from November through 2023, instead of pumping more to cut fuel prices and help the global economy as the U.S. advised.
Birol said he hoped such a situation does not repeat, and that OPEC+ - which includes members of the Organization of the Petroleum Exporting Countries and allies such as Russia - will return to a constructive role in the market as demand improves.
OPEC+ rolled over the group's current output policy at a meeting on Wednesday, leaving production cuts agreed last year in place.
Separately, Birol said price caps on Russian oil have achieved the objectives of both stabilising oil markets and reducing Moscow's revenues from oil and gas exports.
Russia's revenues likely fell by nearly 30% in January, or about $8 billion, compared with a year before, he added.
G7 nations, the European Commission and Australia this week approved a $100 per barrel price cap on diesel and a $45 per barrel cap on discounted products such as fuel oil starting from Feb. 5.
This followed a similar measure they implemented on Dec. 5 barring Western-supplied maritime insurance, finance and brokering for seaborne Russian crude unless it was sold below a $60 price cap.
Birol said fuel markets might face difficulties in the short term as global trade routes "reshuffle" to accommodate Europe drawing on more imports from China, India, the Middle East and the United States.
That could force other markets such as Latin America to scout for alternative imports, he said.
Europe has decided to end refined fuel imports from Russia from Sunday.
Birol said however that the fuel market balance could improve from the second half as more refining capacity is added globally.

Western sanctions push Russia's energy revenues to lowest level since 2020
Russia's monthly budget revenues from oil and gas fell in January to their lowest level since August 2020 under the impact of Western sanctions on Russian exports, Finance Ministry data showed on Friday.
Monthly tax and customs revenue from energy sales was down 46% in the space of a year - reflecting the fact that, while the price of the global benchmark Brent blend was little changed, the average monthly price of Russia's Urals blend was down 42%, according to the ministry.
Moscow relies on its multibillion-dollar earnings from oil and gas sales to fund its budget spending, and has been forced to start selling down some international reserves to cover the shortfall.
The data also showed budget income from energy had dropped 54% from December's earnings of 931.5 billion roubles ($13.2 billion), though these were inflated by a one-off tax payment by monopoly gas exporter Gazprom.
January's figure stood at 425.5 billion roubles ($6.05 billion).
The finance ministry on Friday said it would almost treble its daily sales of foreign currency to 8.9 billion roubles ($130 million) a day over the next month to compensate for the fall in oil and gas revenues.
The West - previously Russia's most lucrative energy market - has responded to Russia's invasion of Ukraine by targeting its energy revenues through an unprecedented package of sanctions that is set to tighten further. Brussels hopes its restrictions will cut off 90% of Russia's oil exports to the European Union, and member states have cut the share of Russian gas in their import mix from more than 40% to under 15% since Russia invaded Ukraine.
The international restrictions, including a $60 a barrel price cap imposed by the Group of Seven major powers, have meant that Russia's Urals blend - which previously traded at a similar price to Brent - now sells at a heavy discount. The average price in January was $49.48 a barrel, the finance ministry said, down 42% on January 2022.
On Friday, Brent was trading at around $82, and Urals at around $53.60.
The Russian government earned 11.6 trillion roubles ($165 billion) on oil and gas sales last year, the finance ministry said.

Top News - Agriculture

World food prices decline for 10th month running in January, says FAO

World food prices fell in January for a 10th consecutive month, and are now down some 18% from a record high hit last March following Russia's invasion of Ukraine, the United Nations food agency said on Friday.

The Food and Agriculture Organization's (FAO) price index, which tracks the most globally traded food commodities, averaged 131.2 points last month against 132.2 for December. It was the lowest reading since September 2021.

The December figure was revised down from an original estimate of 132.4.

Falls in the prices of vegetable oils, dairy and sugar helped pull down the index, while cereals and meat remained largely stable, the FAO said.

In separate cereal supply and demand estimates on Friday, the FAO raised its forecast for global cereal production in 2022 to 2.765 billion tonnes from a previous estimate of 2.756 billion tonnes.

The FAO cereal price index rose just 0.1% month-on-month in January to give a 4.8% increase on the year.

International wheat prices declined 2.5% as production in Australia and Russia outpaced expectations. Rice, by contrast, jumped 6.2%, driven in part by strong local demand in some Asian exporting countries.

Vegetable oil prices fell 2.9% in January, the dairy index dipped 1.4% and sugar declined 1.1%. Meat slipped a mere 0.1%.

Looking at supply and demand for cereals, FAO said it expected a record global output of wheat in 2022 thanks to revised crop forecasts from Australia and Russia.

The forecast for world rice production was revised down on the back of lower-than-expected output in China, and is now predicted to decline 2.6% from its all-time high in 2021.

Looking ahead to 2023, FAO said early indications pointed to a likely expansion of winter wheat cropping in the northern hemisphere. However, it warned that high fertilizer costs may impact yields.

World cereal utilisation in 2022/23 was forecast to dip 0.7% from the previous year to 2.779 billion tonnes. The estimate for world cereal stocks was pegged at 844 million tonnes, pushing down the world stock-to-use ratio for 2022/23 to 29.5% from 30.8% in 2021/22.

COLUMN-Russia set to snag export lead in sunoil market from rival Ukraine -Braun

Prior to last year, Ukraine was known as the world's leading sunflower oil exporter and supplying up to half of that trade volume, with much of it headed for top vegetable oil consumers such as India and European Union members.

But now, due to domestic market limitations, Ukraine has surged to the top of the less profitable sunflower seed trade, which has worried the country's farm ministry.

Russia's invasion of Ukraine a year ago significantly disrupted the 2022 Ukrainian grain and oilseed harvests, which dropped more than 40% and 25% on the year, respectively. Exports have also declined, though they have been somewhat stable in recent months under the Black Sea export deal.

Meanwhile, Russia may be emerging as the new leader in sunflower oil trade.

Globally, sunflower oil is the least prominent of the major four vegetable oils (palm, soybean and rapeseed are the others), but it has been a vital source of revenue for Ukraine's economy.

In calendar year 2021, sunflower oil was Ukraine's highest grossing agricultural export, valued at $6.4 billion. That compared with corn at $5.9 billion and wheat at $5.2 billion. Sunflower meal added another $1.2 billion, and agricultural product exports accounted for 41% of all Ukrainian exports.

Ukraine's farm ministry on Thursday called the rise in sunseed exports "unacceptable" since not only will it hit Ukraine's export revenue potential, but it could also lead to the shuttering of oilseed processing plants, the permanent loss of market share and job losses.

Some 14% of Ukraine's population is employed in agriculture according to the U.S. Department of Agriculture.

RUSSIAN RISE

In the 2022-23 marketing year, USDA projects Russia will eclipse Ukraine in sunflower oil exports, accounting for 35% of trade versus 34% for Ukraine. Those shares three years ago were 28% and 50%, respectively.

Russia's projected sunoil exports of 3.7 million tonnes would be about 3% below its 2019-20 record, but Ukraine's 3.65 million would be off 45% from its high set that same year.

With operations at Ukrainian sunoil refineries greatly affected by the conflict, sunflowerseed exports have surged. USDA pegs Ukraine's 2022-23 sunseed exports at 2.45 million tonnes, more than 20 times the average pre-war volumes. That makes Ukraine by far the top seed exporter at 45% of global trade compared with less than 5% pre-war.

Although Ukraine has observed steep declines, Russia's rise in sunflower and products is not necessarily sudden as the Russian sunseed crop has been expanding for the last few years, as has its harvest of other oilseeds and corn.

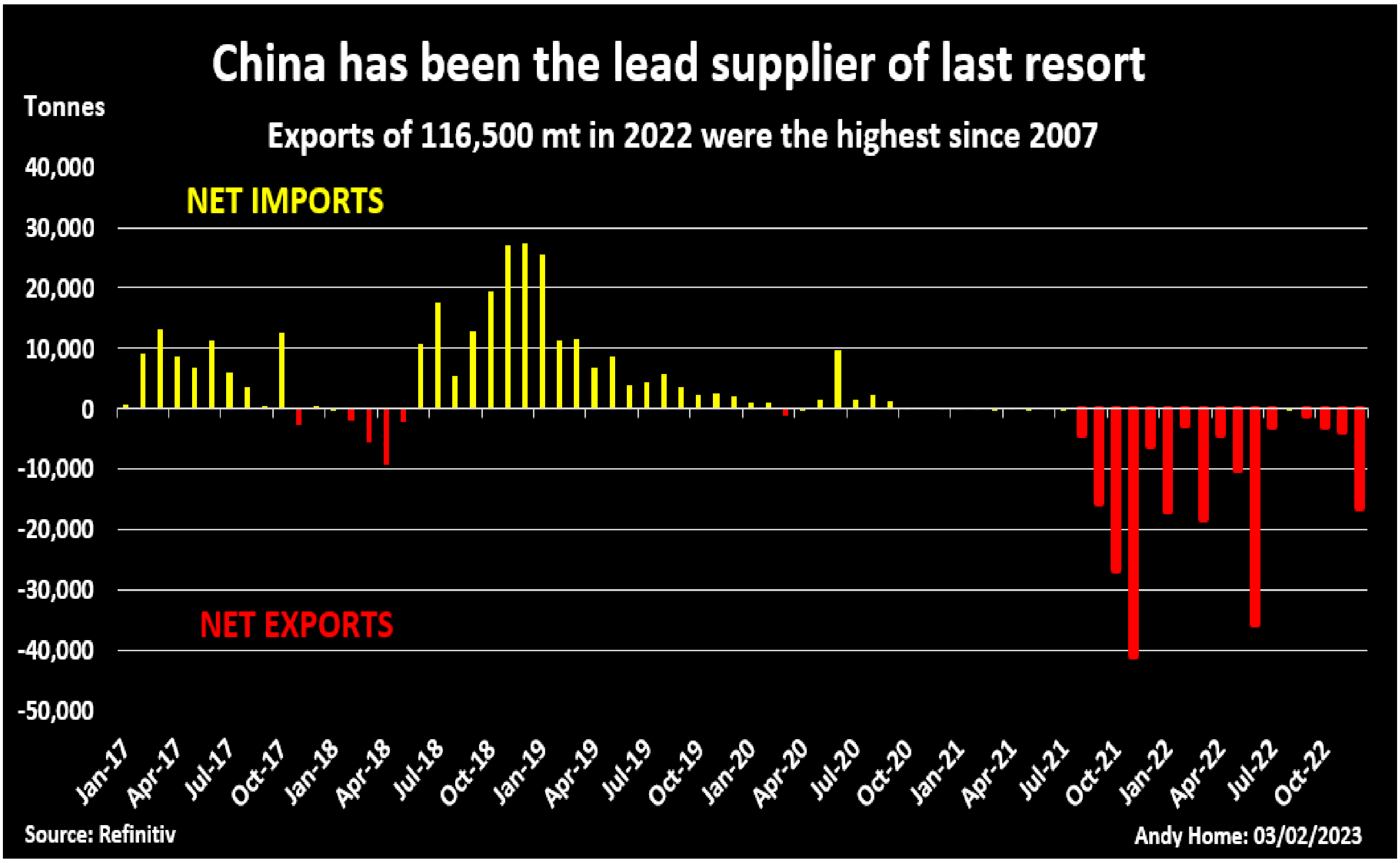
USDA estimates Russia's 2022 sunflower crop at a record 16.5 million tonnes, up 6% on the year, while Ukrainian production is seen at 10 million tonnes, down from its record 17.5 million in 2021.

Russian farmers have made room for the oilseed and corn increase by reducing area under other crops such as barley, oats, rye and millet. Additionally, Russian crop estimates from USDA, which are used in this column,

consider pre-war borders and are unlikely to include any occupied Ukrainian territories.
On average over the last five years, total harvested area for major Russian grain and oilseed crops has risen about 1.5% per year. USDA shows that total crop area at a record 56.8 million hectares (140 million acres) in 2022-23.

Just for fun, that average harvested area increase is far less than that for Brazil's soybeans at over 4%. Russian crop area was about double Brazil's soybean area around 2010, but it is now only 30% larger with Brazil's harvested soy area slated at a record 43.4 million hectares.

Chart of the Day



Top News - Metals

Gold giant Newmont's $16.9 bln bid for Newcrest clouded by deal doubts
Top gold producer Newmont Corp said it had made a $16.9 billion offer for Australian peer Newcrest Mining Ltd to build a global gold behemoth, although investors and analysts said it undervalued the target amid a leadership change.
Newcrest is seeking a new boss, with previous chief executive Sandeep Biswas having stepped down in December, while global interest rates are expected to peak this year and turn down, polishing the outlook for gold prices.

The Australian gold miner said that it was considering the proposal in a filing that was a response to media speculation over the weekend. The initial feedback from shareholders is that they want a higher price, according to a person familiar with Newcrest's deliberations.
"A good litmus test for a reasonably-priced deal is one where both seller and buyer feel somewhat aggrieved by selling out too low or by paying too much," said Simon Mawhinney, chief investment officer at Allan Gray, Newcrest's largest shareholder with a 7.36% stake. "It's not clear to me that this kind of symmetry exists with these deal terms."

Newcrest shares surged as much as 14.4% to A$25.60, the highest since May 2022, but remained below the implied current offer price of $27.16, suggesting investors were not convinced the deal would pan out.
Newmont, which is already the world's biggest gold producer by market capitalisation and by ounces produced, said the combination represented "a powerful value proposition."
Newcrest's operations include its top class Cadia asset in Australia, an expanding footprint in North America and Papua New Guinea, and growth potential in copper, highly prized as key to the energy transition. BHP Group offered $6.4 billion for Australian copper miner Oz Minerals in December.
The Newmont proposal is via an agreed scheme of arrangement that would need to be recommended by the Newcrest board and subject to due diligence, various regulatory approvals and a shareholder vote that could stretch out for months.
The indicative offer implies a 21% premium to Newcrest's last closing value of A$22.45, materially below the traditional 30% takeover premium, noted analyst Jon Mills of Morningstar, which values Newcrest at about A$31 per share.
Newcrest shareholders would receive 0.380 Newmont shares for every Newcrest share, giving them a 30% stake in the enlarged miner. It is a 4.7% improvement from a previous 0.363 per share offer that Newcrest already rejected for not providing enough value to shareholders, Newcrest disclosed on Monday.
If investors don't back the deal, the board will be under pressure to improve Newcrest's value, perhaps by breaking out assets like Havieron and Telfer in Australia, or Lihir in Papua New Guinea, said Barrenjoey analyst Dan Morgan.

LEADERSHIP TURNOVER
Newcrest has been expected to announce a new chief executive this year after Biswas announced his retirement after eight years.
Sherry Duhe, formerly chief financial officer, who joined Newcrest in February last year, is interim chief executive while a global internal and external search for a replacement is underway.
Newcrest has been viewed as a target in recent years given its middling performance, but only a handful of buyers are big it enough to take it out, said an investment banker who was not authorised to speak publicly about the matter.
The all-share nature of the offer meant the timing is more likely to be linked to Newcrest's leadership vulnerability than a big call on the gold price, but it probably also reflects a constructive view on the precious metal, the banker added.
Risks are growing for gold to break higher, Morgan Stanley in a note on Jan. 16, noting that its macroeconomists were now forecasting lower rates and a weaker U.S. dollar, in tailwinds for the metal.
Morgan Stanley is looking towards a bull case of spot gold reaching $2,160 in the fourth quarter, up from $1,866 an ounce.

COLUMN-China's zinc and lead exports plug Western supply gaps: Andy Home
China was a net exporter of refined zinc last year for the first time since 2007, while exports of refined lead remained super strong for the second year running.
China's shift to net exporter of both metals is a rare inversion of historical trade patterns and attests to the squeeze on availability in the rest of the world.
Lead and zinc are often dubbed sister metals since they tend to occur in the same geological formations. If a mine produces zinc, there's a very good chance it will produce lead as well.
The two sisters normally part company at the processing stage of the production chain but each has been hit with a run of smelter outages, causing mutual scarcity, high premiums and low exchange stocks.
China came to the rescue of beleaguered Western buyers of both metals last year. Will it have to do so again this year?

TRADE SWITCH
China exported 116,500 tonnes of refined lead last year, the highest-volume outflow since 2007. Imports were a negligible 1,500 tonnes. It was a second consecutive year of net exports, bringing the cumulative total to 210,000 tonnes since the start of 2021.
The country had been a modest net importer of lead in the prior four years, over which time cumulative exports amounted to just 43,000 tonnes.
High physical premiums in both Europe and the United States continue to draw refined lead out of China with another 16,400 tonnes departing in December, including 1,600 tonnes to Germany and 1,000 tonnes each to Belgium, Italy, the Netherlands and Turkey.
China's net exports of 1,700 tonnes of refined zinc last year may not sound a big deal but they reflect an equally dramatic warping of previous trade patterns.
Export shipments of 80,900 tonnes were the highest since 2015 and, like those of lead, included highly unusual destinations such as Turkey, Mexico and the United States.
The big shift, though, was the shrinkage in imports to 79,000 tonnes from 434,000 tonnes in 2021, which was itself the lowest tally in a decade. China was importing over 700,000 tonnes of refined zinc as recently as 2018.
The massive drop in imports reflects the wholesale re-routing of Asian metal towards tight European and U.S. markets.

SMELTER WOES
Zinc's smelter problems are centred in Europe, where high power prices have taken out three smelters and curtailed output at others.
Glencore \has placed both its German and Italian

smelters on care and maintenance. Nyrstar \, owned by Trafigura, has shuttered its French plant at Auby and is operating its Dutch plant at reduced levels.
Lead's supply problems centre on the continued closure of the Stolberg smelter in Germany, now repaired after its flooding in 2021 but awaiting regulatory approval of its sale to Nyrstar for a resumption of operations.
However, refined lead production has also been disrupted in both Canada and Australia due to plant maintenance and in Kazakhstan due to logistical problems. Zinc has taken smelter hits in Mexico and Canada, where the Valleyfield plant is struggling with cellhouse instability and contemplating a major refurbishment of a plant that was built in 1963.
Both metals have also seen permanent closures of capacity. The Flin Flon zinc smelter in Canada produced its last zinc in 2022 after more than 25 years of activity. The closure was well-flagged. That of the Florence secondary lead plant in South Carolina in 2021, by contrast, was an unexpected hit to the U.S. supply chain.

LOW LME STOCKS
The cumulative impact of all these smelter problems has been depleted London Metal Exchange (LME) inventories of both lead and zinc.
Lead inventory stands at just 20,200 tonnes and zinc at an even lower 16,375 tonnes, or a meagre 8,275 tonnes if the metal awaiting physical load-out is excluded. Stocks in both cases can be measured in hours rather than days or weeks of global consumption.
True, LME time-spreads are relatively relaxed, implying there is more metal sitting in the off-market shadows.
Whether it is delivered to exchange is a moot point, given physical premiums remain elevated. European zinc buyers are still paying over $500 per tonne over the LME cash price to get metal, according to Fastmarkets. The premium for refined lead in the U.S. Midwest is over $400 per tonne over LME cash.
While Western markets show signs of persistent physical tightness, there is plenty of metal in China.
Shanghai Futures Exchange warehouses hold 90,983 tonnes of registered zinc and 44,681 tonnes of registered lead.
The imbalance in inventory between east and west suggests the potential for more Chinese exports in the coming months.

SMELTER RECOVERY
How much the West needs will depend on when smelter output recovers, particularly in Europe.
The fate of the Stolberg lead smelter lies in the hands of German regulators and that of the European zinc smelter sector in the hands of the power market, which is expected to ease as the region emerges from peak winter usage. Zinc smelter margins are already cash positive, according to Citi, which is expecting European smelter operating rates to recover from 71% of capacity to 87% in the second half of the year. ("Metal Matters", Jan. 18, 2023). The bank forecasts a 70,000-tonne supply surplus this year on the back both of European production recovery and higher refined output in China as smelters everywhere capitalise on rising processing charges.
The flip side of zinc's smelter bottleneck has been rising inventories of mined concentrate awaiting conversion into metal, boosting spot treatment terms to $250-280, compared with last year's benchmark of $230 per tonne.
A year of smelter disruption and falling production of both refined lead and zinc is widely expected to give way to a much rosier supply dynamic in 2023.
Analysts contributing to Reuters' most recent base metal poll expect a return to lead surplus this year and to zinc surplus next year. However, the timing and distribution of that surplus will depend on which region's smelters can respond fastest to the improved economics.
If China gets there first, last year's east-west imbalances in both zinc and lead markets may last longer than expected. So too might China's new trade flows.

Top News - Carbon & Power

COLUMN-Europe’s gas supply stabilises after colder weather: Kemp
Colder-than-normal temperatures across Northwest Europe since the middle of January have steadied gas prices and halted the bloat in storage, but the region is still on track for a near-record carryout at the end of winter.
Combined gas inventories in the European Union and the United Kingdom were equivalent to 807 terawatt-hours (TWh) on Feb. 1, according to data from Gas Infrastructure Europe.
Inventories were 261 TWh (+48% or +2.59 standard deviations) above the prior 10-year seasonal average, with the surplus narrowing only slightly from 272 TWh (+45% or +2.63 standard deviations) on Jan. 22.
Stocks are projected to deplete to a post-winter low of 606 TWh (with a range from 468 TWh to 705 TWh), slightly down from a projection of 617 TWh (487-733 TWh) on Jan. 22.
But the projected carryout would still be the second-highest on record after 609 TWh at the end of winter 2019/2020.

Northwest Europe is more than 60% of the way through the heating season so there is increasing visibility about the likely carryout.

So far this winter, cumulative heating demand at Frankfurt in Germany has been 8% below the 10-year average for 2012 to 2022 and 17% below the long-term average for 1981-2010.
The winter has been the mildest since 2015/16 and before that 2007/07. The recent burst of cold has not been long or severe enough to offset fully the very mild weather between mid-December and mid-January.
The main impact has been to stem the earlier collapse in prices and calendar spreads.
Futures prices for deliveries in March 2023 have steadied around 55-60 euros per megawatt-hour since late January after slumping from 138 euros in mid-December.
The summer-winter calendar spread from July 2023 to January 2024 has firmed slightly from a contango of 10.60 euros at the end of January to around 9.60 euros on Feb. 2.
Lower prices have encouraged a little more consumption back from industrial users and power generators while staunching the influx of liquefied natural gas.
But overall Europe’s gas inventories remain exceptionally high for the time of year, which has kept a lid on prices and spreads despite the drop in temperatures.

Woodside, partners to pick plan for Timor Sea Sunrise gas project soon

Woodside Energy Group and its partners on Monday formally committed to working rapidly to pick the best option for developing the Greater Sunrise natural gas field, factoring in for the first time the potential benefits for East Timor.
The Sunrise Joint Venture, which includes majority owner Timor Gap, operator Woodside and the Australian arm of Osaka Gas, said they would move ahead "expeditiously" with a program to select where to send the gas for processing.
Development of the Sunrise fields has been stalled for decades amid disputes over whether the gas should be processed for export at an liquefied natural gas (LNG) plant in Australia or East Timor or on a floating LNG platform in the Timor Sea.
No deadline was given for selecting the best option, but the joint venture said they aimed to complete the concept selection quickly to ensure the benefits from developing the Sunrise fields would flow.
For the first time, global energy security issues and the rapid development of East Timor are now being factored in, beyond just capital and operating costs, as Timor's main source of income, the Bayu Undan field in the Timor Sea, has dried up.
"The studies will include evaluation of which option provides the most meaningful benefit for the people of Timor-Leste," the joint venture said in a statement.
Woodside Chief Executive Meg O'Neill reiterated that the joint venture would look at new technologies, such a modular LNG, which did not exist when the project partners previously concluded that the best option was to process the gas in Darwin.
East Timor President Jose Ramos-Horta last year stepped up calls for the Australian government to back a gas pipeline from the Sunrise fields to East Timor to help bring the country $50 billion in revenue and $50 billion in development benefits.

MARKET MONITOR as of 07:20 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$73.83 / bbl	0.60%	-8.01%
NYMEX RBOB Gasoline	$2.52 / gallon	0.29%	1.65%
ICE Gas Oil	$814.50 / tonne	-0.55%	-11.56%
NYMEX Natural Gas	$2.45 / mmBtu	1.54%	-45.32%
Spot Gold	$1,874.79 / ounce	0.50%	2.76%
TRPC coal API 2 / Dec, 23	$151.5 / tonne	-3.19%	-18.00%
Dutch gas day-ahead (Pre. close)	€59.70 / Mwh	4.50%	-21.00%
CBOT Corn	$6.77 / bushel	-0.07%	-0.22%
CBOT Wheat	$7.61 / bushel	0.50%	-4.45%
Malaysia Palm Oil (3M)	RM3,848 / tonne	2.59%	-7.81%
Index (Total Return)	**Close 03 Feb**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	290.08	-1.99%	-3.73%
Rogers International	27.41	-1.08%	-4.38%
U.S. Stocks - Dow	33,926.01	-0.38%	2.35%
U.S. Dollar Index	102.92	1.14%	-0.59%
U.S. Bond Index (DJ)	415.74	-0.98%	5.93%

Top News - Dry Freight

Egypt's GASC bought 60,000 tonnes of Ukrainian corn

Egyptian state grains buyer the General Authority for Supply Commodities (GASC) said in a statement on Saturday it had bought 60,000 tonnes of yellow corn.
The shipments will arrive during the second half of February and early March, the statement said.
Traders said GASC bought 60,000 tonnes of Ukrainian corn through direct offers, adding that the two 30,000 tonne cargos were sold at an FOB price of $308 per tonne each, with a shipping cost of $15 per tonne.
The purchase comes after GASC cancelled a corn tender earlier this week.

South Korea's KFA buys estimated 126,000 tonnes corn – traders

The Korea Feed Association (KFA) purchased an estimated 126,000 tonnes of animal feed corn in an international tender on Friday, European traders said.
Some 60,000 tonnes expected to be sourced from South America was believed to have been bought from trading house Viterra at an estimated $337.80 a tonne c&f.
Another 66,000 tonnes to be sourced from optional origins was believed to have been bought from trading house ADM at an estimated $336.60 a tonne c&f.
The corn was said to be for arrival in South Korea around April 20.

Picture of the Day

People line up to buy domestic gas after weeks of anti-government protests impacting goods, transport, business and the operation of some key mines, in Cuzco, Peru, February 5. REUTERS/Alejandra Orosco

(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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