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Top News - Oil

Saudi crude exports dipped in December after three months of gains

Saudi Arabia's crude oil exports in December fell for the first time in four months, data from the Joint Organizations Data Initiative (JODI) showed on Monday. Crude exports from the world's largest oil exporter fell 0.4% to 6.308 million barrels per day (bpd), down from 6.336 million bpd in November.
Monthly export figures are provided by Riyadh and other members of the Organization of the Petroleum Exporting Countries (OPEC) to JODI, which publishes them on its website.
Saudi's crude production rose to 8.944 million bpd in December.
The Saudi government on Jan. 30 ordered state oil company Aramco to halt its oil expansion plan and target maximum sustained production capacity of 12 million bpd. That was 1 million bpd below a target announced in 2020 and set to be reached in 2027.
Saudi Arabia this month unexpectedly kept the price of its flagship Arab Light crude to Asia unchanged for March at a more than two-year low as it strives to maintain market share.
In sharp contrast to the view of producer group OPEC, the International Energy Agency (IEA) last week said that global oil demand growth is losing momentum and trimmed its 2024 growth forecast.
December data showed that Saudi refineries' crude throughput rose by 0.326 million bpd to 2.415 million bpd and direct crude burning fell by 198,000 bpd to 303,000 bpd, its lowest since February 2022.

Some stranded Russian Sokol oil cargoes begin to move to China, India - data

Three tankers with Russian Sokol oil that had been stranded at sea due to payment problems and Western sanctions have started to move towards China and India, data from Kpler and LSEG showed on Monday.
The backlog of Sokol tankers has become the biggest disruptions to Russia's oil trade since the West imposed sanctions on Moscow over its military actions in Ukraine.
More than 10 million barrels of Sokol have been floating in seaborne storage over the past three months due to payment difficulties and Western sanctions on shipping firms and vessels carrying the crude.
The three vessels - NS Century, NS Commander and Nellis - that had been sitting at sea since November - have finally moved, according to the data and traders.
Russian state oil major Rosneft - the main exporter of the Sokol grade - did not respond to Reuters queries on Sokol oil sales.
NS Century and Nellis are carrying a combined 2.2 million barrels of Sokol to Chinese ports, according to data analytics firm Kpler. Both tankers are subject to fresh U.S. sanctions for breaching a $60 per barrel price cap on Russian oil.
Two trading sources told Reuters the buyers were private Chinese refiners.
The traders declined to be named as the information is not public and did not name the buyers.
"China might be the solution to the problem (with Sokol sales) as at least two tankers that have been idling since November started moving towards Chinese territorial waters," Viktor Katona, head of crude analysis at Kpler, said.
The Gabon-flagged tanker NS Commander, not subject to U.S. sanctions, with some 600,000 barrels of Sokol oil onboard was heading towards Jamnagar port in India, according to Kpler and LSEG data.
Some 7.5 million barrels of Sokol remained stuck at sea as of Monday, according to Kpler, down from over 10 million barrels two weeks earlier.

Top News - Agriculture

Brazil's soybean harvest hits 32%, says AgRural

Brazil's 2023/24 soybean harvest had reached 32% of the planted area as of last Thursday, agribusiness consultancy AgRural said on Monday, up 9 percentage points from the previous week and above the 25% seen at the same time a year earlier.
AgRural said in a statement that work in the fields last week was driven by Mato Grosso and Parana, two major grain-producing states where harvesting is already nearing its end in some areas.
Farmers in the South American country have been grappling with dry and hot weather this season, which has led government agencies and private consultancies to trim their output forecast for the world's largest soybean producer and exporter.
Some positive news last week came from Brazil's southernmost state Rio Grande do Sul, AgRural said, where fields received welcomed rainfall. More showers, however, are still needed in order for yield losses to be avoided.

COLUMN-Funds' bearish CBOT corn, soy views flirting with all-time highs: Braun

Speculators have been net sellers across U.S. grain and oilseed futures for nine consecutive weeks, coinciding with a heavy easing in prices, and fresh lows came in the following days amid bearish government supply outlooks through 2025.

In the week ended Feb. 13, money managers’ combined net short position in Chicago corn and soybeans rose by nearly 21,000 contracts to 448,841 futures and options contracts. The record is 455,225 set in April 2019.

Combined corn and soybean open interest as of Feb. 13 topped 3 million futures and options contracts for the first time since June 2022, up 19% from the unusually light year-ago levels but close to recent averages for the date.

CBOT May corn and soybean futures in the week ended Feb. 13 both declined more than 1%. Individually, money managers’ net short in CBOT corn rose to 314,341 futures and options contracts, the second largest on record. That compared with 297,744 a week earlier and mostly involved new gross shorts.

In CBOT soybean futures and options, the Feb. 13 managed money net short was the fifth largest on record at 134,500 contracts, up from 130,300 in the prior week. That marked funds’ 13th consecutive week as net sellers in beans, and the pre-2024 selling record was 10 consecutive weeks.

Money managers in the week ended Feb. 13 returned to heavier selling in CBOT soybean meal, pushing their net short to 27,592 futures and options contracts from 14,590 a week earlier as new shorts entered the market. Funds were net buyers of meal in the prior week but sellers in the 10 weeks before that.

In CBOT soybean oil, money managers were net buyers for a second consecutive week through Feb. 13, trimming their net short to 35,440 futures and options contracts from 44,225 a week earlier. CBOT May soyoil had jumped 3% in the week but May soymeal lost more than 4%.

Nearby CBOT wheat contracts were mixed in the week ended Feb. 13, but money managers cut their net short in CBOT wheat futures and options to 55,672 contracts from 66,738 a week earlier, marking their least bearish wheat view since early August. However, CBOT wheat plunged more than 6% between Wednesday and Friday, its biggest three-session tumble since September. May corn fell 3% in the last three sessions, and both wheat and corn hit contract lows on Friday.

May soymeal notched contract lows on Thursday but were relatively unchanged the last three sessions, and May soyoil fell 3.6%. May soybeans were down more than 1% over this period, and beans hit new three-plus-year lows on a most-active basis on Thursday.

On Thursday, the U.S. Department of Agriculture issued unofficial U.S. supply and demand outlooks for the 2024-25 season beginning Sept. 1, and corn, soybean and wheat stocks are all seen growing significantly versus the current season.

The heaviest numbers came in corn, as projected 2024-25 U.S. corn ending stocks would be the largest since 1988. Next year’s soybean stocks are seen at five-year highs but more than 50% above the past four years’ average. U.S. markets were closed on Monday, but European wheat futures on Monday hit 2-1/2 year lows under pressure from large stocks and stiff Black Sea export competition.

Chart of the Day

Top News - Metals

BHP half-year profit beats expectations, inflation impact recedes

BHP Group logged first-half underlying profit that slightly beat analyst expectations, buoyed by strong iron ore prices, and said inflationary impacts were receding.

The world's largest listed miner was cautiously optimistic on a demand recovery in the developed world in the next 12 months but said it was not yet clear how effective stimulus policies have been in China, its biggest customer.

It was more bullish on India, which it said "has considerable positive momentum behind it".

BHP said it expects a "more balanced global economy and evidence that the worst of the general inflationary wave is behind us will have a positive impact on our industry in calendar year 2024."

For the first-half, BHP's strong revenue growth of 6% was underpinned by higher iron ore and copper prices and contributions from new projects, but was partially offset by lower energy coal prices.

BHP said underlying profit attributable to shareholders was $6.60 billion for the six months ended Dec. 31, unchanged from the previous year, but topping an LSEG estimate of $6.42 billion.

It declared an interim dividend of $0.72 per share, compared with $0.90 per share a year earlier. That beat Citi's expectation of $0.68, and a Visible Alpha consensus of $0.70.

"(The) market should take a modestly higher dividend than expected as a reflection of BHP's improving confidence regarding (the) outlook on commodity demand/prices," analysts at Citi wrote. Shares in BHP edged down 0.3% to A$45.91 amid a sour tone in resources stocks.

NICKEL

BHP, which announced a $2.5 billion impairment charge for its Western Australia Nickel business last week, said it sees the nickel industry facing "a difficult multi-year run," amid a flood of new supply coming out of Indonesia. "Our base case is that the market may rebalance by the late 2020s," BHP said.

BHP operates a nickel smelter and a refinery in Western Australia, employing 3,000 people, and has warned that the slump in nickel prices could slow development of its West Musgrave copper nickel project.

"You should be expecting that to be a decision in months, not years," said Henry. "Clearly we weren't expecting the nickel market to plunge as quickly and as significantly as it has," he told analysts at a results briefing.

While it welcomed Australia's moves to shore up the nickel sector though a production tax credit, BHP said that should not take the focus of ensuring "the right policy settings are in place to drive long term competitive positioning of Australia as a nation."

The company wants the government to improve industrial relations policies, fiscal settings and permitting requirements, CEO Mike Henry said, but added that might not be enough for miners that have already put their operations into care and maintenance.

"Given just how significant the challenges in the nickel market are today, that may not be enough to alter course."

FOCUS-Goldman, hedge funds step up activity in physical uranium as prices spike

Investment banks Goldman Sachs and Macquarie as well as some hedge funds are positioning themselves to reap the benefits of a newly buoyant uranium sector as prices of the nuclear fuel ingredient spike.

While many other investment banks are still avoiding uranium, Goldman and Macquarie are boosting trading in physical uranium and in Goldman's case trading its options as well, five industry and hedge fund sources with knowledge of the deals said.

The heightened activity comes as utilities seek new supplies amid shortfalls that have lifted prices to 16-year highs.

A few hedge funds are also stepping up involvement in both equities and physical uranium, a sign that the metal is starting to broaden its appeal to financial institutions after a decade in the doldrums following the Fukushima nuclear disaster.

"With the headlines and positive momentum in nuclear more generally, hedge funds and other commodity investors are back in the (uranium) sector. A lot of it is done via physical funds, the easiest way to get exposure to uranium prices," said Bram Vanderelst at trading firm Curzon Uranium.

The metal has captured investors' attention after prices doubled over the past year to $102 a pound as top producers Kazatomprom and Cameco cut production guidance because reopened mines that had been mothballed struggled to ramp up production to meet renewed demand.

It also comes with the revival of nuclear energy to help countries cut their carbon emissions, which was highlighted in the December 2023 Group of Seven most industrialised nations' statement that envisioned tripling nuclear energy capacity from 2020 to 2050.

Goldman Sachs has started writing options on physical uranium for hedge funds, the first time it has created a derivative for the metal.

"Goldman has been increasing their visibility, they've been increasing their book steadily," a source who dealt with the bank said, declining to give details of the transactions because they are confidential.

Goldman is largely dealing with financial clients like hedge funds while Macquarie's main focus is boosting trading and marketing output from miners, another source

who dealt with both banks said, also declining to elaborate because the data is confidential.
All five sources Reuters spoke to declined to be named because they did not want to discuss publicly private trading details.
Both banks declined to comment.

NUFCOR'S URANIUM INVENTORIES
Goldman has been involved in the uranium market since 2009, when it bought Nufcor, a London-based nuclear fuel trader.
Five years later, however, in the wake of Japan's Fukushima nuclear plant disaster in 2011 when uranium prices plummeted, Goldman aimed to offload Nufcor, but was unable to find a buyer and said it planned to wind down the business.
The business never closed and Nufcor held $356 million worth of uranium inventories at the end of 2022, the most recent regulatory filings showed.
That is enough uranium to fuel 17 large nuclear reactors for a year, based on Reuters calculations and data from the World Nuclear Association.
Investor buying of physical uranium by publicly-traded funds and hedge funds represented nearly 15 million pounds of uranium oxide concentrate (U3O8), or about 26% of the total traded on the spot market in 2023, according to consultancy UxC.
This was down from 22 million pounds of investor buying in 2022 as higher prices in 2023 meant each dollar bought fewer pounds of uranium.
"We've especially seen large volumes purchased by investors in 2021-2023," said Jonathan Hinze, president of UxC.
U3O8 or yellowcake is a fine powder packaged in steel drums that is produced when uranium ore is chemically processed.
While the biggest amount of investor-held physical uranium is by exchange-listed funds, a few hedge funds have been investing in shares of uranium miners and other nuclear-related firms for several years and are also now investing in physical uranium.
Sachem Cove Partners, a uranium-focused investment strategy with about $250 million in assets under management, started investing in the sector in 2018 with equities and proxies for physical uranium, like the Sprott Physical Uranium Trust. It began buying physical uranium last year.
"It gives us a look into both markets, the physical market itself and the equity markets," said Mike Alkin, chief investment officer.

MARKET MONITOR as of 07:32 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$79.43 / bbl	0.30%	10.86%
NYMEX RBOB Gasoline	$2.56 / gallon	-0.85%	21.37%
ICE Gas Oil	$854.75 / tonne	0.06%	13.85%
NYMEX Natural Gas	$1.56 / mmBtu	-2.92%	-37.87%
Spot Gold	$2,022.02 / ounce	0.22%	-1.97%
TRPC coal API 2 / Dec, 24	$89.35 / tonne	-4.23%	-7.89%
Carbon ECX EUA	€53.60 / tonne	0.11%	-33.31%
Dutch gas day-ahead (Pre. close)	€23.50 / Mwh	-4.28%	-26.22%
CBOT Corn	$4.31 / bushel	0.35%	-10.95%
CBOT Wheat	$5.55 / bushel	-0.72%	-13.21%
Malaysia Palm Oil (3M)	RM3,865 / tonne	0.00%	3.87%
Index	**Close 19 Feb**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	313.66	0.50%	4.06%
Rogers International	26.87	-0.39%	2.05%
U.S. Stocks - Dow	38,627.99	-0.37%	2.49%
U.S. Dollar Index	104.33	0.04%	2.96%
U.S. Bond Index (DJ)	421.85	-0.30%	-2.06%

Top News - Carbon & Power

COLUMN-Slumping US gas prices cause hedge funds to despair: Kemp

Portfolio investors have become more bearish about the outlook for U.S. natural gas prices than at any time since the first wave of COVID-19 took hold in March 2020.
Bearish positions betting on a further decline in prices accumulated even though prices were already at the lowest level in real terms since futures started trading in 1990.
Hedge funds and other money managers sold the equivalent of 391 billion cubic feet (bcf) in the two major futures and options contracts linked to gas delivered at Henry Hub over the seven days ending on Feb. 13. Fund managers have sold gas in each of four most recent weeks, reducing their combined position by 1,687 bcf since Jan. 16, according to records filed with the U.S. Commodity Futures Trading Commission.
Funds held a net short position equivalent to 1,276 bcf (5th percentile for all weeks since 2010) down from a net long position of 410 bcf (42nd percentile) four weeks earlier.
From a positioning perspective, the balance of risks must be to the upside, with prices already at record lows in real terms and so many short positions at risk of being squeezed if and when prices start to rise.
But portfolio investors have tried (and failed) three times already in the last 12 months to identify the turning point, causing a temporarily rise then retreat in prices.
Hedge funds and other managers purchased futures and options between February and July 2023 (+1,943 bcf), then again in September-October 2023 (+1,216 bcf) and between December 2023 and January 2024 (+1,409 bcf).
Each time they have been beaten back by the continued rise in stocks and a further slide in prices.
In the most recent instance, prices have tumbled in response to exceptionally mild temperatures linked to strong El Niño conditions in the Pacific that has suppressed gas consumption through most of winter 2023/24.
Gas inventories are well above the seasonal average throughout North America and Europe and the surplus in both regions has continued to swell.
Until there is clear evidence the surplus is starting to erode, fund managers trying to get bullish need the ability to withstand big margin calls as well as strong convictions.

PETROLEUM

Investors became more bullish about petroleum over the seven days ending on Feb. 13, after wavering the week before.
Hedge funds and other money managers purchased the equivalent of 89 million barrels in the six major petroleum futures and options contracts, reversing sales of 86 million barrels the previous week.
Funds were buyers across the board in Brent (+38 million barrels), NYMEX and ICE WTI (+25 million), European gas oil (+11 million), U.S. diesel (+10 million) and U.S. gasoline (+5 million).
The combined position across all six contracts was boosted to 505 million barrels (36th percentile for all weeks since 2013) up from just 207 million barrels (1st percentile) on Dec. 12. Fund managers remained unenthusiastic about futures and options linked to WTI, with a net position of just 80 million barrels (5th percentile) which had barely risen from 68 million in mid-December.
Persistent output growth from U.S. shale producers and the prolonged disruption of the BP refinery at Whiting in Indiana continued to weigh on sentiment. But positions were far more bullish in Brent (62nd percentile), U.S. gasoline (67th percentile), European gas oil (67th percentile) and U.S. diesel (71st percentile).
Fuel inventories remain below the ten-year seasonal average across North America and Europe while attacks on shipping in the Red Sea and Gulf of Aden are still disrupting east-west crude and fuel trade.
Manufacturing and freight recessions appear near an end (closer in North America than Europe) while traders anticipate central banks will stimulate growth by cutting interest rates.
Crude prices are close to the long-term inflation-adjusted average while the business cycle and consumption are more likely to surprise on the upside, underpinning moderately bullish sentiment for everything other than WTI.

China's Sinopec strikes new shale gas in Sichuan basin

China's Sinopec Corp said on Monday it had produced 204,500 cubic metres of gas a day in a new exploration shale gas well in southwest China's Sichuan basin, potentially adding sizeable proven reserves to a recently discovered field.
The drilling of the Dingye-11 well, located in the shallower reservoir at the rim of the Sichuan basin previously deemed uneconomic to develop, came following research and development on the rock formations of the gas-rich basin, Sinopec said.
This would boost the reserve base of the Qijiang gas field, where Sinopec in late 2022 reported 146 billion cubic metres (bcm) of proven reserves certified by China's ministry of natural resources.
Under President Xi Jinping's call to boost domestic energy supply, China's national energy champions are accelerating the development of more costly, geologically challenging oil and gas resources. Technologies such as horizontal drilling and hydraulic fracturing are widely applied to produce gas from shale and other tight rock formations.

Top News - Dry Freight

Russian wheat export prices fell again last week, shipments increased

Russian wheat export prices continued to fall last week amid weakening global prices and some growth in shipments, analysts said.

The price of 12.5% protein Russian wheat scheduled for free-on-board (FOB) delivery late March to early was $219 a metric ton, down $5 from the previous week, the IKAR agriculture consultancy reported. The Sovecon agriculture consultancy pegged the same class of wheat at $218-224 a ton FOB, compared with $224-230 a week ago.

Analysts have raised their forecasts for the Russian harvest in 2024 last week. IKAR also estimated grain exports at 70 million tons, including more than 52 million tons of wheat.

Amid record stockpiles in the country, the Agriculture Ministry has proposed to increase the export quota, which will be in effect until the end of this season, by 4 million tons to 28 million tons.

Russia exported 1.20 million tons of grain last week, up from 0.86 million tons the previous week. The exports included 1.12 million tons of wheat (0.72 million tons a week ago), Sovecon wrote, citing data from ports.

The consultancy raised its estimate of wheat exports in February by 0.3 million ton to 3.3 million tons, comparing to 3.0 million tons a year earlier.

"In February, we will not return the rates (of exports) with which we started the season. Both weather and commercial conditions are preventing this," Arkady Zlochevsky, head of the Russian Grain Union, said at a briefing, noting the negative impact of an unpublished restriction from the Agriculture Ministry on the minimum export price.

Russian wheat prices are higher than competitors' offers, as demonstrated last week by the Egyptian GASC tender, which bought 180,000 tons of Ukrainian and Romanian wheat. "All Russian offers were submitted at $245 FOB (180-day LC) which matches well with the new unofficial "price floor" of $235", Sovecon wrote in the weekly note.

Ukraine's Feb grain exports 3.2 mln T so far, ministry says

Ukraine has exported almost 3.2 million metric tons of grain so far this month versus 3.3 million exported over the same period a year earlier, agriculture ministry data showed on Monday. The ministry gave no explanation for the decrease.

Ukraine's grain exports in the 2023/24 July-June marketing season have so far fallen to about 27 million tons from 30 million a year earlier, the data showed. Exports have included 10.5 million tons of wheat, 14.7 million tons of corn and 1.5 million tons of barley. Ukraine has traditionally exported most of its grain via its deep water Black Sea ports. The Ukrainian government expects a harvest of 81.3 million tons of grain and oilseeds in 2023, with a 2023/24 exportable surplus of about 50 million tons.

Picture of the Day

A relative pays respect in front of the monument in honor of the 65 miners dead in the explosion of Grupo Mexico's Pasta de Conchos during its 18th anniversary in Mexico City, Mexico, February 19, 2024. REUTERS/Raquel Cunha

(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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