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## Top News - Oil

**ANALYSIS-Oil rebound more likely this year, $100 a barrel possible, OPEC sources say**
Oil may resume its rally in 2023 as Chinese demand recovers after COVID curbs were scrapped and lack of investment limits growth in supply, OPEC country officials told Reuters, with a growing number seeing a possible return to $100 a barrel.
In 2022, oil soared above $100 for the first time since 2014 as demand recovered from COVID-19 lockdowns in much of the world and Russia's invasion of Ukraine added to supply concerns. But Brent crude ended the year close to $86 on fears of global recession.
A move back above $100 for a prolonged period would earn more revenue for OPEC members, whose economies mostly depend on oil income, and be a setback for industrialised economies trying to control inflation and interest rates.
To support the market, the Organization of the Petroleum Exporting Countries and allies including Russia, known as OPEC+, in October agreed to cut production by 2 million barrels per day, about 2% of world demand.
After 2022's volatility, which sent Brent crude close to its all-time high of $147 soon after the Ukraine war began, so far in 2023 Brent is up slightly at just over $86, helped by Russia's plan to cut output in March.
OPEC and OPEC+ do not publish oil price forecasts and do not have a price target. Officials and ministers from OPEC and OPEC+, are often reluctant to discuss the direction of prices on the record.
In rare public comments on Feb. 8, Iran's national representative to OPEC, Afshin Javan, said oil may rebound to around $100 in the second half of the year, adding that OPEC+ was likely to keep its current output policy at its next meeting.
Reuters spoke privately to five more OPEC country officials about the prospect of $100 oil. Of these, three saw oil as more likely to rally in 2023 than decline, with two predicting prices heading back to $100.
"It should be said that the shadow of the energy crisis will continue to dominate the world and the general trend of global oil prices will increase," said one of the OPEC sources.
"In my opinion, the return of Brent crude to above $100 at some time in 2023 is not unexpected."
Consensus in the industry currently is for lower prices in 2022. A Reuters survey of 30 economists and analysts forecast Brent would average $89.37 a barrel in 2023, down from $99 in 2022. Goldman Sachs lowered its 2023 Brent forecast to $92.
The sudden lifting of China's COVID restrictions is likely to boost oil demand growth in 2023, after the country was estimated to have posted a small decline in 2022 for the first time in years.
OPEC sources also see a lack of investment to increase supply supporting prices. OPEC members are pumping almost 1 million bpd less than their target, according to the group's own figures and other estimates.
While non-OPEC producers are still expected to pump more in 2023, the forecast of an increase of 1.5 million bpd falls short of expected demand growth of 2.2 million bpd, according to OPEC forecasts.
"Even with the additional supplies coming from here and there, still the market will witness a lack of supply compared to the demand," another OPEC source said. "There is more upward than downward pressure on the market."
NO ACTION OVER RUSSIA
The OPEC+ cut agreed in October applies for the whole of 2023. The head of the International Energy Agency, Fatih Birol, on Feb. 5 urged producers to reconsider their output policies "if demand goes up very strongly."
So far they have no plan to change direction. Key OPEC+ ministers at a Feb. 1 meeting endorsed the existing policy, after which a source said the key message was OPEC+ is staying the course until the end of the deal.
Two OPEC+ delegates told Reuters on Friday that OPEC+ plans no action after Russia announced output cuts.
Another OPEC source agreed that prices may head back to $100 in 2023, although the prospects for economic growth were the main risk.
"Everything will depend on the economy - if there is improvement in China of course, we will maybe arrive back to$100," he said. A crude price between $85 and $100 is "good for everybody," he added.
The IEA, which represents 31 countries including top consumer the United States, did not immediately reply on Friday to a request for comment on what $100 oil would mean for its members. In November, Birol said $100 oil was a real risk for the global economy.
As well as recession risks, those OPEC sources who envisage lower prices in 2023 said it was unclear how much demand would come from China and whether it would impose lockdowns again to contain COVID flareups.
"There are still uncertainties about economic growth, inflation and China's reopening," said the second OPEC source who sees lower prices this year.

**Russia to cut oil output by 500,000 bpd in March**
Russia will cut oil production by 500,000 barrels per day, or around 5% of output, in March, Deputy Prime Minister

Alexander Novak said on Friday, after the West imposed price caps on Russian oil and oil products.
The price of Brent crude rose on the news of the output cut from Russia, the world's second-largest oil exporter after Saudi Arabia, increasing by more than 2.5% on the day to $86.6 per barrel.
"As of today, we are fully selling the entire volume of oil produced, however, as stated earlier, we will not sell oil to those who directly or indirectly adhere to the principles of the 'price cap'," Novak said in a statement.
"In this regard, Russia will voluntarily reduce production by 500,000 barrels per day in March. This will contribute to the restoration of market relations."
The Kremlin said on Friday that Russia had held talks with some members of the OPEC+ producers group regarding its decision to cut output.
Novak said later that Russia had not held any formal consultations as the cuts were voluntary.
Two OPEC+ delegates told Reuters that OPEC+ plans no action after Russia announced oil output cuts.
As Russia navigates the maze of restrictions which the West has imposed in an attempt to choke off its revenue from oil, the production cut indicates that the price cap on Russian oil products has had some impact.
The G7, the European Union and Australia agreed to ban the use of Western-supplied maritime insurance, finance and brokering for seaborne Russian oil priced above $60 per barrel from Dec. 5 as part of Western sanctions on Moscow over the conflict in Ukraine.
The EU also imposed a ban on purchases of Russian oil products and set price caps from Feb. 5. In turn, Russia has banned deals involving any application of the price cap mechanisms.

OUTPUT CUT
The last big fall in Russian oil output was in April when it collapsed by nearly 9% following the introduction of Western sanctions over Ukraine. Since then, Russia has managed to set up logistic chains for its oil sales, mostly in Asia.
Russia's decision to cut oil production was announced only nine days after an OPEC+ panel, in which Russia is a member, endorsed the oil producer group's current output policy, leaving production cuts agreed last year in place.
"Russia believes that the 'price cap' mechanism in the sale of Russian oil and oil products is an interference in market relations and a continuation of the destructive energy policy of the countries of the collective West," Novak said.
His spokesperson said later that the cuts will relate to crude oil only, without gas condensate, a type of light oil.
Russia's oil output last year defied numerous predictions of a decline, rising by 2% to 535 million tonnes (10.7 million barrels per day) thanks to a jump in sales to Asia, especially, to India and China.
However, following a raft of new sanctions from the West, Russia is facing more challenges in selling oil, a key source of revenue for the state budget, which posted a $25 billion deficit in January.
Lower export volumes shrank Russia's current account surplus by 58.2% to $8 billion in January, squeezing Russia's capital buffers at a time when Moscow is ramping up budget spending.

## Top News - Agriculture

**COLUMN-Funds may have expanded bullish bets in CBOT soy, meal and corn -Braun**
Price strength since late January implies money managers may have increased or at least maintained overall bullishness across Chicago grains and oilseeds, though confirmation remains absent amid a data delay.
As of late January, large speculators held moderate to large net long positions across CBOT corn, soybeans and soybean products, and those collectively outweighed their sizable net short in CBOT wheat.
A ransomware attack on ION Markets earlier this month prevented customers from collecting and reporting daily positions to the U.S. Commodity Futures Trading Commission.
As a result, CFTC has so far postponed the Feb. 3 and Feb. 10 publications of its weekly Commitments of Traders (COT) data, stating on Friday that it still had not received sufficient information. The report will resume once the remaining data is collected, but the possible timing is unknown. The last COT report was released Jan. 27 and covered the week ended Jan. 24, so intel on various market participants' positioning has been unavailable ever since. CBOT futures have mostly strengthened since then. Close market watchers believe money managers were strong net buyers of CBOT soybean, wheat and soymeal futures from Jan. 25 through Feb. 10. Funds were also seen as modest buyers of corn and modest sellers of soyoil during the period.

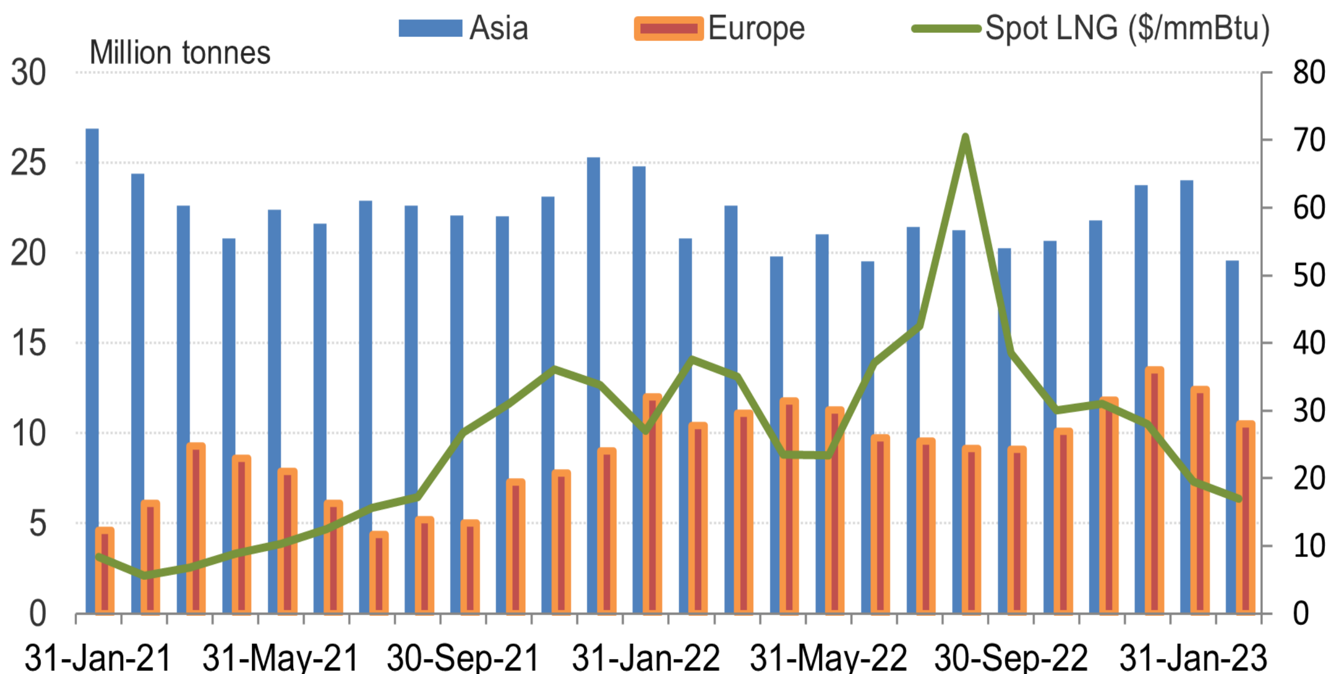
MARKET ACTIVITY
Between Jan. 25 and Feb. 10, CBOT soybean meal futures rose 8.6%, the most of any grain or oilseed contract. That includes a top of $501 per short ton on Feb. 10, the most-active's highest since June 2014, motivated by further deterioration of drought-stricken soybeans in Argentina.

Most-active soybeans rose 3.6% in that 13-day stretch, reaching an 8-session high of $15.43-1/4 per bushel on Friday and settling just below. CBOT soybean oil is the only grain or oilseed to have fallen since Jan. 25, ending the period down 0.7% but having dropped as much as 4.2%.
Most-active CBOT wheat futures climbed 7% during the 13 sessions, on Friday hitting $7.90 per bushel, their highest since Jan. 3. Escalating tensions between major wheat exporters Ukraine and Russia were in focus at the end of last week.
Black Sea concerns and worsening crops in Argentina also helped CBOT corn drift 0.5% higher in the last 13 days, ending at $6.80-1/2 per bushel Friday. Corn has been the most mild-mannered of CBOT contracts since Jan. 25, trading up or down by less than 2% since then.

ESTIMATES
As of Jan. 24, money managers' net long position in CBOT corn futures and options hit an 11-week high of 201,797 contracts. They had sold a huge chunk of soybeans in the week ended Jan. 24, dropping their net long to 146,261 futures and options contracts.
In the week ended Jan. 24, money managers sold soymeal futures and options for the first time since late November, reducing their net long to 135,503 contracts from the record 150,939 a week earlier. They also sold soyoil for a fourth straight week, cutting their net long to 35,961 contracts, the lowest since mid-August.
Money managers as of Jan. 24 held their most bearish stance in CBOT wheat since May 2019 with a net short of 73,933 futures and options contracts, having been net sellers in 12 of the latest 16 weeks.
Daily estimates collected by Reuters suggest that in the 13 sessions through Feb. 10, commodity funds were net buyers of 22,500 CBOT wheat futures. Money managers have not bought or sold more than 22,500 wheat futures and options contracts in a two-week stretch since March 2022, so the trade estimates may be high.
Funds are pegged to have bought 16,000 soymeal futures in that period, implying the net long as of Friday was challenging the record. Net buying in soybeans and corn is seen at 21,500 and 2,500 futures contracts, respectively, and soyoil selling is predicted at 2,500 contracts.
The daily fund estimates should serve as a loose guide, but they have been wrong in the past. One notable time occurred in early 2019 when the U.S. government shut down for 35 days, cutting off data from both the CFTC and the Department of Agriculture.
Unbeknownst to the market, money managers during that period sold their entire net long position in CBOT corn, which was around 128,000 contracts when the shutdown began in mid-December. Futures declined only 2% during the stretch and analysts wrongly assumed funds had maintained bullishness.

**Ukraine seeks higher tonnage ships to boost exports under grain deal**
Ukraine's agriculture ministry has proposed increasing the minimal tonnage of ships which carry grain and vegetable oil from the country via a grain corridor, aiming to boost exports despite opposition from Russia, it said on Friday.
After an almost six-month blockade caused by the Russian invasion, 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.
But Ukraine has repeatedly accused Russia of delaying inspections of ships carrying Ukrainian agricultural goods, leading to reduced shipments and losses for traders. Russia has denied the accusations.
Ukraine's agricultural ministry said in a statement that due to the slowdown in inspections in the Bosphorus a queue of 108 vessels formed on Feb. 9.
It said that to "reduce downtime and increase exports" the minimum tonnage of vessels could be increased to 25,000 tonnes from 20,000 tonnes for grains and to 10,000 tonnes from 6,000 tonnes for vegetable oils.
"Given the average number of inspections - 2.5 vessels per day - we expect that the new rules will have an effect on increasing shipments in a month and a half," the ministry said.
It added that it would propose introducing the new rules for vessels that were not yet waiting in line.
Ukraine has exported almost 17 million tonnes of grain and oilseeds from when the corridor opened to the end of January, Ukrainian grain traders union UGA said.
It noted that in January 2023, exports of agricultural products "decreased significantly due to deliberate delays in ship inspections by Russia".
Ukraine's grain exports in the 2022/23 season, which runs through to June, were down 29.2% to 28.2 million tonnes as of Feb. 8, due to a smaller harvest and logistical difficulties caused by the war, the ministry's data showed.
A major global grain grower and exporter, Ukraine's output is likely to drop to about 51 million tonnes in clean weight 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.

## Chart of the Day



## Top News - Metals

**Freeport Indonesia suspends some work at Grasberg mine after floods**

Copper miner Freeport Indonesia has temporarily halted mining and processing work at its Grasberg mine after flooding and debris flow from heavy rains and landslides damaged its milling complex, Freeport-McMoRan Inc said on Sunday evening.

Freeport-McMoRan said it expected first-quarter 2023 sales to be lower than previous guidance provided in January for 900 million pounds of copper and 300,000 ounces of gold, but it did not provide updated figures.

Preliminary estimates indicate that operations can be restored by the end of February, the company said, adding that there was no impact to PT Freeport Indonesia's long-term plans.

The company said it had freed 14 employees trapped in an office building because of the flood, but added there were no casualties in the recovery effort launched on Saturday.

"Some of the concentrate processing plant had mudflow and several sections of the mine road were damaged," Freeport Indonesia Chief Executive Tony Wenas said in a statement on Sunday, adding that the situation was under control.

**China's MMG secures supplies for limited operations at Peru mine as power use falls**

China's MMG Ltd said on Friday its Las Bambas copper mine in Peru was able to secure critical supplies,

enabling it to continue production at a reduced rate after road blockades prevented the arrival of key raw materials.
"Levels of critical supplies remain low and should the situation remain unchanged, Las Bambas will be forced to commence a period of care and maintenance," the company said in a statement.
Peru, the world's no. 2 copper producer, has been roiled by demonstrations since the Dec. 7 ouster of leftist President Pedro Castillo, with road blockades restricting transport to and from key mines and some attacks on mine sites by protesters.
A Reuters analysis of power use data by Las Bambas, which has been hit by repeated local community protests in recent years, showed a drop of nearly half starting on Wednesday, suggesting a significant reduction in activity already.
Reuters reported earlier this week that while mines including Las Bambas had so far remained resilient despite the widespread protests, shutdown risks were increasing.
A source close to Las Bambas had said that the mine risked fully running out of supplies by Wednesday, which would force it to move into a "care and maintenance" mode with machinery that would use half the normal level of power.
MMG flagged late last month it may have to halt copper production at the mine by Feb. 1 if blockades continued to prevent the arrival of key inputs to the site. At normal times, the mine accounts for some 2% of the global supply.

# Top News - Carbon & Power

**U.S. energy regulators questioned on oversight of Freeport, Texas, LNG plant**
Texas residents grilled U.S. energy regulators on Saturday over their supervision of liquefied natural gas processing plants at a meeting to discuss conditions at the fire-idled Freeport LNG plant.
The second-largest U.S. liquefied natural gas (LNG) export facility was knocked offline by a fiery blast last June and operations halted while regulators review operations and staffing.
When fully running, Freeport LNG processes about 2 billion cubic feet per day of natural gas and exports up to 15 million tonnes of LNG per year. Its progress toward reopening is closely watched because of the impact on U.S. natural gas prices.
Bryan Lethcoe, a regional director of regulator Pipeline Hazardous Materials Safety Administration (PHMSA), said it would take "a number of months" for Freeport LNG to return to full operation. PHMSA officials declined to provide an exact estimate.
Residents questioned whether regulators have provided adequate oversight over the plant's repairs, its past emissions or the monitoring of local residents' health.
"We're concerned about them getting close to reopening. I'm hoping FERC and PHMSA kind of slow down the process of allowing them to reopen," said Melanie Oldham, one of about 100 residents who attended the meeting.
A Freeport LNG spokesperson declined to comment.
The blast resulted from inadequate operating and testing procedures, operator fatigue and other shortcomings, a safety audit found. About 10,000 pounds of methane were released, said a PHMSA representative. Methane is the main component of natural gas and a potent greenhouse gas.
The LNG producer has completed all repairs and is working to restart the facility safely once regulators approve its plans, a spokesperson previously has said.
Linda Daugherty, PHMSA's deputy associate administrator, said its reviews continue. Officials declined to comment on whether they uncovered any safety violations.

**COLUMN-LNG, thermal coal prices slip as China, Europe buying pulls back: Russell**
The prices of thermal coal and spot liquefied natural gas (LNG) in Asia are declining amid the two prongs of weaker demand in Europe and China for the fuels used to generate electricity and heat homes.
The price of spot LNG for delivery to north Asia dropped to $17 per million British thermal units (mmBtu) last week, the weakest since August 2021 and down 76% from the record high of $70.50 reached in the week to Aug. 26 last year.
The main grades of seaborne thermal coal also declined last week, with the Australian benchmark Newcastle Index, as assessed by commodity price reporting agency Argus, slipping to $227.63 a tonne, the lowest since January 2022 and about half of the record $442.89 reached in September last year.
The Newcastle Index only covers a relatively small portion of the seaborne thermal coal market, reflecting higher energy cargoes bought mainly by utilities in Japan and South Korea.
The price of Australian thermal coal with an energy content of 5,500 kilocalories per kg (kcal/kg) dropped to a 13-month low of $126.10 a tonne in the week to Feb. 10, and is now down 55.6% from its record high of $284.20 reached on March 11, in the wake of Russia's invasion of Ukraine.


REFINITIV An LSEG Business

This grade is popular with utilities in India and in Southeast Asia, and was the most-sought after Australian thermal coal by China prior to its informal ban on imports from Australia in 2020, which has recently been lifted.
Low-rank Indonesian coal with an energy content of 4,200 kcal/kg slid to $71.69 a tonne in the week to Feb. 10, the weakest since January 2022 and down 41% from its 2022 high of $120.86 from mid-March.
This grade is preferred by Chinese utilities, which value its low ash and sulphur content, allowing for blending with higher ash and sulphur domestic supplies.
The drop in prices for seaborne thermal coal comes as China, the world's biggest importer, buys fewer cargoes, with commodity analysts Kpler estimating February arrivals at 13.41 million tonnes, down from an estimated 20.24 million tonnes in January and 23.81 million in December.
While the February figure will rise before the end of the month as more cargoes are assessed, it's still likely that it will be well below the outcome of the previous two months.
A mild winter and strong domestic output have limited China's appetite for imported thermal coal, putting downward pressure on prices, especially for Indonesian grades.
Europe's imports of seaborne thermal coal are also dropping, with Kpler estimating February arrivals of 6.61 million tonnes, down from 8.16 million in January and 8.75 million in December.
A mild winter combined with adequate stockpiles of natural gas have limited the need for coal-fired generation, although it's worth noting that Europe's thermal coal imports have moved structurally higher in the wake of the war in Ukraine, with this February's imports already some 12% above the same month in 2022.

LNG DIPS

Similar to thermal coal, a drop in demand from China and from Europe is freeing up spot LNG cargoes and contributing to lower prices.
China is on track to import about 4.47 million tonnes of the super-chilled fuel in February, down from 6.12 million in January and 7.28 million in December, according to Kpler data.
While lower imports have an element of seasonality to them, dropping as peak winter demand eases, it's worth noting that China's arrivals in February are likely to be below the 4.95 million tonnes from the same month last year.
Europe's LNG imports are expected to drop to 10.49 million tonnes in February, down from 12.49 million January and a record high of 13.44 million in December.
Similar to thermal coal, Europe's LNG demand was shifted structurally higher as a result of the move away from Russian pipeline gas after Russia's attack on Ukraine, which Russia calls a "special military operation".
This may mean that spot LNG and thermal coal prices may remain at levels that appear elevated compared with the average of the last decade, especially as new supply will only arrive in significant volumes for LNG around 2025.
China's re-opening after it abandoned its zero-COVID policy may also spur higher energy consumption, but it remains to be seen whether domestic coal output can remain at near record levels or whether utilities will turn more to the seaborne market

| MARKET MONITOR as of 07:15 GMT | | | |
|---|---|---|---|
| **Contract** | **Last** | **Change** | **YTD** |
| NYMEX Light Crude | $78.89 / bbl | -1.21% | -1.71% |
| NYMEX RBOB Gasoline | $2.69 / gallon | 5.75% | 8.36% |
| ICE Gas Oil | $826.00 / tonne | -11.44% | -10.31% |
| NYMEX Natural Gas | $2.54 / mmBtu | 1.03% | -43.24% |
| Spot Gold | $1,864.22 / ounce | -2.92% | 2.18% |
| TRPC coal API 2 / Dec, 23 | $135.5 / tonne | -17.88% | -26.66% |
| Carbon ECX EUA / Dec, 24 | €97.33 / tonne | 0.06% | 10.60% |
| Dutch gas day-ahead (Pre. close) | €55.30 / Mwh | 2.46% | -26.82% |
| CBOT Corn | $6.80 / bushel | 1.34% | 0.22% |
| CBOT Wheat | $7.87 / bushel | 0.06% | -0.76% |
| Malaysia Palm Oil (3M) | RM3,884 / tonne | 1.12% | -6.95% |
| **Index (Total Return)** | **Close 10 Feb** | **Change** | **YTD Change** |
| Thomson Reuters/Jefferies CRB | 297.40 | 0.82% | -1.30% |
| Rogers International | 28.30 | 0.69% | -1.27% |
| U.S. Stocks - Dow | 33,869.27 | 0.50% | 2.18% |
| U.S. Dollar Index | 103.63 | 0.40% | 0.10% |
| U.S. Bond Index (DJ) | 406.21 | -0.31% | 3.50% |

## Top News - Dry Freight

**Algeria bought wheat in tender for shipment to 2 ports -traders**
Algerian state grains agency OAIC is believed to have bought milling wheat in an international tender this week which sought limited shipment to two ports only, European traders said on Friday.
Purchases reported were around $338 a tonne, cost and freight (c&f) included, and initial assessments put the volume at around 45,000 tonnes, thought to be for March shipment, traders said.
The tender sought shipment to the ports of Mostaganem and/or Tenes. It specified possible shipment periods of March 1-15, March 16-31, April 1-15 and April 16-30.
Algeria buys wheat on an optional-origin basis, which means the seller has until shipment to choose where to source the grain, but traders believed the wheat would come from the Black Sea region, possibly from Russia or European Union members Romania and Bulgaria.
In a separate tender for large-volume shipments this week, traders estimated that OAIC bought around 360,000 to 390,000 tonnes of milling wheat at between $329 and $332 a tonne c&f, with much of the purchase expected to be sourced from Russia.
Some traders said the purchase may have reached 450,000 tonnes.
OAIC does not release details of its tenders and further trade estimates of results are possible.
This week's tenders by Algeria, traditionally the leading export market for EU wheat, have highlighted recent competition from Russia. However, signs of an escalating conflict between Russia and Ukraine and uncertainty over a wartime grain export agreement between the two countries have raised doubts about Black Sea trade going forward.

**South Korea's KFA buys estimated 64,000 T corn - traders**
The Korea Feed Association (KFA) purchased about 64,000 tonnes of animal feed corn sourced from optional origins in an international tender on Friday, European traders said.
It was bought an estimated outright price of $335.48 a tonne c&f plus a $1.25 a tonne a surcharge for additional

port unloading. The seller was believed to be trading house Posco.
The corn was sought for arrival in South Korea around May 20.
Ports in Russia and Ukraine cannot be used for ship loadings, the KFA tender said. If Ukrainian corn is supplied, sellers have no right to declare force majeure on deliveries because of the war in the country, traders said.
The shipment was sought between April 16 and May 5 if the corn is sourced from the U.S. Pacific Northwest coast, between March 27 and April 15 if from the U.S. Gulf or eastern Europe, between March 22 and April 10 if from South America and between April 1 and April 20 if from South Africa.
The tender continues a series of South Korean corn purchases this week, with other buying reported from importers NOFI, the Major Feedmill Group and Feed Leaders' Committee.

## Picture of the Day

*An aerial view shows a thermal power plant in the Siberian city of Krasnoyarsk, Russia, February 12. REUTERS/Alexander Manzyuk*

(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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