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Top News - Oil

POLL-US crude stocks likely seen up last week, products seen down

U.S. crude inventories rose last week, while distillates and gasoline stockpiles were seen falling, a preliminary Reuters poll showed on Monday.

Three analysts polled by Reuters estimated on average that crude inventories rose by about 1.8 million barrels in the week to Feb. 23.

The poll was conducted ahead of reports from the American Petroleum Institute industry group, due at 21:30 GMT on Tuesday, and the Energy Information Administration, the statistical arm of the U.S. Department of Energy, due at 15:30 GMT on Wednesday.

Crude inventories rose by 3.5 million barrels to about 443 million barrels in the week ending Feb. 16, the EIA said, compared with analysts' expectations in a Reuters poll for a 3.9 million-barrel rise.

Analysts estimated stockpiles of gasoline were down by 1.2 million barrels last week, while distillate inventories, which include diesel and heating oil, were seen decreasing by about 1.8 million barrels.

The rate of refinery utilization was expected to increase by 0.2 percentage point from 80.6% of total capacity in the previous week, the poll found.

Chevron, Exxon in dispute over Hess stake in Guyana oil block

Exxon Mobil Corp said on Monday it may preempt Chevron Corp's acquisition of a 30% stake in a giant Guyana oil block, the centerpiece of its deal for Hess Corp.

The companies are in talks on Exxon's claim it has a right to first refusal of any sale of the Stabroek block, a giant field off the coast of Guyana that contains at least 11 billion barrels of oil.

The dispute between the top U.S. oil producers could end Chevron's \$53 billion deal for Hess, Chevron warned in a securities filing. If the deal falls part, Hess could be liable for a \$1.7 billion breakup fee.

Hess shares fell more than 3% in late trading. Chevron fell almost 1%.

Exxon said in a statement it wants to ensure it will "preserve our right to realize the significant value we've

created and are entitled to in the Guyana asset," adding it is "working closely with the Guyanese government to ensure their rights and privileges."

"You have to assume that Chevron made a business decision that Exxon wouldn't try to preempt," said Dan Pickering, chief investment officer at Pickering Energy Partners. The two companies are partners in projects elsewhere and the dispute signals how valuable the Guyana projects are to Exxon, he said.

"It obviously means that 30% of Guyana is really valuable and maybe they think that Chevron is getting in too cheaply, Pickering said, adding "Right now, it feels like a food fight."

Exxon operates all production in Guyana with a 45% stake in the consortium with Hess and China's CNOOC as its minority partners. In October, Chevron proposed to buy Hess largely to obtain the Guyana stake.

Chevron said it believes the talks "will result in an outcome that will not delay, impede or prevent the consummation of the merger." However, it also said the dispute could wind up in arbitration if the two sides cannot reach a settlement.

"The right of first refusal provision is not applicable to the merger. We are fully committed to the transaction and do not believe the ROFR or these discussions will prevent its successful completion." Chevron and Hess said.

A disruption of the deal terms would be a major blow to the U.S. second largest oil producer, which has been trying to expand production into lower cost fields in the Americas.

Guyana has been trying to attract more large oil producers to dilute Exxon's dominance of the country's energy output. It recently held an offshore block auction that drew bids by TotalEnergies, Petronas and Qatar Energy.

The Hess acquisition has been stalled by the U.S. Federal Trade Commission's request for additional information on the merger. That request pushed back any closing to at least the middle of this year, and the Exxon claim could extend it further.

The Exxon-led consortium has said it expects to triple Guyana's oil output to more than 1.2 million barrels of oil per day by 2027.

Top News - Agriculture

AgRural again lowers forecast for Brazil's 2023/24 soybean crop

Brazil's 2023/24 soybean crop is expected to reach 147.7 million metric tons, agribusiness consultancy AgRural said on Monday, lowering a January forecast of 150.1 million tons after yield losses in key producing areas due to adverse weather.

Farmers in the world's largest soybean producer and exporter have been grappling with dry and hot weather this season, which has led government agencies and private consultancies to trim their output forecasts. AgRural has slashed its estimates several times since late last year. In November, before a heatwave that saw days of above-average temperature in center-western and southeastern Brazil, the consultancy's forecast stood at 164.6 million tons.

The latest cut, AgRural said in a statement, was related to yield losses in the states of Parana and Mato Grosso do Sul due to irregular rainfall and hot weather in January

and February.

The fresh estimate comes as Brazil's soybean harvest advances, having reached 40% of the planted area as of last Thursday, according to AgRural, up 8 percentage points from the previous week and above 33% at the same time a year earlier.

The consultancy also said that 73% of the second corn crop in Brazil's center-south region had been planted by late last week, against 59% in the previous week and 56% last year.

"Conditions so far are predominantly favorable," AgRural added. Brazil's second-corn is sowed after soybeans are harvested in the same fields, representing about 75% of the national corn output in a given year.

Persistent dry, hot weather worries Ivory Coast cocoa farmers

Dry weather and high temperatures continued last week in most of Ivory Coast's cocoa-growing regions, raising

Chart of the Day

Spot gold price in USD per oz



Published February 26, 2024 at 4:21 PM GMT
 Source: LSEG

concerns for the size and quality of the April-to-September mid-crop, farmers said on Monday.

Ivory Coast, the world's top cocoa producer, is in its dry season which runs from mid-November to March, when rain is usually scarce.

Farmers blamed a recent heat wave for weakening some cocoa trees and slowing the growth of small pods. They said abundant rainfall was needed in the next two weeks to limit damage on plantations.

"We need at least one good rain. The soil is becoming dry... it's not good for the yield of the mid-crop," said Albert N'Zue, who farms near the centre-western region of Daloa.

No rain fell in Daloa last week, compared to an average of 11.6 millimetres (mm) for the corresponding week over the past five years.

Similar comments were reported in the central regions of Bongouanou and Yamoussoukro, which also got no rain last week.

In the western region of Soubre, at the heart of the cocoa belt, 6.5 mm of rain fell, 2.9 mm below the five-year average.

"The trees got a bit of water. It's better than nothing," said Kouassi Kouame, who farms near Soubre.

There was a little rain last week in the southern region of Divo and the eastern region of Abengourou, and no rain in the southern region of Agboville.

Farmers in those regions said abundant rainfall was needed in the next two weeks or buyers would reject beans during the mid-crop for poor quality.

Average temperatures ranged from 28.8 to 33 degrees Celsius in Ivory Coast's cocoa-growing regions last week.

Top News - Metals

Indonesia mining ministry working to approve more nickel, tin quotas, official says

Indonesia's ministry is trying to address delays in approving new mining volume quotas, an official at the Energy and Mineral Resources Ministry said on Monday.

The ministry so far has issued approvals for quotas, known by the Indonesian acronym RKAB, for 145 million metric tons of nickel ore and 14 million tons of bauxite, said Tri Winarno, the ministry's director of mineral business development, adding that the focus is currently on RKAB approvals for nickel and tin mining.

Indonesia this year extended the validity of RKAB to three years from one year to reduce the frequency that companies needed to apply for the quotas, but Tri specified that the volumes approved so far are only for 2024.

"This (volume) is for this year. We continue to accelerate the approval process," he said. Tri did not specify how many companies have acquired the RKAB approvals. Miners and smelting companies have been concerned by delays in the approvals, without which they cannot conduct mining activities.

In January, exports of Indonesia's tin products dropped 99% because of the delay. Tri said Indonesia's largest tin miner, state-controlled PT Timah, has been granted its mining quotas, as well as a number of private tin companies.

EXCLUSIVE: India considers export tax on low-grade iron ore, sources say

India is considering an export tax on low-grade iron ore after small steel producers urged the government to curb its overseas sales, two sources directly involved in the matter said.

China typically accounts for more than 90% of overall

shipments of iron ore from India, which is the world's fourth largest producer of the steel-making ingredient. Demand for steel in India, the world's second-biggest crude steel maker, has raised iron ore consumption in the country and earlier this month small steel producers petitioned the Ministry of Steel to take measures to restrict exports to help ensure sufficient local supplies at affordable rates, the sources said.

A decision on whether to impose an export tax will depend on the recommendations of the Ministry of Steel, which did not respond to a Reuters request for comment on Monday.

The government was examining the issue, including iron ore export data and small steel producers' demands, the sources, who are directly involved in decision-making, told Reuters.

They declined to be identified as the deliberations are not public.

India in May 2022 raised the export tax on low-grade iron ore lumps and fines - with iron content below 58% - to 50% from zero, and hiked the duties on pellets to 45% from zero, as part of efforts to meet rising local demand. But when exports trickled to a halt, the government scrapped these taxes November 2022 and currently allows duty-free exports of low-grade iron ore or ore with iron content below 58%. India primarily exports low-grade iron ore.

Indian iron ore exports touched 32.2 million metric tons during the first nine months of the current fiscal year that began in April 2023 - worth \$2.7 billion - from 9.5 million tons a year ago, government data reviewed by Reuters shows.

India's steel demand is likely to stay strong as the government expects economic growth to outpace the global economy in the next fiscal year.

In 2023, China's iron ore imports hit a record high of about 1.18 billion metric tons as Chinese demand surged and its steel exports picked up, with a lot of shipments of finished steel coming into India.

The Federation of Indian Mineral Industries (FIMI), an industry body of mining firms, has written to the federal steel minister asking the government not to curb iron ore exports.

"We request that any proposal for banning/restricting exports of iron ore and pellets may kindly not be considered and status quo of nil export duty on these products be maintained," FIMI's letter, which was seen by

Reuters, says.

FIMI also said India ships out only low-grade iron ore, which is not widely consumed within the country, and overseas shipments of this grade should not be restricted. Small steel producers insist that they use low-grade iron ore, unlike big steel mills, and steady supplies at reasonable prices are vital for their relatively small profit margin.

India is expected to produce 330 million tons of iron ore in the fiscal year beginning April 2024, according to industry estimates, an 18% increase from an estimated 280 million tons this year, as more mines become operational.

Top News - Carbon & Power

ANALYSIS: Qatar's new LNG expansion plans to squeeze out US, other rivals

Qatar's planned expansion of liquefied natural gas (LNG) production could see it control nearly 25% share of the global market by 2030 and squeeze out rival projects including in the United States where President Biden paused new export approvals, market experts say.

Qatar, one of the world's top LNG exporters, plans an 85% expansion in LNG output from its North Field's current 77 million metric tons per year (mtpa) to 142 mtpa by 2030, from previously expected 126 mtpa.

Some market experts said that the move will have an

impact on global projects in the United States, East Africa, and elsewhere which requires financing and long-term customers commitment to reach final investment decision (FID), given Qatar's edge as the world's lowest cost producer.

"The Qataris realised that they should be able to offer pretty much the most competitive prices. They have the reserves, lower costs for building incremental capacity, the relationship with engineering firms and existing clients, so why stop here?," said Ira Joseph, Senior Research Associate at Columbia University's Center on Global Energy Policy.

MARKET MONITOR as of 07:31 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	\$77.79 / bbl	0.27%	8.57%
NYMEX RBOB Gasoline	\$2.57 / gallon	0.60%	22.13%
ICE Gas Oil	\$848.00 / tonne	0.86%	12.95%
NYMEX Natural Gas	\$1.58 / mmBtu	-4.76%	-37.15%
Spot Gold	\$2,035.00 / ounce	0.21%	-1.34%
TRPC coal API 2 / Dec, 24	\$91.48 / tonne	2.38%	-5.69%
Carbon ECX EUA	€53.71 / tonne	-0.48%	-33.17%
Dutch gas day-ahead (Pre. close)	€23.90 / Mwh	2.36%	-24.96%
CBOT Corn	\$4.25 / bushel	0.71%	-12.29%
CBOT Wheat	\$5.78 / bushel	0.52%	-9.66%
Malaysia Palm Oil (3M)	RM3,895 / tonne	0.83%	4.68%
Index	Close 26 Feb	Change	YTD
Thomson Reuters/Jefferies CRB	315.32	1.08%	4.62%
Rogers International	26.62	-0.45%	1.12%
U.S. Stocks - Dow	39,069.23	-0.16%	3.66%
U.S. Dollar Index	103.69	-0.13%	2.33%
U.S. Bond Index (DJ)	421.49	0.02%	-2.14%

"This suggests that they are hurtling into use it or lose it mode. If you're the world's low cost producer, why not throw down the hammer & scare away any competition that's requiring long-term customers & financing," he added.

Fraser Carson, Senior Research Analyst of Global LNG at Wood Mackenzie said the timing of Qatari announcement is "fortuitous", as other major LNG competitors stall, in light of the Biden administration's pause of U.S. LNG export approvals, Russian LNG is sanctioned and as civil unrest continues in Mozambique. Competition between Qatar and the United States intensified following Europe's decision to wean off dependence on Russia's pipeline gas following its invasion of Ukraine, as U.S. gas suppliers filled the supply vacuum, establishing themselves as the world's biggest LNG exporter in 2023, surpassing Qatar, though Qatari supplies also helped to replace the volumes. The U.S. LNG capacity will almost double over the next four years, but a decision to pause approvals for applications for new LNG export terminals, for environmental reviews, has prompted warnings from gas importers that the move would compromise future energy security worldwide.

"The signal the U.S. projects need to take from this: if they don't go ahead, someone will," said Kaushal Ramesh, Rystad Energy's vice president for LNG research.

ASIA'S GROWTH HORIZON

The new expansion is expected to lead to a period of more stable, lower prices across the rest of the decade and would encourage greater take-up of LNG from Asian buyers, said Alex Frolely senior LNG analyst at data intelligence firm ICIS.

"Bringing online 16 mtpa of low cost volumes is positive for Asia and is exactly what the LNG market needs to guarantee a long-term future in emerging Asia", Rystad's Ramesh said.

Global gas market will grow to 580-600 mtpa by 2030, from current 400 mtpa, mainly driven by Asian demand. Qatar is expected to control 24-25% of that market by then.

"Qatar is geographically well placed to meet current high demand in Northeast Asia in China, Japan and Korea and future demand in the only real growth region of South Asia, especially in India," said Henning Gloystein, Practice Head, at Energy and Resources at Eurasia Group.

QatarEnergy chief Saad al-Kaabi said on Sunday that he still believes that there is ample opportunity for gas to be part of the energy mix in the future: "We think there will be a shortage of gas, even with our project".

While there are concerns over the additional carbon emissions impact from new global LNG production,

Others argue that there is still huge scope for gas to reduce emissions by replacing coal and oil, ICIS' Frolely said.

"Despite being the world's largest LNG importer last year, China's overall energy mix is only around 8% gas against 61% for coal and 18% for oil, for example," he added, citing IEA figures.

The world's top energy companies including Exxon Mobil, Shell, TotalEnergies and ConocoPhillips have played a central role in Qatar's LNG industry for decades. They all hold stakes in existing production facilities and in recent years acquired stakes in the new expansion phases, offering cash in exchange for LNG volumes.

While the new contracts are not as lucrative as in the past, according to industry sources, they offer the companies an important foothold in the LNG industry, which they expect will continue to grow in the coming decades as economies shift from coal to less polluting natural gas.

Industry sources expect Qatar to continue to seek partnerships with global players as it has a lot of LNG volumes to sell, with one source expecting Australia's Woodside, whose U.S. Lake Charles project is under threat by Biden's pause, might seek to become a Qatari partner, given they have recently shelved plans for a \$52 billion tie-up with smaller rival Santos.

COLUMN-U.S. gas glut gets hedge funds ultra bearish: Kemp

Portfolio investors have become extremely bearish about the outlook for U.S. gas prices, even though prices have already fallen to their lowest level in real terms since futures began trading in 1990.

Hedge funds and other money managers sold the equivalent of 399 billion cubic feet (bcf) in the two major futures and options contracts linked to prices at Henry Hub in Louisiana over the seven days ending on Feb. 20. Fund managers have been net sellers in each of the most recent five weeks, selling 2,085 bcf since Jan. 16, according to position reports filed with the U.S. Commodity Futures Trading Commission.

As a result, the combined position has been reduced to a net short of 1,675 bcf (3rd percentile for all weeks since 2010) down from a net long of 410 bcf (42nd percentile) in the middle of January.

The gas market has been chronically oversupplied in recent months, with inventories 436 bcf (+21% or +1.26 standard deviations) above the prior 10-year seasonal average on Feb. 16.

The surplus has swelled consistently since the start of the winter heating season on Oct. 1, when it was just 64 bcf (+2% or +0.24 standard deviations).

Exceptionally strong El Niño conditions over the Pacific ensured temperatures have been mostly above average across the major population centres of the northern

United States. Domestic gas production has continued to increase, in spite of the relatively low prices, adding to the burgeoning surplus of gas in storage.

The rig count for gas has actually increased marginally since September 2023 as producers have been unresponsive to falling prices until the last few weeks. In addition, more associated gas is being produced as a co-product of drilling for oil, where prices are close to the long-term inflation-adjusted average and drilling rates are steady.

From a purely positioning perspective, the balance of risks must lie to the upside, with real prices at multi-decade lows and lots of short positions that must eventually be repurchased. Short positions have only ever been greater in the first quarter of 2020, when stocks were at record levels and the economy was bracing for the arrival of the first wave of the coronavirus epidemic. So there is potential for a huge short-covering rally if and when the news flow becomes more positive and inventories start to erode.

But hedge fund managers have tried and failed to identify the turning point three times in the last twelve months and been forced to retreat each time.

Bloated gas stocks in Europe and Japan after the price spike of 2021/22 will make it hard for the market to rebalance via increased exports.

Many analysts now expect the rebalancing to be postponed until the winter of 2024/25 with prices likely to remain suppressed until nearer then.

PETROLEUM

Investors continued to add to their position in petroleum-

related futures and options over the seven days ending on Feb. 16, but at a slower rate than in previous weeks. Hedge funds and other money managers purchased the equivalent of 17 million barrels in the six most important petroleum-linked futures and options contracts.

All the buying was concentrated in NYMEX and ICE WTI (+29 million barrels) with small sales in Brent (-4 million), European gas oil (-4 million), U.S. diesel (-4 million) and U.S. gasoline (-1 million).

Even after the recent buying, positions in WTI remain the most bearish of any of the major oil contracts, weighed down by the continued rise in domestic oil production, even as OPEC restricts Middle East supplies.

The net position in NYMEX and ICE WTI of 109 million barrels is still in only the 8th percentile for all weeks since 2013. That compares with net positions in Brent, gasoline and the distillates contracts all between the 60th and 70th percentiles.

WTI buying seems to have been motivated by unwinding previous bearish short positions (-17 million barrels) and cautious initiation of new longs (+13 million).

Crude inventories around the NYMEX WTI delivery point at Cushing in Oklahoma are still 14 million barrels (-32% or -1.14 standard deviations) below the prior 10-year seasonal average.

Despite an extended shutdown of BP's refinery at Whiting in Indiana, Cushing stocks have increased only slightly in the last two weeks, underscoring the risk of a squeeze on deliverable supplies.

With positioning so bearish, the balance of risks lies to the upside; some fund managers have begun to cut short positions and get long accordingly.

Top News - Dry Freight

Russian wheat export prices drop to lowest since 2020, analysts say

Russian wheat export prices continued to fall last week, hitting their lowest since late 2020, but analysts still believe they need to be lower to be competitive.

The price of 12.5% protein Russian wheat scheduled for free-on-board (FOB) delivery between late March and early April was \$215 a metric ton, down \$4 from the previous week, the IKAR agriculture consultancy reported.

The Sovecon agriculture consultancy pegged the same class of wheat at \$216 to \$220 a ton FOB, compared with \$218 to \$224 a week earlier. "Russian FOB is seen flat or slightly lower. It still needs to go lower to compete with European wheat," Sovecon noted.

Russia exported 1.03 million tons of grain last week, down from 1.2 million tons the previous week. The exports included 0.87 million tons of wheat, down from 1.12 million tons a week earlier, Sovecon wrote, citing port data.

The consultancy raised its estimate of February wheat exports by 0.5 million tons to 3.8 million tons, compared with 3 million tons a year earlier.

Ukraine's February grain exports at 4.7 mln T so far, says ministry

Ukraine has exported almost 4.7 million metric tons of grain so far this month, almost the same volume as in the same period a year earlier, agriculture ministry data showed on Monday.

Ukraine's grain exports in the 2023/24 July-June marketing season have so far fallen to about 28.6 million tons from 31.8 million a year earlier, the data showed. Exports have included 11.3 million tons of wheat, 15.4 million tons of corn and 1.6 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 walker looks towards flooded land around the Cuckmere River following heavy rainfall, Cuckmere Valley near Alfriston, southern Britain, February 26, 2024. REUTERS/Toby Melville

(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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