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Top News - Oil

India's January crude imports hit six-month-high on Russian inflows

India's crude imports rose to a six-month-high in January, government data showed on Monday, as refiners in the world's third-biggest oil importer and consumer snapped up cheaper Russian supply.

On a monthly basis, imports were up 1.7% to 19.96 million tonnes, which was also 3.5% higher versus January 2022, data from the website of the Petroleum Planning and Analysis Cell (PPAC) showed.

"Indian refining will be even stronger in 2023 - aided by Russian crude improving the profitability of product exports in times of lower domestic consumption," said Viktor Katona, lead crude analyst at Kpler.

"In general, December-January-February is peak season for Indian refiners, unlike during the monsoon season when construction slows and thus oil demand grinds lower."

Russian oil accounted for a fifth of India's overall imports in April 2022 to January 2023, the first eleven months of this fiscal year, compared to just 0.8% in the year earlier period, data from trade sources showed.

Refiners in India have emerged as Russia's key oil client, snapping up discounted crude shunned by Western nations since the invasion of Ukraine last February.

Reliance Industries, operator of the world's biggest refining complex, raised Russian oil imports by about 32% in January from the previous month.

The higher imports came despite a slight dip in consumption of fuel, a proxy for oil demand, for January, albeit from a nine-month high in December.

Preliminary data also pointed to a recovery in fuel sales for February as a cold wave ebbed. With Indian oil demand still growing, the trend of higher imports could continue, said UBS analyst Giovanni Staunovo.

Last week, India also cut its windfall tax on crude oil and exports of aviation turbine fuel and diesel. Asia's third-biggest economy holds surplus refining capacity and exports refined fuels as well.

China doubles Urals oil purchases during first half of Feb- sources, Refinitiv

China doubled its purchases of Urals oil in the first half of February compared to the same period of January amid more attractive pricing and as Chinese demand rebounds after COVID-related lockdowns, according to traders and Refinitiv Eikon data.

Urals oil supplies to China are rising as freight rates soften and the Brent-Dubai spread narrows, making Brent-related Urals oil more competitive compared to Dubai-related grades in Asian markets, traders said.

China and India are buying at deep discounts amid Western sanctions on Russian oil and more recently, embargoes and price caps.

Traders said that Chinese companies are becoming more active in the Urals market as business in China rebounds from COVID-related lockdowns last year.

About 0.8 million tonnes of Urals oil loading from Russian ports during Feb. 1-15 are heading to China compared to some 0.4 million tonnes of the grade during the same period of January, according to traders and Refinitiv Eikon data.

"Buyers from China are getting more and more active, competing more with Indian refineries," one of the traders said adding that this may support prices for March-loading Urals oil.

Chinese refiners buy Urals oil straight from the Russian ports or from ship-to-ship (STS) facilities in the Mediterranean or elsewhere, traders said. Some of the ships are initially heading to Singapore, but will most likely end their voyage in Chinese ports, one of the traders said. India still remains a leader in Urals oil purchases: about 1.5 million tonnes of Urals oil loading in the first half of February are heading to Indian ports.

During the first half of January India received about 1.9 million tonnes of seaborne Urals oil, according to Refinitiv Eikon. Other seaborne Urals oil cargoes loading in the first half of February are headed to Turkey and Bulgaria, while destinations of several cargoes remain unknown.

Seaborne supplies of Urals crude bound for China in January rose to some 230,000 barrels per day (bpd), the highest level since June 2022.

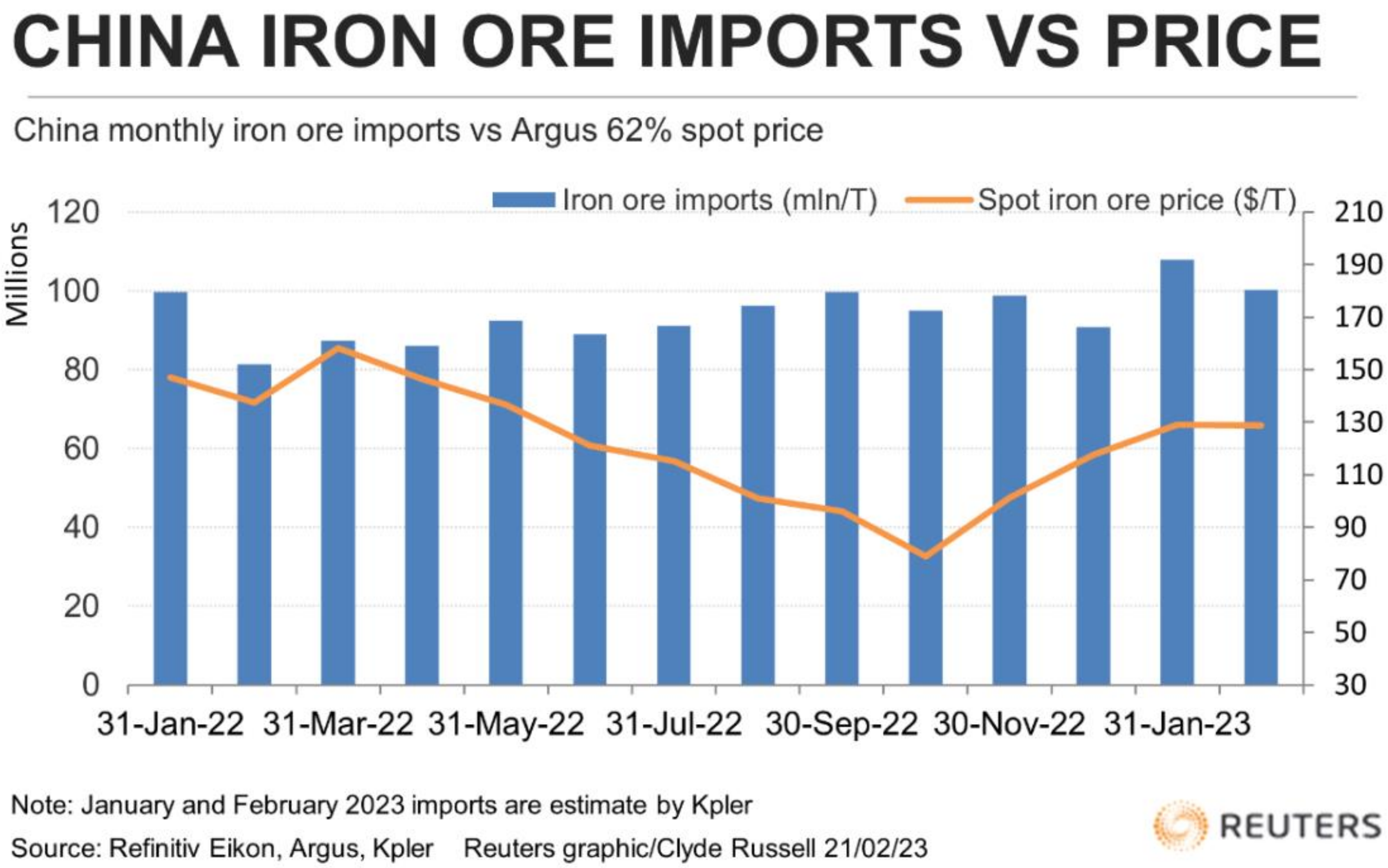
China's commerce ministry has met independent oil refiners to discuss their deals with Russia and if they were encountering any obstacles, five sources with knowledge of the matter said.

Top News - Agriculture

India sets up panel to assess impact of higher temperatures on wheat crop
India has set up a panel of officials to assess the impact of rising temperatures on the wheat crop, government officials said on Monday, as the weather office warned that above normal temperatures would prevail in key producing states.
The world's second biggest wheat producer earlier this month said it's production was likely to rise 4.1% to a record 112.2 million tonnes.
However, a lack of winter rains has raised temperatures in some parts of India's northern states where farmers grow wheat. Last week, the daily average temperature hit early to mid-March levels, according to weather officials.
India, also the world's second-biggest consumer of wheat, banned exports in May 2022 after a sharp, sudden rise in temperatures clipped output, even as export demand picked up to meet the global shortfall triggered by the Russia-Ukraine conflict.
"The government has decided to form a committee to monitor the impact of higher temperatures, but the current crop condition looks good," said one of the officials, who didn't wish to be named in line with official rules.
India's agriculture commissioner will head the committee, and officials from the country's key wheat growing states and government scientists will also be on the panel.
Maximum temperatures in some states this week jumped to 39 degrees Celsius, which is up to 9 degrees Celsius above normal, India Meteorological Department (IMD) said in a statement on Monday.
Maximum temperatures are likely to remain 5 to 7 degrees Celsius above normal over many parts of northwest India during the next three days, it said.
"This higher day temperature might lead to adverse effects on wheat approaching the reproductive growth period, which is sensitive to temperature. High temperature during flowering and maturing periods leads to loss in yield," the IMD said.
The country grows only one wheat crop in a year, with planting in October and November, and harvesting from March.

Brazil farmers harvest 25% of soybean-planted area
Brazilian farmers have harvested 25% of the soybean area planted for 2022/23 through last Thursday, agribusiness consultancy AgRural said on Monday, as work in the fields advances quickly in top grain producing state Mato Grosso.

Chart of the Day



Harvesting was up eight percentage points from the previous week, said AgRural, while at the same time last year 33% of the Brazilian soy fields had been reaped.
The consultancy last week cut its forecast for Brazil's soybean output this season to 150.9 million tonnes from 152.9 million tonnes, citing a severe drought in the country's southernmost state of Rio Grande do Sul.
Even so, that would represent a record high for soybean production in the South American agricultural powerhouse.
In its latest weekly update on Monday, AgRural highlighted rapid progress in Mato Grosso but said constant rains in the states of Parana and Mato Grosso do Sul, where harvesting was "very sluggish", may lead to quality issues.
AgRural also said Brazil's second corn planting, which represents about 75% of the country's overall corn output in a given year and is cultivated in the same areas as soybeans, was below year-ago levels.
According to the consultancy, 40% of the expected second corn area had been planted in the center-south region as of Thursday, up from 24% a week earlier but below the 53% of a year ago.
Weekly figures were boosted by Mato Grosso and the neighbouring state of Goias, AgRural said in a statement, while in "western Parana, where the delay is very significant, there is concern about the planting window, which is set to close on Feb. 28".

Top News - Metals

BHP eyes demand green shoots in China as profit slumps

Global miner BHP Group reported a steeper-than-expected 32% fall in first-half profit owing to a drop in iron ore prices, sending its shares down, although it flagged a brightening outlook in China, its biggest customer.
China's strict zero-COVID-19 policy curtailed economic activity and dented demand over the past year, driving iron ore prices down from lofty levels, while miners wrestled with surging costs and a tight domestic labour market. As a result, the world's largest listed miner reported underlying profit attributable from continuing operations of $6.6 billion, down from $9.72 billion a year earlier. That missed a Vuma Financial estimate of $6.82 billion, as earnings from copper and coal came in lower than analysts had expected. BHP's giant Escondida copper mine was hit by road blockades in Chile that disrupted mining supply deliveries.
However, its interim dividend of 90 cents per share, while down 40%, beat Vuma Financial's estimate of 88 cents.
Shares of the global miner fell as much as 2.8% to A$47.11, their lowest since Jan. 6 and were down 2% at 0138 GMT in a broader market that was down 0.5%.
"We have got BHP as a 'hold' primarily because their share price is sitting up at record highs and they are going to have to do pretty well to justify those levels," said analyst David Lennox of wealth manager Fat Prophets in Sydney.
The miner said it sees "markedly higher" price floors for some commodities than prior to the COVID-19 pandemic given the rising marginal cost of production.
"The lag effect of inflation and continued labour market tightness are expected to impact our cost base into the 2024 financial year," BHP said, as it logged a $1 billion inflation hit, primarily from diesel costs, for the half.
Analysts at RBC Capital Markets said BHP's first half was "surprisingly poor, but is a strong indicator of what is a still challenging inflationary environment for the miners".
BHP also said it expected aggressive global interest rate hikes from last year to slow growth sharply across the developed world.

CHINA GREEN SHOOTS

However, after a difficult first-half, the miner said China appears to be a "source of stability" for commodity demand, as the world's second-largest economy and top metals consumer reopens and looks to revive its debt-laden property sector.
BHP's confidence in China's economy was buoyed by green shoots it had seen since the start of the calendar year, including new loans, house prices and business sentiment surveys, Chief Executive Officer Mike Henry said. "There's a lot there that is giving us confidence that we will see an acceleration in the Chinese domestic economy," he told reporters on a conference call.
BHP brought forward first production at its huge Jansen potash project in Canada to late 2026 from 2027.
It also said that it, along with joint venture partner Mitsubishi Development, had decided to put up for sale their Daunia and Blackwater coal mines, two of their seven metallurgical coal mines in Queensland's Bowen Basin. BHP has threatened not to invest in Queensland after the state hiked its coal royalties to the highest rate in the world.

COLUMN-Iron ore prices jabbed higher by prongs of China demand, supply woes: Russell

The spot price of iron ore is being pushed higher in a pincer move of stronger Chinese demand and lower supply from the world's two biggest exporters of the steel raw material.
The spot price of benchmark 62% iron ore for delivery to north China, as assessed by commodity price reporting agency Argus, rose to $128.80 a tonne on Monday, just shy of the peak so far in 2023 of $129.50 reached on Jan. 30. The price has gained 5.7% over the past week and is now 63% higher than the 2022 low of $79 a tonne, hit on Oct. 31.

The gains are being driven by restocking by steel mills in China, which buys about 70% of global seaborne iron ore and produces half of the world's steel.
Iron ore inventories at Chinese ports rose to 140.9 million tonnes in the week to Feb. 17, up from 138.35 million the prior week, and up from the pre-winter low of 130.2 million from the week to Oct. 14.
It's worth noting that stockpiles remain well below the same week last year, when they were at 160.95 million tonnes.
China's iron ore inventories typically build over the winter period as construction activity winds down, but stockpiles then tend to draw down from March onwards as steel production ramps up to meet rising demand as building work accelerates.
With Beijing working to stimulate the economy after ending its strict zero-COVID policy that hindered growth last year, expectations are that infrastructure and construction activity will pick up from the second quarter onwards. Easier monetary policy and loans are among measures aimed at boosting construction, and another pilot scheme to boost private investment in real estate was announced on Monday.
China's iron ore imports appear set for a strong February, with commodity analysts Kpler estimating arrivals of 100.22 million tonnes, which at 3.58 million tonnes a day would exceed the 3.48 million that landed in January.
China's steel prices are also rising on expectations of stronger demand, with benchmark Shanghai Futures Exchange rebar contracts ending at 4.167 yuan ($608.32) a tonne on Monday, up 3.4% over the past week.

SUPPLY SLUMP

It's not only the demand side that is working to boost iron ore prices, with some concerns over the state of supply from the world's two biggest exporters, Australia and Brazil. Australia's iron ore exports are likely to drop in February, with Kpler estimating shipments of 57.7 million tonnes, while Refinitiv is forecasting 58.74 million.
While these figures are likely to be revised higher as more cargoes are assessed prior to month end, it's likely that February's exports will fall well short of Kpler's figure for January shipments of 79.64 million and December's 84.58 million.
Brazil's exports are likely to recover somewhat in February after being hit by weather disruptions in January, with Kpler estimating shipments of 28.57 million tonnes and Refinitiv expecting 29.48 million.
This would be up from January's exports of 22.91 million, which Kpler data showed were Brazil's weakest since February last year. While Australia and Brazil dominate the global seaborne iron ore trade, it's worth noting that

MARKET MONITOR as of 07:15 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$76.28 / bbl	-0.08%	-4.96%
NYMEX RBOB Gasoline	$2.63 / gallon	0.28%	6.10%
ICE Gas Oil	$794.75 / tonne	-0.56%	-13.71%
NYMEX Natural Gas	$2.22 / mmBtu	-2.33%	-50.35%
Spot Gold	$1,837.11 / ounce	-0.22%	0.70%
TRPC coal API 2 / Dec, 23	$143.5 / tonne	-1.03%	-22.33%
Dutch gas day-ahead (Pre. close)	€51.50 / Mwh	5.97%	-31.85%
CBOT Corn	$6.80 / bushel	0.30%	0.18%
CBOT Wheat	$7.67 / bushel	0.23%	-3.35%
Malaysia Palm Oil (3M)	RM4,150 / tonne	-0.41%	-0.57%
Index (Total Return)	**Close 20 Feb**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	292.10	-0.98%	-3.06%
Rogers International	27.89	0.94%	-2.72%
U.S. Stocks - Dow	33,826.69	0.39%	2.05%
U.S. Dollar Index	103.86	0.00%	0.33%
U.S. Bond Index (DJ)	399.34	0.13%	1.75%

other exporters aren't adding much to the overall supply story. South Africa, the world's third-largest exporter, is forecast to ship 4.12 million tonnes in February, down from January's 4.59 million, while India is expected to export 1.48 million, down from 3.49 million.
The supply shortage and expectations of increasing Chinese demand are likely to provide a solid base for further gains in spot iron ore prices. However, it's likely that supply will return to normal levels in coming months, which may cap the upside potential. The other factor is whether the market's optimistic view on the likely success of China's stimulus plays out in reality, or whether it takes longer than anticipated to fire up the world's second-biggest economy.

Top News - Carbon & Power

ANALYSIS-Gas shortage exposes fragile South Asian economies to more pain

With a little over a month to go for peak shopping season during Ramadan, the head of Pakistan's retail industry body is shuttling between meetings, pressing officials to relax orders that forced malls to shut by 8.30 p.m. to save energy.
More than 40% of annual retail sales occur in the 30 days of the holy month, and malls are packed between 8 p.m. and 10 p.m., Tariq Mehboob, also the chief executive of Pakistani menswear franchise Royal Tag, said in a letter to the government.
"Early closure could result in job losses for 3-4 million people," Mehboob wrote.
Fear in the retail sector highlights how a shortage of imported gas has cut power output and hit the economy in Pakistan, just as it reels from soaring inflation and a sliding currency. Bangladesh faces the same issues.
Both countries are scrambling to avoid a repeat of massive power cuts they faced last year, but industry officials and analysts say the crisis is likely to worsen this year because of a sharp drop in imports of liquefied natural gas (LNG). Pakistan and Bangladesh are heavily dependent on gas for power generation, but have had to slash their imports of LNG after prices rocketed on a surge in Europe's demand to replace Russian supplies following the Ukraine war. "High spot LNG prices and dwindling domestic production will mean that Pakistan will continue facing issues with ramping up gas-fired power generation," said Poorna Rajendran, LNG consultant at FGE.
"We expect power outages to worsen in 2023," he said.
Despite LNG prices having fallen from last year's record highs, the superchilled fuel is still expensive for South Asian buyers as their currencies have weakened sharply, making it hard for them to boost LNG imports this year.

PAKISTAN'S WOES

Pakistan relies on gas for a third of its electricity output, but is grappling with dwindling foreign exchange reserves to pay for energy imports.
Ship tracking data from Kpler shows Pakistan's LNG imports in 2022 fell 17% from the previous year to a five-year low. As a result, in the first 11 months of 2022, Pakistan's gas-fired power production fell 4.4%, even as overall generation rose by 1.8% to 129 gigawatt hours (GWh), data from energy think tank Ember showed.
Total power output fell well short of generation capacity and demand due to fuel shortages, analysts and government officials said, resulting in blackouts for hours every week in the second half of last year.
A key problem is that the older oil-fired power plants are inefficient and cost more to run than gas-fired plants, Pakistan Energy Minister Khurram Dastgir Khan said.
Power production costs were 1.25% higher than they would have been had sufficient LNG been available during the year ended June 2022, Reuters calculations based on data in the energy ministry's annual report show. However generation costs have likely jumped further since July, as officials say peak shortages intensified last summer due to lack of LNG. Currently only two of the country's four LNG dependent plants are running. "Summer is going to be difficult like most summers, because we walk this thin line between affordability and availability," Dastgir told Reuters in an interview.

BANGLADESH STRUGGLES

A similar trend could be expected in Bangladesh, where gas fuels more than two-thirds of electricity generation, said Raghav Mathur, an analyst at consultancy Wood Mackenzie.
Bangladesh's LNG imports in 2022 fell 14% from the previous year, according to Kpler, which drove down power output while demand was rising.
As a result, last year Bangladesh resorted to cutting power on 85 of the 92 days ending Oct. 30, a Reuters analysis of data from the country's grid operator shows. That compares with just two days of forced outages between January 2019 and July 2022. Outages have rocked commercial operations, hitting lucrative garment industry exports to clients such as Walmart, Gap Inc and H&M and Zara.
"It has become difficult to sustain the garment industry," Bangladesh Garment Manufacturers and Exporters Association said in a letter to the government last month, asking for regular power and gas supply and lower gas prices.
LNG prices are unlikely to ease enough to help Bangladesh and Pakistan, with analysts expecting a rebound in Chinese purchases to push prices up in 2023. Rystad Energy sees Asian prices averaging $32 per

mmBtu this year, well above the $20 per mmBTU that Bangladesh's energy adviser to the prime minister considers an acceptable spot price.

The country has issued two spot tenders so far this year, with the first awarded to TotalEnergies at around $19 per mmBtu, two Petrobangla officials told Reuters.

The South Asian nation aims to buy more spot LNG cargoes and wants to secure more long-terms deals with Papua New Guinea and Brunei, the officials said, but analysts question whether that will be achievable.

"It is not possible for them to afford high prices for LNG," Woodmac's Mathur said. Even with power output from alternate fuels, businesses are worried about the economic impact of uncertain power supply. Royal Tag's CEO Mehboob expects reduced operations during peak shopping hours to cut retail sales by 30%. "We are concerned that there will be a negative knock-on effect on GDP, employment, and tax collection, as well as disruptions to the entire supply chain."

EU carbon price hits record high nearing 100 euros/ tonne

The benchmark European carbon contract hit a record high approaching 100 euros a tonne on Monday, with cooler weather forecasts and expectations of lower wind power output driving up demand. The benchmark EU Allowance (EUA) December 2023 contract closed at 98.30 euros a tonne, up 2.1% since Friday's close and having earlier touched a record high of 99.99 euros tonne. EUAs are the main currency used in the European Union's Emissions Trading System (ETS) which forces manufacturers, power companies and airlines to pay for each tonne of carbon dioxide they emit as part of the bloc's efforts to meet its climate targets.

Traders said cooler temperatures combined with lower wind speeds means there is likely to be more demand for power from Europe's fossil fuel-powered plants which need to buy carbon permits to cover their emissions.

"Temperatures in Northern Europe are actually now forecasted to go below seasonal averages next week, which might instigate utilities to increase their hedging activities," said Gregory Idil, a senior carbon emissions trader at Vertis. The benchmark contract has risen almost 20% since the beginning of the year, partly on expectations that Europe's economies could start to improve as energy prices fall from record highs.

Speculative buying has also helped to push prices up this year, traders said. Visibility, however, on positions taken by financial institutions has shrunk since the ICE exchange, which is one of the main trading platforms for emissions, has been unable to publish Commitment of Traders (COT) data this month due to technical issues.

In an update posted on its website on Friday, ICE said it "aims to publish the files as soon as possible, subject to confirming the accuracy of the data."

Although the carbon contract failed to break the 100 euro mark on Monday, traders and analysts said this level could soon be breached. "EUA price is showing strong momentum and could test the 100 euros/t level soon," Refinitiv analyst Luyue Tan said in a daily research note.

Top News - Dry Freight

Ukraine grain exports down 28.7% so far in 2022/23 season, exceed 30 mln tonnes

Ukraine grain exports are down 28.7% at 30.3 million tonnes in the 2022/23 season so far, hit by a smaller harvest and logistical difficulties caused by the Russian invasion, agriculture ministry data showed on Monday.

The volume so far in the July to June season included about 10.8 million tonnes of wheat, 17.4 million tonnes of corn and about 2 million tonnes of barley. Exports at the same stage of the previous season were almost 42.5 million tonnes.

The ministry said grain exports so far in February had reached 3.3 million tonnes as of Feb. 20, down from 4.07 million tonnes in the same period last year.

After an almost six-month blockade caused by Russia's invasion of Ukraine, three Ukrainian Black Sea ports were unblocked at the end of July under a deal between Moscow and Kyiv brokered by the United Nations and Turkey.

However, Ukraine has repeatedly accused Russia of delaying inspections of ships carrying Ukrainian agricultural goods, leading to reduced shipments and losses for traders.

Ukraine appealed last week to the United Nations and Turkey to press Russia to stop hindering Ukrainian grain shipments that supply millions of people and not to use food as a weapon.

A major global grain grower and exporter, Ukraine's grain output is likely to have dropped to about 51 million tonnes in clean weight in the 2022 calendar year, down from a record 86 million tonnes in 2021.

Officials have blamed the fall on hostilities in the country's eastern, northern and southern regions.

Japan seeks 94,387 tonnes of food wheat via tender

Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) is seeking to buy a total of 94,387 tonnes of food-quality wheat from the United States, Canada and Australia in a regular tender that will close on Wednesday. Japan, the world's sixth-biggest wheat importer, keeps a tight grip on imports of the country's second-most important staple behind rice and buys the majority of the grain for milling via tenders typically issued three times a month.

Picture of the Day

Locals stand near a fire as they warm themselves during frequent power outages from South African utility Eskom, caused by its ageing coal-fired plants, in Pimville, Soweto, South Africa, February 20. REUTERS/Siphiwe Sibeko

(Inside Commodities is compiled by Sravanthi Bhamidi in Bengaluru)

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