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Top News - Oil

Banking rout fuels U.S. oil hedging, as investors seek to limit losses

Oil producers, banks and hedge funds have increased purchases of put options to protect themselves from further losses, market sources said this week, as crude futures hit their lowest level since December 2021 on concern that the rout in the banking industry could trigger a global recession and cut fuel demand. Oil futures have fallen over 8% since last Friday as the collapse of SVB Financial and peer Signature Bank prompted concerns of a wider banking crisis.

Credit Suisse on Thursday sought to shore up its liquidity and restore investor confidence by borrowing up to $54 billion from Switzerland's central bank. The Swiss lender is the first major global bank to be thrown an emergency lifeline since the 2008 financial crisis.

Investors in the oil market, including oil producers, have rushed to buy put options, used to either bet on or protect against downside movement. Some hedge funds had short positions on options, two market sources said, in a bet that prices will fall farther. "There is a fear that if the global economy comes down we could be talking about oil going lower," Price Futures Group analyst Phil Flynn said. "Because (investors) don't know how this banking crisis is going to play out, they're trying to put a floor on risk."

Volume in puts for the U.S. crude futures contract for April delivery gained on Friday over 30% from the previous session to 30,594, CME Group data showed. From Friday to Wednesday, volumes rose even further, climbing over 60% to 50,255 puts. There were about 36,394 call options, or bets on a higher price, bought on Wednesday in comparison. For U.S. crude futures options open interest, the ratio of puts to calls is the highest since August 2022. "Given the price action we are looking at, I would say you could see further increases in volatility just because the sentiment is so sour," said Rebecca Babin, senior energy trader at CIBC Private Wealth US. A U.S. based trader said investors were reluctant to buy and hold due to the high volatility and was therefore focused on short term positions in the market. "Shorting these levels could turn quickly on you," the trader added. However, if oil prices fall further, buying put options to protect against the downside would become more expensive as demand goes up, though puts costs vary. The discount of later-dated oil futures contracts to the front-month contract tightened on Wednesday, indicating that market participants were less confident in short-term demand.

That short-term uncertainty should buoy put buying, Price Futures Group's Flynn said. The premium of U.S. crude's front-month contract to U.S. crude's price in half a year tightened to as little as 29 cents a barrel, the lowest since Feb. 7, Refinitiv Eikon data showed.

For international benchmark Brent crude futures, the front-month contract's premium to the contract in half a year tightened to $1.31 a barrel, the lowest since Jan. 31.

OPEC+ views oil price drop as financially driven, delegates say

OPEC+ considers this week's slide in oil prices to a more than one-year low to be driven by financial fears, not any imbalance between demand and supply, and expects the market to stabilise, four delegates from the oil producer group told Reuters. Oil sank to a 15-month low on Wednesday, with Brent crude below $72 a barrel, on concerns about contagion from a banking crisis.

Crude stabilised on Thursday after Credit Suisse was thrown a financial lifeline by Swiss regulators.

"It's purely financially driven and has nothing to with the demand and supply of oil," one of the delegates said, asking not to be named. OPEC+ is "most likely wait and see" in expectation that the situation will "normalise soon".

Three other delegates from the OPEC+ producer group comprising the Organization of the Petroleum Exporting Countries (OPEC), Russia and other allies, made similar remarks.

The comments will dampen any speculation that OPEC+ is concerned about weakening prices and might consider further steps to support the market. The group's next policy meeting is not until June, though an advisory panel of key ministers meets on April 3.

One of the delegates said OPEC's latest monthly oil market report, released on Tuesday with an upgraded demand forecast for China, pointed to a sound balance between supply and demand.

"We are focusing on market fundamentals," another of the sources said. Last November, with prices weakening, OPEC+ reduced its output target by 2 million bpd - the largest cut since the early days of the COVID-19 pandemic in 2020. The same reduction applies for the whole of 2023. Ministers from Algeria and Kuwait this week praised the decision and Saudi Arabia's energy minister told Energy Intelligence that OPEC+ will stick to the reduced target until the end of the year.

Top News - Agriculture

IGC sees global grains production rising in 2023/24

Global grains production is forecast to rise in the 2023/24 season but not enough to prevent a drawdown in stocks, the International Grains Council (IGC) said on Thursday. The inter-governmental body, issuing its first full set of projections for 2023/24, put grains production at 2.283 billion tonnes, up from 2.250 billion in the prior season. Grains consumption was expected to climb to 2.288 billion from 2.261 billion, leading to a small decline in carryover stocks to 580 million tonnes from 586 million. "Led by an assumed recovery in maize (corn), global grains output is projected to rise by 1% ... While this would boost overall supply, comparatively larger consumption gains could result in smaller end-season inventories," the IGC said.

The IGC forecast global corn production would rise to 1.202 billion tonnes in the 2023/24 season from 1.150 billion in the prior season.

An expected rise in corn production in the United States (377.7 million tonnes from 348.8 million), Argentina (61.0 million from 46.0 million) and the European Union (64.9 million from 52.1 million) more than offset an anticipated further decline in Ukraine (21.0 million from 27.0 million).

Global corn consumption was seen at 1.198 billion tonnes in 2023/24 leading to a small rise in carryover stocks to 261 million tonnes from 256 million.

The IGC saw global wheat production falling to 787 million tonnes from 801 million in the prior season.

The decline in forecast wheat production was largely driven by diminished prospects in the Black Sea region, with Russia's crop seen falling to 82.8 million tonnes from 95.4 million and Ukraine's to 20.2 million tonnes from 25.2 million.

Larger crops were expected in the United States (51.4 million vs 44.9 million) and Argentina (19.0 million vs 12.0 million).

Global wheat consumption was seen at 794 million tonnes in 2023/24, leading to a fall in carryover stocks to 279 million tonnes from 286 million.

India should keep lid on wheat exports to replenish local stocks - flour millers

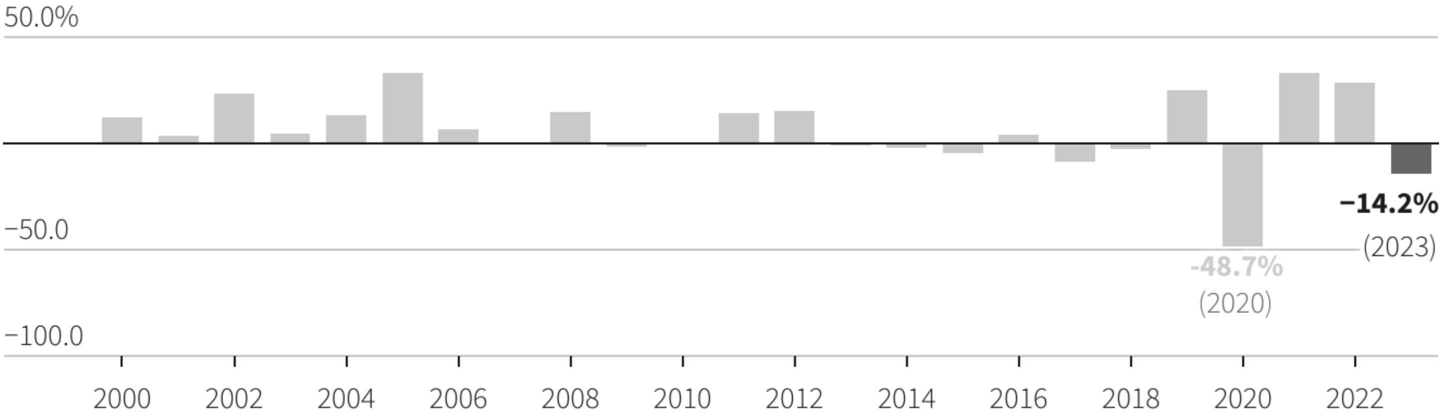
India should extend a ban on wheat exports in place since last year to help ensure lower domestic prices and sufficient stocks for consumers, a flour millers' industry body said on Thursday. Exports of the grain from India,

Chart of the Day

Crude oil price fall

Brent has seen second biggest contraction in its price year till date since 2000 amid banking sector fears.

Brent price change till March 15 since the beginning of each year



Note: Price data taken till March 15 each year.

Source: Refinitiv Datastream | Reuters, March 16, 2023 | By Vineet Sachdev

the world's second biggest producer, surged after Russia's invasion of Ukraine boosted global prices, but a sudden rise in temperatures in March 2022 shrivelled the crop and cut yields, pushing local prices higher.
India imposed a ban in May last year, within days of promising to supply large quantities of the grain to a host of countries reeling from sky-high prices and severe shortages of the staple. While there is no specific date for the ban to expire, government and industry sources have said it is scheduled to be reviewed next month. Reuters last month reported India was considering extending its term. "The government's efforts have paid off and local prices have fallen, giving relief to consumers and a wide range of industries, including bread and biscuit makers," said Pramod Kumar, president of the Roller Flour Millers' Federation of India. "The wheat export ban must continue," he said. India's new season wheat has just started arriving on the market and the harvest will gather momentum in the next few weeks. Last month India estimated wheat production in 2023 could rebound to a record 112.2 million tonnes, but some farmers and industry officials are less optimistic due to a sudden rise in temperatures in the past few weeks. Last year's small crop size led to a 53% drop in government purchases to 18.8 million tonnes, pushing up local prices. The Food Corporation of India buys wheat to run the world's biggest food welfare programme and to keep a sufficient stockpile to meet any emergency requirements.

Top News - Metals

Glencore will not renew $16 bln aluminium deal with Russia's Rusal

Glencore will not renew a $16 billion deal to buy aluminium from Russia's largest producer United Co Rusal International when it expires next year, Bloomberg News reported on Thursday, quoting Chief Executive Officer Gary Nagle. The group has continued to honour existing contracts but has pledged not to enter into any new business with Russia in the wake of its invasion of Ukraine, the report said. A spokesperson from Glencore confirmed the content of the report. Bloomberg had reported last month that Trafigura Group, one of Glencore's biggest trading rivals, is in talks about securing its own supply of metal from Rusal, citing people familiar with the matter. Trafigura declined to comment on the news and its talks with Rusal while the Russia company did not respond to Reuters' requests for comment. Glencore's shares were up 1.4% at 418 pence as of 1350 GMT.

Gold Fields, AngloGold rule out merger after Ghana joint-venture deal

Gold Fields and AngloGold Ashanti are not considering a full-scale merger after they agreed to combine their neighbouring Tarkwa and Iduapriem mines in Ghana to create Africa's biggest gold mine, the two companies said on Thursday. Gold miners are increasingly looking to consolidate as they seek to replace depleting reserves and contain cost pressures.
Last month, U.S.-based Newmont Corp, the world's top gold producer, bid $16.9 billion for Australia's Newcrest Mining, triggering speculation of a new wave of mergers and acquisitions in the industry.
When asked by reporters if a merger was under consideration, AngloGold CEO Alberto Calderon said: "We are in similar places around the world, but for now this is the thing we are focused on. We're not going to entertain any speculation on that (a merger). There's no conversation or anything of that sort."
Calderon and Gold Fields interim CEO Martin Preece said on a conference call about their joint venture that they would explore other opportunities to maximise synergies where they arise.
The South Africa-headquartered AngloGold and Gold Fields are among the five biggest gold producing companies by output in the world, with operations in Africa, Australia and South America.
Calderon has previously said AngloGold prefers internal growth to acquisitions. Gold Fields' Preece, who last month said the company was no longer pursuing big M&A deals after its failed bid for Canada's Yamana Gold said on the conference call "collaboration is easier".
"I think it's going to be asset-specific and opportunity-specific," Preece said. Gold Fields and AngloGold would own 60% and 30% of the joint operation, respectively, with the Ghanaian government holding 10%, Calderon said. The joint venture would produce an average 900,000 ounces annually over the first five years and 600,000 ounces over its estimated 18-year life of the mine, the companies said. "The proposed joint venture would create the largest gold mine in Africa and one of the largest in the world. It will be a high-quality operation, supported by a substantial mineral endowment and an initial life spanning almost two decades," the companies said in a joint statement. The combined operation's all-in sustaining costs (AISC), an industry measure, would be less than $1,000 per ounce for the first five years and less than $1,200 per ounce over the estimated life of mine. Tarkwa produced 531,600 ounces in 2022 at AISC of $1,248 per ounce, while Iduapriem produced 248,000 ounces at a cost of $1,299 per ounce. Apart from Tarkwa, Gold Fields has two other mines in Ghana, Damang and the 45%-owned Asanko. AngloGold also has another mine in Ghana, Obuasi, in addition to Iduapriem.

Top News - Carbon & Power

Repsol scraps plans for east coast Canada LNG terminal

Repsol has decided against developing a liquefied natural gas (LNG) terminal on Canada's east cost because it would cost too much to ship the gas to the terminal, the company said on Thursday. Spanish company Repsol had been looking into developing an LNG export terminal in Saint John, New Brunswick, to supply European markets, part of a global push to secure alternative supplies to Russian gas following the invasion of Ukraine.
But to reach the terminal gas would have to be transported thousands of kilometres from western Canada, requiring new pipeline capacity through Canadian provinces and northeastern U.S. states that in the past have resisted fossil fuel development.
"Following a study carried out by the company, it was determined to not continue with the Saint John liquefaction project as the tolls associated to it made it uneconomical," a Repsol spokesperson said in a statement.
Last summer Repsol CEO Josu Jon Imaz said the company would need a buyer to commit to a 15- to 20-year offtake agreement for the gas, as well as new pipeline infrastructure and tolling agreements to get the gas to the Atlantic coast.
European countries scrambled to source new gas supplies last year as prices rocketed following Russia's invasion of Ukraine, prompting German Chancellor Olaf Scholz to visit Canada in August in the hope the world's sixth-largest producer could expedite exports to Europe.
Earlier in 2022, the Canadian government was in talks with Repsol and privately owned Pieridae Energy about potentially accelerating their LNG projects on the east coast but Ottawa's support appeared to wane even before Scholz's visit.
A spokesperson for Canada's Natural Resources Ministry said Repsol has informed the Canadian government that there was no business case for an east coast terminal.
"We will continue to support our European friends and allies as they accelerate their clean energy transition and eliminate their dependence on Russian energy," spokesperson Ian Cameron said. "It is up to individual proponents to ensure the economic viability of their proposed projects."
Pieridae Energy did not immediately respond to a request for comment.

MARKET MONITOR as of 07:44 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$68.73 / bbl	0.56%	-14.37%
NYMEX RBOB Gasoline	$2.49 / gallon	0.65%	0.50%
ICE Gas Oil	$770.50 / tonne	2.70%	-16.34%
NYMEX Natural Gas	$2.52 / mmBtu	0.16%	-43.73%
Spot Gold	$1,931.00 / ounce	0.62%	5.84%
TRPC coal API 2 / Dec, 23	$134.5 / tonne	-5.94%	-27.20%
Carbon ECX EUA / Dec, 24	€91.16 / tonne	-	3.59%
Dutch gas day-ahead (Pre. close)	€42.45 / Mwh	-5.14%	-43.83%
CBOT Corn	$6.37 / bushel	0.67%	-6.12%
CBOT Wheat	$7.15 / bushel	0.85%	-11.24%
Malaysia Palm Oil (3M)	RM3,961 / tonne	0.71%	-5.10%
Index (Total Return)	**Close 16 Mar**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	281.18	1.04%	-6.69%
Rogers International	26.35	0.09%	-8.08%
U.S. Stocks - Dow	32,246.55	1.17%	-2.72%
U.S. Dollar Index	104.42	-0.22%	0.87%
U.S. Bond Index (DJ)	401.36	-0.18%	2.45%

Biden administration tells Supreme Court Big Oil climate cases belong in state court

A lawsuit filed by several Colorado municipalities accusing ExxonMobil Corp and Suncor Energy Inc. of exacerbating climate change belongs in state court where it was filed, the Biden administration told the U.S. Supreme Court on Thursday. The administration urged the justices to reject the oil companies' petition for review of a February 2022 appeals court's ruling that sent the case back to state court, a venue generally considered more favorable to the municipal plaintiffs.

The Denver-based 10th U.S. Circuit Court of Appeals remanded the case after concluding that none of the grounds cited by the companies to change the venue supported giving federal courts jurisdiction.

The venue question is a key point of contention in roughly two dozen lawsuits filed by states and municipalities against major oil companies alleging they concealed and misrepresented the dangers associated with burning fossil fuels.

The oil companies have denied the local and state governments' allegations and argued that despite the municipalities only raising state law claims, the cases clearly raise federal questions. Representatives for the parties didn't immediately respond to requests for comment Thursday. The case, if the Supreme Court elects to take it, would give the high court a second chance to clarify whether state or federal courts should hear the lawsuits filed by states and local governments, including Honolulu, Baltimore, and the states of Rhode Island and Delaware. The Supreme Court first considered the jurisdiction question in 2021 in case brought by the city of Baltimore. It issued a narrow ruling telling the 4th U.S. Circuit Court of Appeals to reconsider arguments for removal raised by the oil companies in that case, but didn't weigh in directly on which courts were proper.

Top News - Dry Freight

Egypt buys Ukrainian wheat amid grain deal extension talks

Egypt's state grains buyer, the General Authority for Supply Commodities (GASC), said on Thursday it bought 120,000 tonnes of Ukrainian wheat in an international tender for shipment April 15-25, 2023. The purchase comes amid talks on the extension of the U.N.-backed Black Sea Grain Initiative, which expires later this week. Russia has proposed that the deal, which allows grain shipments from Ukraine's Black Sea ports, should be renewed for just 60 days. Ukraine has rejected it. The deal has previously been renewed for 120 days and there are concerns a shorter extension could cause logistical issues.

Japan buys 73,518 tonnes of food wheat via tender

Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) bought a total of 73,518 tonnes of food-quality wheat from the United States, Canada and Australia in a regular tender that closed on Thursday.

Japan, the world's sixth-biggest wheat importer, keeps a tight grip on imports of its second-most important staple behind rice, buying the majority of the grain for milling via tenders typically issued three times a month.

Picture of the Day

A man makes his way through snow and wind during a Nor'easter storm in lower Manhattan in New York City, U.S., March 14, 2023. REUTERS/Brendan McDermid

(Inside Commodities is compiled by Soumya Chatterjee in Bengaluru)

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