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Top News - Oil

Saudi Aramco starts trading US crude that helps set Brent oil benchmark

Saudi state oil company Aramco has started trading a U.S. crude oil grade that underpins the global Brent benchmark in a process run by oil-index publisher S&P Global Commodity Insights, the publisher said on Monday.
Aramco, the world's largest oil company, has been expanding its trading activity. The company could not immediately be reached for comment on Monday after Saudi business hours.
On Monday, Aramco sold a cargo of U.S. WTI Midland crude to Total in the Platts Market on Close process, known as the Platts window, trade sources said. Aramco had last Thursday sold another cargo of the U.S. crude. These were Aramco's first WTI Midland trades in the MoC, Joel Hanley, S&P global director of crude and fuel oil markets, said via email. In December, Aramco bought a cargo of North Sea crude DUC, its first deal since joining the process, he said.
U.S. WTI Midland is one of six crude oil grades assessed by Platts that can set the value of dated Brent, part of the wider Brent complex used to price over three-quarters of the world's traded oil.
More players have become involved in trading crude that can set the Brent price in the Platts window since Platts added WTI to the benchmark last year.

US oil output from top shale regions to rise in March - EIA

U.S. oil output from top shale-producing regions will rise in March to its highest in four months, the U.S. Energy Information Administration (EIA) said on Monday in its monthly Drilling Productivity Report.
Production from the top basins will rise by nearly 20,000 barrels per day (bpd) to 9.7 million bpd, its highest since December, the EIA said.
Oil output in the Permian basin, the largest U.S. shale field spread across West Texas and New Mexico, was due to rise by about 14,000 bpd to 6.1 million bpd, the second highest monthly output on record after November, the EIA said.
Production in the Eagle Ford in southeast Texas was due to rise nearly 4,700 bpd to 1.1 million bpd, the highest since September, the EIA said. In the Bakken, output was set to rise by about 3,000 bpd to 1.2 million bpd, the highest since December. Total natural gas output in the big shale basins will ease to a two-month low of 100.4 billion cubic feet per day (bcfd) in March from 100.5 bcfd in February, the EIA projected.
That compares with a monthly record gas output high of 101.4 bcfd in the big shale basins in November 2023.
In the biggest shale gas basin, Appalachia in Pennsylvania, Ohio and West Virginia, output is set to slide to a two-month low of 36.4 bcfd in March from 36.5 bcfd in February. Appalachia output hit a record 36.9 bcfd in December 2023.
The EIA expects new Appalachia gas well production per rig to rise to a 26-month high of 28.0 per million cubic feet per day (mmcfd) in March.
If correct, that would be a 14th straight monthly increase in new well production per rig. New well production per rig in Appalachia peaked at 34.4 mmcfd in December 2020.
The EIA said producers drilled just 850 oil and gas wells in January, the least since February 2022, and completed just 863, which was also the least since February 2022.
Total drilled-but-uncompleted (DUC) oil and gas wells slid by 13 to 4,386 in January, the lowest on record for a third month in a row, according to EIA data going back to December 2013.

Top News - Agriculture

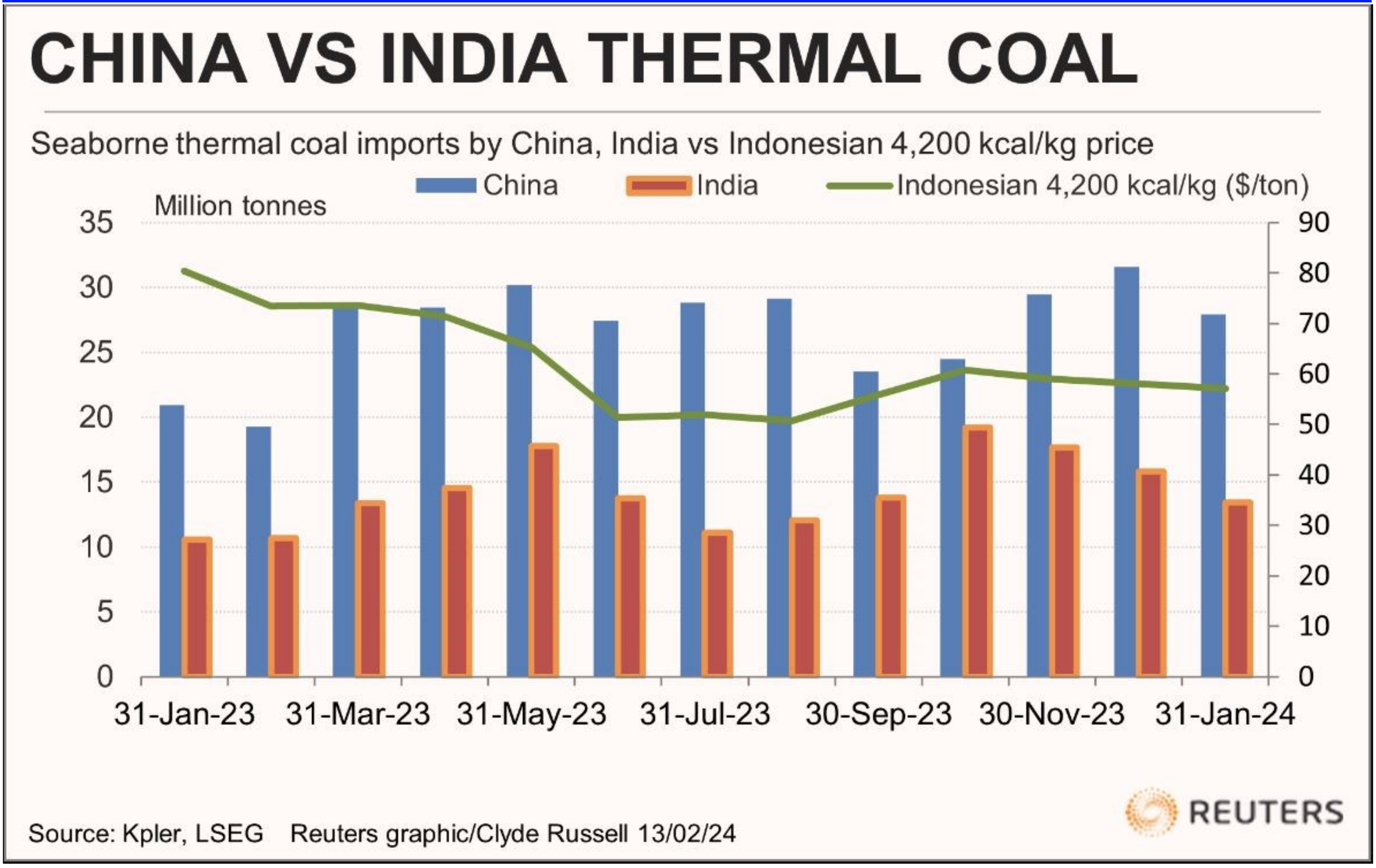
Brazil second-corn output forecast raised as ideal sowing window widened, AgRural says

Brazil's 2023/24 second-corn production projection was raised by nearly 5 million metric tons to 91.2 million tons from 86.3 million tons, agribusiness consultancy AgRural said on Monday, citing evidence of farmers planting an area larger than initially estimated.
Brazil's second-corn is sowed after soybeans are harvested in the same fields, and an acceleration of the soy cycle changed the consultancy's expectations in relation to the second-corn crop, AgRural said.
AgRural now predicts the second-corn being sowed on 16.376 million hectares (40.4 million acres), 4.7% smaller than last season's area based on data from Brazilian crop agency Conab.
In December, however, the consultancy had expected a 9.4% drop in the area to be planted with second-corn and production of 86.3 million metric tons.
This season, hot and dry weather caused crop failure on many Mato Grosso soybean farms. Such a process accelerated the soy cycle in Brazil's biggest farm state, widening the ideal planting window for second-corn, AgRural said.
The consultancy firm said on Monday Brazil's 2023/24 soybean harvest hit 23% of planted area as of last Thursday, compared to 17% in the same period a year

earlier. According to analysts, farmers ought to plant their second-corn by late February or face higher climate risk if they do it in early March.
"Back in December, a tighter window for corn planting was expected. But with the anticipation of soybeans and an accelerated harvest in Mato Grosso, space was freed up for corn sowing to take place within the ideal window," said AgRural's analyst Adriano Gomes.
AgRural also highlighted better price expectations for corn, starting at the end of last year, as favoring a decision to risk planting more of it this season.
Second-corn represents 70%-80% of national corn output in a given year. Brazil's second-corn, harvested in the middle of the year, competes with U.S. corn in global export markets.

Farmers of southern Ukraine begin 2024 grain sowing
Farmers in southern Ukraine have started spring grain sowing, planting the first hectares of spring barley, producers said over the weekend.
Farmers in the southern Odesa, Mykolaiv and Kherson regions traditionally start sowing in the second half of February if weather conditions are favourable.
"The weather has made it possible to start work in the field. The sowing of flax, coriander and spring barley is now under way," the Mykolaiv-based Southern Agrarian and Export Company said in a statement.
Ukrainian Agriculture Minister Mykola Solsky told Reuters on Friday that the ministry expected the 2024 spring sowing area to be the same as last year, though there could be a slight decrease in the worst-case scenario.
Ukrainian farmers sowed a total of 12.75 million hectares of spring crops for the 2023 harvest, including 5.7 million hectares of grains.
The acreage included 4 million hectares of corn, 5.3 million hectares of sunflower and 1.78 million hectares of soy beans. Ukraine is a major global grain and oilseeds producer but its harvests have shrunk since Russia invaded the country and occupied significant territory.
The war, now in its 24th month and with no end in sight, has driven up global grain prices and disrupted supplies, especially to poorer countries.

Chart of the Day



Top News - Metals

Trafigura delivers zinc to LME warehouses for lucrative rent deals

Commodity trader Trafigura has delivered large amounts of zinc to London Metal Exchange warehouses in Singapore under lucrative rent-sharing deals, three sources familiar with the matter said, pushing stocks there back towards November's 20-year peak.

Two of the sources said London-listed miner Glencore was also delivering zinc to LME registered warehouses, but that the quantities are small. Reuters was not able to establish the exact amounts of zinc being delivered into the LME system by Trafigura and Glencore.

Trafigura and Glencore declined to comment in response to a request for comment.

"Trafigura is delivering (in Singapore) for rent deals," one of the sources said, adding that Glencore too had been sending zinc to LME warehouses in Singapore. "There's a lot more zinc waiting outside (the LME system)."

So-called "rent deals" are agreements under which LME warehouses share their fees or rental income with companies that deliver metal to them.

Weak demand for zinc - used to galvanise steel, particularly in top consumer China where the property slowdown has hit buying - makes rent deals possible, as less material is feeding through to consumers and more is in need of storage.

The firm that delivers the metal to a warehouse does not retain ownership under the rent deals, but still gets a share of the rent as long as the metal stays in the warehouse, and the fees are paid by the new owners of the metal.

After steady drawdowns in January, 41,150 tons of zinc have been delivered LME warehouses in Singapore since Feb. 1, taking the total to 198,275 tons on Friday. In November they reached their highest since 2003 at just over 200,000 tons.

Maximum rent LME warehouses can charge for zinc in Singapore is 53 U.S. cents a ton per day, which on 41,150 tons would yield around $21,800 a day in rental income.

Total zinc stocks in all LME locations on Friday amounted to 238,275 tons.

Visibility of surpluses is behind the climbing discount for the cash over the three-month contract at around $17 a ton compared with a $10 discount on Feb. 1.

Benchmark zinc prices on the LME fell to $2,278 a ton on Monday, the lowest since August last year.

ANALYSIS-China, Indonesia face deeper output cuts to tackle nickel price slide

China and Indonesia are set to reduce nickel output by at least 100,000 metric tons this year as producers seek to limit losses following a slump in the price of the metal used in stainless steel manufacture and for EVs, traders and analysts said.

They added further cuts would be needed if producers wanted to boost prices and remove the surplus from the market, rather than just halt losses.

Nickel prices had surged in 2022, peaking at a record above $100,000 after expectations of reduced supplies from major producer Russia following its invasion of Ukraine prompted the market to cut bets on lower prices.

Now the metal is trading around $16,000 a ton after production rose in Indonesia, which last year accounted for more than half of global mined supplies, estimated at around 3.4 million metric tons. Indonesian supplies were 30% of the total in 2020.

As the extra supply compounded the impact of economic weakness that lowered demand, Western miners, including BHP, which had made nickel core to its green strategy, and half a dozen other companies mothballed assets, delayed projects or reduced production.

Cuts so far have removed more than 230,000 tons or around 6% of potential supply for this year, according to Macquarie analysts. This was not enough to boost prices.

A source at a global producer, speaking on condition of anonymity because they were not authorised to speak publicly, also said deeper reductions would be needed to prevent financial losses.

Consultancy Benchmark Mineral Intelligence estimated cuts of more than 250,000 tons were needed to balance the global nickel market this year.

Most of the oversupply and high inventories are in nickel pig iron (NPI), a cheaper alternative to high-grade nickel for the production of stainless steel, analysts said. China and Indonesia account for 70% of global supplies of nickel, most of it NPI.

"If we take out the 3% disruption allowance or 100,000 tons, around another 100,000 tons needs to be cut to balance the market," said Jim Lennon, strategist at Macquarie.

"With the NPI price around $11,000 (a ton), there should be supply adjustments in China and Indonesia," he added.

Lennon estimated that NPI production costs are $10,000-$11,000 a ton and $12,000 a ton in Indonesia and China respectively, meaning it is very hard to make a profit.

With raw material costs, including nickel ores, electricity and coal, making up to 73% of NPI prices, many NPI mills in China have become unprofitable, according to Bank of America analysts.

Anglo American CEO Duncan Wanblad questioned whether nickel suitable for battery use could command a higher price.

"I do wonder whether there is a potential bifurcation in nickel cost curves or nickel that goes into stainless steel might be very different from nickel that goes into battery applications," Wanblad told Reuters on the sidelines of the African Mining Indaba last week.

"Therefore, if that's true, then there has to be two different

nickel prices to deal with both of those," he added.
Anglo mines nickel at its Barro Alto mine in Brazil and as a by-product from its platinum group metals (PGMs) business in South Africa.
Unless prices increase, Western miners will have to manage assets in New Caledonia, Australia and Canada producing at a loss, and possibly cut more production, traders said.

Top News - Carbon & Power

Global carbon markets value hit record $949 bln last year – LSEG

The value of traded global markets for carbon dioxide (CO_2) permits reached a record 881 billion euros ($948.75 billion) in 2023, marking a 2% increase on the previous year, analysts at LSEG said on Monday.
Many countries and regions have launched emissions trading systems (ETS) to put a price on carbon dioxide (CO_2) emissions and incentivise companies to invest in low carbon technology and help meet climate targets.
Around 12.5 billion metric tons of carbon permits changed hands in the world's emissions markets, similar to 2022, but record prices in several markets such as Europe and North America pushed up the overall value, the LSEG Carbon Market Year in Review 2023 said.
The world's most valuable carbon market, the EU's ETS, was worth around 770 billion euros last year, up 2% from the previous year and representing 87% of the global total.
The price of carbon permits in the EU ETS hit a record high over 100 euros in February last year but fell towards the end of 2023 amid weak demand from industrial buyers and the power sector.
This bearish trend has continued into 2024 with the benchmark contract falling below 60 euros/ton.
"Economic growth is likely to remain sluggish in the near term across Europe and is expected to lead to further demand destruction from many of the industrial sectors covered by the EU ETS," the report said.
The value of the UK's ETS fell 22% to 36.4 billion euros with prices averaging around 65 euros/ton, some 34% lower than the 2022 average, the report said.
In North America prices hit record high’s last year in the main compliance markets, hitting $39/ton in the Western Climate Initiative and over $15/ton in the Regional Greenhouse Gas Initiative.
Prices in China's national ETS also hit a record high in 2023 of 80.51 yuan ($11.19) in October, the report said.
The North American markets were worth a combined 71.4 billion euros while the Chinese market was worth 2.3 billion.

US natgas price to average higher in 2024 and 2025 – EIA

The U.S. natural gas spot price is projected to average higher in 2024 and 2025 compared with last year but will

MARKET MONITOR as of 07:33 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$77.25 / bbl	0.43%	7.82%
NYMEX RBOB Gasoline	$2.60 / gallon	0.33%	23.42%
ICE Gas Oil	$882.25 / tonne	-3.92%	17.52%
NYMEX Natural Gas	$1.78 / mmBtu	0.57%	-29.28%
Spot Gold	$2,024.49 / ounce	0.23%	-1.85%
TRPC coal API 2 / Dec, 24	$93.3 / tonne	-2.56%	-3.81%
Carbon ECX EUA	€57.55 / tonne	1.16%	-28.39%
Dutch gas day-ahead (Pre. close)	€26.10 / Mwh	-2.61%	-18.05%
CBOT Corn	$4.42 / bushel	-0.23%	-8.78%
CBOT Wheat	$5.96 / bushel	-0.50%	-6.76%
Malaysia Palm Oil (3M)	RM3,887 / tonne	0.08%	4.46%
Index	**Close 12 Feb**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	314.30	-0.33%	4.28%
Rogers International	26.98	0.15%	2.47%
U.S. Stocks - Dow	38,797.38	0.33%	2.94%
U.S. Dollar Index	104.17	0.00%	2.80%
U.S. Bond Index (DJ)	423.63	-0.22%	-1.65%

remain below the $3.00-per-million British thermal units (MMBtu) mark, the U.S. Energy Information Administration (EIA) said on Monday.
"We forecast increases in natural gas prices as demand for natural gas grows faster than supply in 2024," the agency said.
Last year, U.S. natural gas futures recorded their biggest percentage fall since 2006, under pressure from record production, ample inventories in storage and relatively mild weather. Front-month gas futures for March delivery on the New York Mercantile Exchange fell 1.5 cents, or 0.8%, at $1.83 mmBtu.
EIA projects demand to increases by 2.3 billion cubic feet per day (Bcf/d), and supply to remain relatively flat this year. In 2025, it expects supply and demand to grow at similar rates, but supply will still slightly exceed demand.
EIA expects 11% more U.S. natural gas consumption for electricity this year than the previous five-year average and highlighted that industrial sector will likely be the only sector where consumption will decrease slightly.
Domestic natural gas production and imports surpassed the rise in demand in 2022 and 2023.
"We expect natural gas inventories to remain high relative to their previous five-year average throughout 2024 and 2025," the EIA added.
The agency noted that if U.S. crude oil production is less than expected, it would translate into less natural gas production than current projections.

Top News - Dry Freight

South Korea's KFA bought 68,000 metric tons corn in private deal

The Korea Feed Association (KFA) in South Korea purchased about 68,000 metric tons of animal feed corn expected to be sourced from South America or South Africa in a private deal on Feb. 8 without issuing an international tender, European traders said on Tuesday.
It was believed to have been purchased by the KFA's Incheon section from trading house Viterra at an estimated $240.99 a ton c&f for arrival in South Korea around June 10.
If sourced from South Africa, only 55,000 tons need be supplied.
Reports reflect assessments from traders and further estimates of prices and volumes are still possible later.
The KFA's Incheon section is also called the Feed Buyers' Group.

Yemen's Houthis strike cargo ship bound for Iran, causing minor damage

Yemen's Iran-aligned Houthis fired two missiles on Monday at an Iran-bound cargo ship in the Red Sea, causing minor damage to the vessel but no injuries, U.S. military officials said.
The early morning strikes appeared to be the first time the Houthis have targeted an Iran-bound vessel since starting attacks on international shipping in solidarity with Palestinians over the Israel-Hamas war in Gaza, shipping sources said.
"Iranian-backed Houthi militants fired two missiles from Houthi-controlled areas of Yemen toward the Bab al-Mandeb," U.S Central Command said on the social media site X, formerly known as Twitter.
"Both missiles were launched toward MV Star Iris, a Greek-owned, Marshall Islands-flagged cargo vessel transiting the Red Sea carrying corn from Brazil."
"The ship reports being seaworthy with minor damage and no injuries to the crew," CentCom officials said on X.
"Of note, the MV Star Iris's destination is Bandar Iman Khomeini, Iran."
The Houthis military spokesman, Yahya Saree, said in a televised statement the ship was American but maritime-shipping trackers said the Marshall Islands-flagged ship was Greek-owned.
The Star Iris had been transporting a corn cargo from Brazil to Iran, according to CentCom and ship tracking analysis from data and analytics group Kpler.
"The Star Iris, like every Iran-bound bulker, had not diverted away from the Red Sea, perhaps unafraid of attacks from Iran-backed Houthis who could be considered 'friendly' given the vessel's destination," said Ishan Bhanu, lead agricultural commodities analyst at Kpler.
"At a projected 4.5 million tonnes for this year, flows from Brazil make for the majority of Iran's corn imports."
A regional security official said the attack appeared designed to "show Iran does not control the Houthis and they act independently", and that the Houthis had informed Tehran in advance.
Houthi militants in Yemen, who control the country's most populous regions, have repeatedly fired on international commercial ships since mid-November. Their targets have been vessels with commercial ties to the United States, Britain or Israel, shipping and insurance sources say.
The attacks have prompted several companies to halt Red Sea journeys and opt for a longer and more expensive route around Africa, and U.S. and British warplanes have carried out retaliatory strikes across Yemen.

STAR IRIS

The Star Iris, a large panamax bulk carrier, is managed by Athens-headquartered and U.S. NASDAQ-listed Star Bulk Carriers.
A Star Bulk spokesperson referred questions to the U.S-led coalition tasked with containing such attacks.
Iranian officials did not respond to a request for comment.
Iran's food commodities trade is exempt from U.S. sanctions.

British maritime security firm Ambrey said the Star Iris had reportedly suffered damage to its starboard side after sighting a projectile near the vessel 23 nautical miles (43km) northeast of Djibouti's Khor Angar and 40 nautical miles southwest of Yemen's Red Sea port city of Mokha.

Ambrey said the bulker was reportedly headed to Bandar Imam Khomeini, one of Iran's biggest ports and a major grains terminal.

UKMTO said the crew were unharmed and the vessel was proceeding to its next port of call.

Picture of the Day

The sun sets behind a power-generating windmill turbine near Feluy, Belgium February 12, 2024. REUTERS/Yves Herman

(Inside Commodities is compiled by Rohit James in Bengaluru)

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

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