Oil | Agriculture | Metals | Carbon & Power |Dry Freight
Click on headers to go to that section

Top News - Oil

Citadel sees limited impact on energy demand from banking crisis

U.S. hedge fund Citadel expects a tighter credit environment following the latest banking crisis but so far the economic decline is not enough to plunge commodities into the abyss, its head of commodities told Reuters. Banking stocks and bonds plummeted on Monday and oil was at 15-month lows as the hit to investors from UBS Group's state-backed takeover of Credit Suisse fanned concerns about the health of the global financial sector.

"The immediate response will be a tightening of regulations and higher capital ratios, which will reduce the velocity of lending," Sebastian Barrack, head of commodities at Citadel, said on the sidelines of Financial Times Global Commodities Summit.

"The risk is not systemic at this point. A lot of lending in commodities is collateralised so there won't be a major impact."

The hedge fund giant, which was based in Chicago but recently moved to Miami, manages roughly $60 billion in assets.

Barrack said global markets are a long way from a recession like that in 2007-2008, adding that the loss of 1-2% to global GDP will not have a material impact on oil demand that he expects to rebound in the second half of this year.

"The depth of the recession is more important. We need to have a 5-6% global GDP cut to have a major impact on commodities," he said.

Hedge funds and trading firms like Trafigura and Vitol were making record profits in energy markets last year on the back of the extreme price jumps and dislocations caused by Russia's invasion of Ukraine, which aggravated underlying tight gas markets.

Citadel, run by billionaire Ken Griffin, ended 2022 with a $16 billion gain last year, the biggest profit ever earned by a hedge fund.

Its returns to investors were up 38.1% last year for its flagship multi-strategy fund, a source familiar with the matter said, with four out of five strategies having had their best ever years. The commodities arm holds positions in oil, power, natural gas and agriculture.

The Organisation of Petroleum Exporting Countries and its allies (OPEC+) agreed a 2 million barrel-per-day cut in October last year that took effect in November and will continue until December 2023.

"The macro backdrop remains an unanswered question as OPEC assesses impact on demand. The fact that they are not yet cutting supply demonstrates a quiet level of confidence," he said.

European diesel tightens, crude weakens as French refinery outages linger

European diesel markets are flashing warnings of tightening supply while crude oil markets are weakening after nearly two weeks of disruptions at French refineries due to strike action, traders said. The industrial action, part of a nationwide movement against planned pension system changes, has led to reduced output at the Normandy and Feyzin refineries while shipments from the Donges and La Mede refineries have also been blocked.

The outages have in recent days led to growing concern that French and regional supplies of fuels, in particular diesel, could tighten in the coming weeks.

In a sign of these concerns, the spread between the prompt and second month ICE low-suplhur diesel contracts rose on Monday to a premium, known as a backwardation, of $35.25 a barrel, its highest since November 2022.

The profit margin for refining crude oil into diesel has jumped by nearly 40% over the past month.

That followed weeks of rising inventories in northwest Europe as traders rushed to fill storage tanks in the run-up to a Feb. 5 EU ban on Russian fuel imports.

"The diesel market flipped from feeling long and heavy to short and very backward," one trader said.

France's diesel and gasoil imports have dropped to 173,000 barrels per day (bpd) so far this month, down 50% from February and from March 2022, preliminary data from analytics group Kpler show.

In the absence of Russian diesel supplies, Europe has sharply increased imports from Asia, the Middle East and the United States in recent months.

Diesel supply in the region is expected to tighten significantly by April, three trading sources said.

CRUDE TUMBLES

France's refineries processed around 1 million barrels per day of crude oil in January, roughly 8.4% of Europe's total throughput, according to the International Energy Agency.

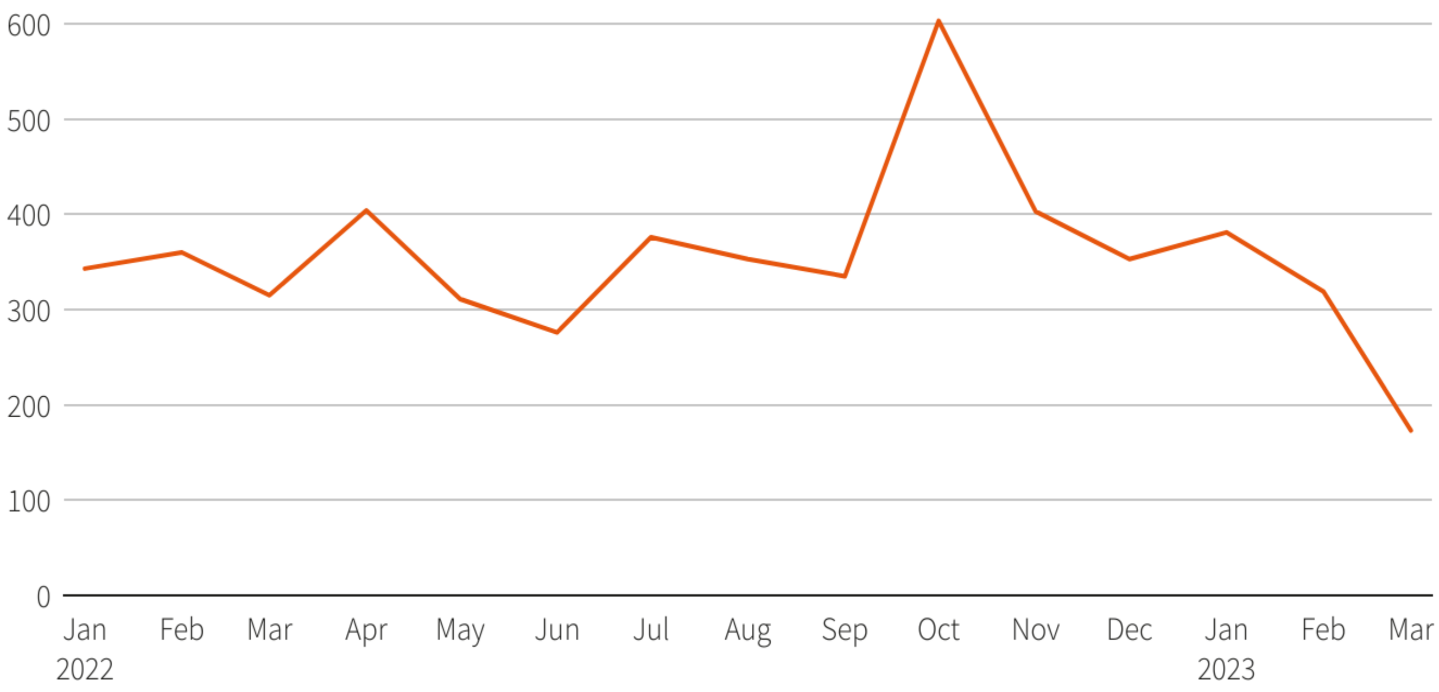
The strike action has impacted crude deliveries and reduced French buying interest.

France's crude and condensate imports have averaged

just 550,000 barrels per day (bpd) this month, down by almost 50% from the previous month, Kpler crude analyst Johannes Rauball said.
"The import decline has seen the country rely on its inventories, with crude stocks easing by 11% since February," Rauball said.
Prices of North Sea and Nigerian crude grades have dropped as a result of the strike action.
"WTI cargoes for May delivery compared with April are down by $1.50-$2/bbl, because of that, North Sea is having to price lower to compete," one trader said.
The Ekofisk North Sea crude grade, produced at a field in Norway where TotalEnergies has equity, relies on France for two-thirds of its export stream, Rauball said.
No Ekofisk cargoes have been discharged in France this month, Kpler data show. Ekofisk differentials to dated Brent on Friday hit their lowest since January 2022.
Meanwhile, prices for crude grades from Nigeria, one of France's top suppliers, have dropped by around $1/bbl in the past two weeks, traders said. "It's a buyer's market, with WTI and Azeri crude offered way down to sell," a trader of West African crude said.

Chart of the Day

French diesel, gasoil imports



Note: in thousand barrels per day, March 2023 data is preliminary
Source: Kpler

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Top News - Agriculture

EXCLUSIVE-Ukraine's 2023 grain harvest seen falling to 44.3 mln T- farm ministry

Ukraine's 2023 grain harvest is likely to fall to 44.3 million tonnes from 53.1 million in 2022 as less acreage is sown due to the Russian invasion, a forecast by the Ukrainian agriculture ministry showed on Monday. The crop could include 16.6 million tonnes of wheat, 21.7 million tonnes of corn and 4.8 million tonnes of barley, the ministry said. Ukraine is a major global grain and oilseed producer and exporter, but its production and exports fell sharply after Russia occupied a swathe of Ukrainian territory and blocked key Black Sea ports in the second half of last season. In 2022 Ukraine harvested 20.5 million tonnes of wheat, 25.6 million tonnes of corn and 5.6 million tonnes of barley. It harvested a record 86 million tonnes of grain in peaceful 2021. "The reduction in grain sowing acreage, coupled with the projected decline in average yields caused by rising prices of key inputs, will affect harvest volumes," the ministry said. It said the grain sowing area is expected to total 10.2 million hectares, 1.4 million hectares less than a year earlier. The area for winter wheat is seen shrinking to 4.17 million hectares, down 834,000 hectares from 2022. Corn will likely be sown on 3.6 million hectares, a decrease of 451,000 hectares from the previous year. At the same time, gross production of oilseeds is expected to increase to 19.2 million tonnes this year from 18.2 million tonnes in 2022 due to a larger sowing area for the more lucrative crop, according to the ministry forecast.

The sunflower seed harvest is seen at 11.5 million tonnes this year, up from 11.1 million tonnes in 2022. Rapeseed output could rise to 3.8 million tonnes from 3.7 million tonnes last year.

Soybeans could total 3.9 million tonnes versus 3.4 million tonnes. Ukraine's national academy of agricultural science said this month that the grain harvest could fall 37% to 34 million tonnes in 2023 because of a smaller grain sowing area and lower yields.

India likely to harvest record 11.5 mln tonnes rapeseed this year -industry body

Rapeseed output in India, the world's biggest importer of vegetable oils, is likely to rise 7.5% this year due to a record planting of the winter-sown oilseed, a leading trade body said on Monday. Farmers are likely to harvest a record 11.5 million tonnes in the crop year to June 2023, the Solvent Extractors' Association of India (SEA) told a news conference in the north-western state of Rajasthan, producer of more than half of India's rapeseed. Last year, the country produced 10.7 million tonnes of rapeseed, which has the highest oil content among India's nine main oilseeds. "Rapeseed production would have been even higher, but unfavourable weather in January affected yields," said B.V. Mehta, executive director of the Mumbai-based industry body, releasing a field survey. Although farmers planted rapeseed across a record area this year, frost and heat-wave hit crop yields. Rapeseed planting touched an all-time high of 9.8 million hectares this year, 7.4% higher than the previous year. Based on the higher area, the government has forecast a record rapeseed production of 12.8 million tonnes.

Higher rapeseed output will help India cut back expensive imports of vegetable oil. India meets more than 70% of its cooking oil demand through imports. New Delhi buys tropical palm oil mainly from Indonesia and Malaysia and soft oils, such as soyoil, from Argentina and Brazil, to make up for a shortfall in soybean, rapeseed and peanut output. The country also imports sunflower oil from Ukraine and Russia and canola oil from Canada.

India's consumption of vegetable oils, including palm oil and soyoil, has trebled over the last two decades as the population grew and incomes rose, while output swelled by less than a third. In the fiscal year to March 31, 2022, New Delhi spent a record $18.99 billion to import vegetable oils, prompting Prime Minister Narendra Modi to voice concerns about India's rising vegetable oil import bill.

Top News - Metals

Gold flirts with record highs after topping $2,000 an ounce

Gold traded at record highs in some currencies on Monday and neared all-time peaks in U.S. dollar terms after banking sector turmoil sent prices of the safe haven asset rocketing 10% in a matter of days. Banking stocks and bonds continued to plummet on worries that more problems may emerge after several U.S. banks and Switzerland's Credit Suisse collapsed or required rescue.

In U.S. dollars, gold shot as high as $2,009.59 from $1,815 on March 9 and was within sight of its 2020 peak of $2,072.50.

In other currencies, records had already fallen. Gold rose above 3,000 Australian dollars and 165,000 Indian rupees for the first time and traded around 1,880 euros, just 20 euros shy of its euro record.

"It's all about risk hedging," said StoneX analyst Rhona O'Connell.

"A Swiss bank is supposed to be the be all and end all of safe havens," she said. "If something else happens in the banking sector, you can expect gold to go higher."
Gold had fallen back to around $1,980 an ounce by 1230 GMT, with technical indicators suggesting that the rally may have gone too far too fast.
All eyes were on a U.S. Federal Reserve meeting on Wednesday.
Rising U.S. interest rates had put pressure on gold by increasing returns on competing assets like bonds but investors now believe the Fed must slow or stop its tightening to ease pressure on banks, despite inflation remaining high.
"Its ALL about the Fed," MKS PAMP strategist Nicky Shiels wrote in a research note, predicting rates would remain unchanged on Wednesday.
The failure of Silicon Valley Bank this month was "a gamechanger" for gold, she said. "The Fed will have to choose between higher inflation OR a recession/financial instability and either outcome is bullish for gold, which puts all time highs in play."
Some investors may sell gold to take profit in the short term but bullion's upward trend should continue, said Saxo Bank analyst Ole Hansen.
"Peak rates have on three previous occasions during the past 20 years triggered a prolonged period of gold strength. Given the current situation a repeat cannot be ruled out."

Billionaire Forrest bids for nickel miner Mincor in $504 mln deal
Wyloo Metals, owned by Australian mining magnate Andrew Forrest, offered on Tuesday to buy all the shares of Mincor Resources it does not already own, valuing the nickel developer at A$750 million ($504 million). A key attraction in Mincor is a nickel sulphide deposit it is developing in Western Australia that would raise Wyloo's exposure to the battery material and could feed a nickel sulphate plant it is considering building with miner IGO.
The move comes as Australia builds out a critical minerals processing industry to reap more value from the electric vehicle battery chain.
Mincor's shares jumped 41% to $1.47 a share, well above the offer price of A$1.40 a share, indicating investors expect a higher bid to emerge, possibly from BHP Group or IGO, which owns a 7% stake in Mincor, analysts said.
Mincor advised shareholders to take no action, noting that Wyloo had not declared the offer to be best and final.
"We are in a world where the adoption of electric vehicles and industrial decarbonisation continues to increase demand for high-grade nickel sulphides," Mincor CEO Gabrielle Iwanow said.

MARKET MONITOR as of 07:48 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$67.08 / bbl	-0.83%	-16.42%
NYMEX RBOB Gasoline	$2.48 / gallon	-0.71%	0.03%
ICE Gas Oil	$762.75 / tonne	-1.13%	-17.18%
NYMEX Natural Gas	$2.22 / mmBtu	-0.31%	-50.48%
Spot Gold	$1,973.55 / ounce	-0.26%	8.18%
TRPC coal API 2 / Dec, 23	$125 / tonne	-7.06%	-32.34%
Carbon ECX EUA / Dec, 24	€91.93 / tonne	0.76%	4.47%
Dutch gas day-ahead (Pre. close)	€40.15 / Mwh	-8.12%	-46.87%
CBOT Corn	$6.32 / bushel	-0.24%	-6.93%
CBOT Wheat	$7.03 / bushel	-0.81%	-11.30%
Malaysia Palm Oil (3M)	RM3,793 / tonne	0.21%	-9.13%
Index (Total Return)	**Close 20 Mar**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	279.72	0.24%	-7.17%
Rogers International	25.92	-0.86%	-9.59%
U.S. Stocks - Dow	32,244.58	1.20%	-2.72%
U.S. Dollar Index	103.28	-0.41%	-0.23%
U.S. Bond Index (DJ)	404.30	-0.19%	3.22%

"As Mincor approaches full ramp-up in mining, and continues to pursue its highly prospective exploration opportunities, we believe that this strategic value will continue to grow."
Wyloo swooped in following a 30% slump in Mincor's shares this year as it was pummeled alongside other nickel producers by macro economic concerns. While the offer is at a 35% premium to Mincor's last close, it is roughly in line with the issue price from a December equity raising by the nickel developer.
"We view the bid as opportunistic by Wyloo when considering that Mincor was trading at A$1.40 a share a month ago," RBC analysts said in a note.
The deal is among Wyloo's largest in base metals. Wyloo elbowed out BHP Group to buy Canada's Noront Resources for C$617 million ($451 million) in late 2021.
Forrest, who built his fortune through his majority holding in Fortescue Metals Group, the world's fourth largest iron ore miner, already owns 19.99% of Mincor through his private investment vehicles Wyloo and Tattarang.

Top News - Carbon & Power

EU proposes extending energy crisis measure to curb gas demand
The European Commission on Monday proposed extending for a year an emergency measure to curb gas demand that is set to expire in order to help the continent get through next winter. The European Commission on Monday proposed that EU countries extend for a year an emergency measure to curb gas demand for the next 12 months, to help prepare Europe to get through next winter with scarce Russian gas.
Europe is emerging from winter with a more stable energy supply than was feared last year, after Russia cut off most gas supplies in the months following its invasion of Ukraine - squeezing supply and triggering record-high prices.
The Commission said countries should extend, from April until March 2024, a voluntary target to curb their gas demand by 15% versus their 2017-2022 average consumption. The target was due to expire at the end of March.
EU countries slashed their combined gas use by 19% from August to January 2023 helped by an unusually warm winter.
Soaring prices helped curb industrial output and the EU and national governments encouraged consumers to reduce their energy consumption.
As a result, Europe is approaching the end of winter with unusually high levels of gas in storage.
They also have a more stable supply outlook after rapidly expanding renewable energy to help displace Russian gas and building infrastructure to take in imports of fuel from alternative suppliers.
Risks remain, including cold weather or increased Chinese gas demand which could reduce supply available for European buyers. The Commission said continued gas demand curbs are needed if countries are to fill their gas storage to 90% of capacity by November - a binding target EU countries agreed last year to help avert winter shortages.
EU energy ministers will discuss the target at a meeting in Brussels on Mar. 28.
Officials said not all countries are on board with extending the measure - though as it required support from EU member states representing at least 65% of the bloc's total population, some said it appeared likely to win approval.

Germany sees progress in EU talks for ban on fossil fuel cars
Talks between Germany's Transport Ministry and the European Commission about the planned end of new combustion engines from 2035 are moving forward, the ministry said on Monday, but added it could not say when an agreement would be reached.
After months of negotiations, the European Parliament, the Commission and European Union member states agreed last year to the law that would require new cars sold in the EU from 2035 to have zero CO_2 emissions - effectively making it impossible to sell combustion engine cars from that date.
But Germany this month declared its last-minute opposition. It wants sales of new cars with internal combustion engines to be allowed after that date if they run on e-fuels.
"There are positive trends that are a good basis for further talks," a spokesman for the ministry told a news conference.
The ministry, run by the liberal Free Democratic Party (FDP), proposed last week that the Commission should provide a separate vehicle category for cars that run only on e-fuels, a letter from the ministry to the EU executive seen by Reuters showed. The Commission declined to comment on the letter, which also suggested allowing carmakers to count such cars towards complying with CO_2 targets.
EU climate policy chief Frans Timmermans said in a news conference on Thursday that once a deal on a law is agreed between EU countries and the European Parliament, it is important that both sides respect it.
"At the same time, we have to make sure that the interpretation of that agreement people give is also something we can agree upon. And this is an ongoing conversation we are having with the German authorities right now," Timmermans said. Such changes are legally

problematic as the European Parliament has approved the regulations agreed between the bloc's member states and the Commission, meaning any change could be complicated and time-consuming. An EU official said member states had been told at a meeting in November that the Commission would make a proposal on registering cars running on e-fuels after 2035, but only after the CO2 law for cars is finally adopted.

Top News - Dry Freight

Algeria tenders to buy up to 70,000 tonnes corn - traders

Algerian state agency ONAB has issued an international tender to purchase up to 70,000 tonnes of animal feed corn to be sourced from Argentina or Brazil, European traders said on Monday. The deadline for submission of price offers in the tender is Tuesday, March 21, they said.
Corn shipment is sought in two 35,000 tonne consignments, the first by April 30 at the latest and the second between May 1 and May 15.

Taiwan tenders for 56,300 tonnes wheat of U.S.-origin

The Taiwan Flour Millers' Association has issued an international tender to purchase an estimated 56,300 tonnes of grade 1 milling wheat to be sourced from the United States, European traders said on Monday.
The deadline for submission of price offers in the tender is March 24.
The tender seeks a range of different wheat types - including dark northern spring, hard red winter and white wheat - in one consignment from the U.S. Pacific Northwest coast between May 10 and May 24.
The association's tenders traditionally provide an accurate snapshot of U.S. wheat export prices in Asian markets.

Picture of the Day

A 100g gold bar from the Credit Suisse is seen in a shop in Zurich, Switzerland March 20, 2023. REUTERS/Denis Balibouse

(Inside Commodities is compiled by Soumya Chatterjee in Bengaluru)

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

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