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Top News - Oil

OPEC+ announces surprise oil cuts; U.S. calls move inadvisable

Saudi Arabia and other OPEC+ oil producers on Sunday announced further oil output cuts of around 1.16 million barrels per day, in a surprise move that analysts said would cause an immediate rise in prices and the United States called inadvisable.

The pledges bring the total volume of cuts by OPEC+, which groups the Organization of the Petroleum Exporting Countries with Russia and other allies, to 3.66 million bpd according to Reuters calculations, equal to 3.7% of global demand.

Sunday's development comes a day before a virtual meeting of an OPEC+ ministerial panel, which includes Saudi Arabia and Russia, and which had been expected to stick to 2 million bpd of cuts already in place until the end of 2023.

Oil prices last month fell towards $70 a barrel, the lowest in 15 months, on concern that a global banking crisis would hit demand. Still, further action by OPEC+ to support the market was not expected after sources downplayed this prospect and crude recovered towards $80.

The latest reductions could lift oil prices by $10 per barrel, the head of investment firm Pickering Energy Partners said on Sunday, while oil broker PVM said it expected an immediate jump once trading starts after the weekend.

"I expect the market to open several dollars higher ... possibly as much as $3," said PVM's Tamas Varga. "The step is unreservedly bullish."

Top OPEC producer Saudi Arabia said it would cut output by 500,000 bpd. The Saudi energy ministry said the kingdom's voluntary reduction was a precautionary measure aimed at supporting the stability of the oil market.

"OPEC is taking pre-emptive steps in case of any possible demand reduction," Amrita Sen, founder and director of Energy Aspects, said.

Last October, OPEC+ had agreed to an output cut of 2 million bpd from November until the end of the year, a move that angered Washington as tighter supply boosts oil prices.

The U.S. has argued that the world needs lower prices to support economic growth and prevent Russian President Vladimir Putin from earning more revenue to fund the Ukraine war.

The Biden administration said it sees the move announced by the producers on Sunday as unwise.

"We don't think cuts are advisable at this moment given market uncertainty - and we've made that clear," a spokesperson for the National Security Council said.

STARTS IN MAY

The voluntary cuts start from May and last until the end of the year. Iraq will reduce its production by 211,000 bpd, according to an official statement.

The UAE said it would cut production by 144,000 bpd, Kuwait announced a cut of 128,000 bpd while Oman announced a cut of 40,000 bpd and Algeria said it would cut its output by 48,000 bpd. Kazakhstan will also cut output by 78,000 bpd.

Russia's Deputy Prime Minister Alexander Novak also said on Sunday that Moscow would extend a voluntary cut of 500,000 bpd until the end of 2023. Moscow announced those cuts unilaterally in February following the introduction of Western price caps.

An OPEC+ source said Gabon would make a voluntary cut of 8,000 bpd and not all OPEC+ members were joining the move as some are already pumping well below agreed levels due to a lack of production capacity.

After Russia's unilateral reductions, U.S. officials said its alliance with other OPEC members was weakening, but Sunday's move shows the cooperation is still strong.

Iraq to ask Turkey to restart northern oil exports after initial KRG deal

Iraq's federal government and the Kurdistan Regional Government (KRG) have reached an initial agreement to restart northern oil exports this week, a KRG spokesman said on Sunday, and Baghdad will write to Turkey to request a resumption in pipeline flows.

Turkey stopped pumping about 450,000 b/d of Iraqi crude from a pipeline from the Fish-Khabur border area to its Ceyhan port on March 25 after Iraq won an arbitration case. Baghdad had argued that Turkey had violated a joint agreement by allowing the KRG to export oil to Ceyhan without its consent.

"Following several meetings between the KRG and federal government, an initial agreement has been reached to resume oil exports through Ceyhan this week," Lawk Ghafuri, head of foreign media affairs for the KRG wrote in a Twitter post.

"This agreement will remain in effect until the oil and gas law bill is approved by Iraqi Parliament," Ghafuri said.

Iraq's oil ministry in Baghdad said on Sunday it hopes to reach a final agreement soon with the KRG on resuming northern oil exports.

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The halted flows only account for about 0.5% of global oil supply, but the stoppage, which forced oil firms operating in the region to halt output or move production into rapidly -filling storage tanks, still helped boost oil prices last week back to near $80/bbl.
Iraq's oil ministry said that details on the new export agreement would be announced "in due course".
Sources told Reuters on Saturday the agreement states that Iraq's northern oil exports will be jointly exported by Iraq's state-owned marketing company SOMO and the KRG's ministry of natural resources (MNR).
The resumption of pipeline flows from Iraq's semi-autonomous Kurdistan region will still need approval from Turkey.
"A letter of request to resume oil flows will be sent by Baghdad to Ankara," a KRG official told Reuters on Sunday.
Sources last week told Reuters that Turkey wants an unfinished court case settled with Iraq before the pipeline reopens.

Top News - Agriculture

Argentina to launch 'soy dollar' on Monday to aid agriculture sector

Argentina's government will launch a new "soy dollar" preferential exchange rate for farm exports on Monday, a spokesperson from the economy ministry said, to boost agricultural shipments and increase the depleted foreign reserves in the central bank (BCRA).
The government of President Alberto Fernandez hopes the plan - to be announced by Economy Minister Sergio Massa - will lead agro-export companies to bring in some $15 billion between the second and third quarters of 2023, including to regional economies.
"The announcement (of measures) is on Massa's agenda for tomorrow (Monday)," the spokesperson told Reuters on Sunday.
Argentina's agricultural sector last year lost some $20 billion after a fierce drought hit crops of soybeans, corn and wheat, according to analysts, slowing the economy amid galloping inflation that accelerated by more than 100% year-on-year.
The soy dollar rate was used twice last year to stimulate sales.
"The delicate situation of (the BCRA's) net (foreign) reserves requires the government to take measures to strengthen them in the short term," consulting firm Delphos Investment said.
Analysts consulted by Reuters expect the new special exchange rate for the so-called "soy dollar" to be between 270 and 300 Argentina pesos per dollar.
The peso closed at 209.01 units per dollar on Friday.
The new rate could be applied immediately as an export incentive for soybeans, and maintained for the next 90 days to boost foreign trade in regional economies, a source from the ministry of agriculture said.
The South American country, suffering a prolonged financial crisis, is the world's top exporter of soy oil and meal and the No. 3 for corn, which are the main sources of its foreign currency income.
The International Monetary Fund (IMF) executive board on Saturday approved changes to Argentina's reserves accumulation target set in their $44 billion program.
The BCRA saw sales of dollars increase in March, with reserves dropping by $1.9 billion last month, with reserves depleting by around $3 billion in the first quarter.

EU may need to reintroduce tariffs on Ukrainian grain, PMs say

Tariffs on Ukrainian agricultural imports may need to be reintroduced if an influx of products that is pushing down prices in European Union markets cannot be stopped by other means, the prime ministers of five eastern states said on Friday.
In a letter to European Commission President Ursula von der Leyen published on a Polish government website, the prime ministers of Poland, Hungary, Romania, Bulgaria and Slovakia said that the scale of the increase of products including grains oilseeds, eggs, poultry and sugar had been "unprecedented".
Ukraine, one of the world's largest grain exporters, had its Black Sea ports blocked following Russia's February 2022 invasion and found alternative shipping routes through European Union states Poland and Romania.
Logistical bottlenecks mean large quantities of Ukrainian grains, which are cheaper than those produced in the EU, have ended up in central European states, hitting prices and sales of local farmers.
In the letter the prime ministers called for a variety of measures to limit market distortions caused by Ukrainian imports, but said that if these were not successful tariffs and tariff quotas should be reintroduced.
"Let's support Ukraine, but let's do it wisely and, above all, let's put the interest of the country and Polish farmers in the first place," Polish Prime Minister Mateusz Morawiecki said on Twitter.
Among the measures proposed in the letter was a joint solution between the EU and the World Food Program to ensure Ukrainian grain does not end up in EU markets.

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They reiterated calls for more funds to help farmers and for faster development of transport infrastructure to help with the transport of goods from Ukraine.

They also called for changes to laws on agricultural imports that would help regulate the volume and direction of the inflow of agricultural products.

Top News - Metals

EXCLUSIVE-Chinese lithium producers set price floor as demand evaporates -sources

China's top lithium producers agreed this week to set a floor price of 250,000 yuan ($36,380) per tonne of lithium carbonate, six people familiar with the matter said, in an effort to slow a plunge in the price of the battery raw material.

The price was agreed on Tuesday by around 10 companies including Tianqi Lithium and Ganfeng Lithium that met on the sidelines of a conference in Nanchang in southern China, said one person who attended the meeting and five others briefed on the discussions.

The people declined to be named because of the sensitivity of the topic, which was discussed in a closed-door meeting.

Ganfeng said in a response to Reuters that no discussions on a floor price had taken place.

"Ganfeng always insists that product prices should be determined by the market, and will never take the initiative to control prices to influence the market," a company representative said in an email.

It added that no company in the industry has such capabilities.

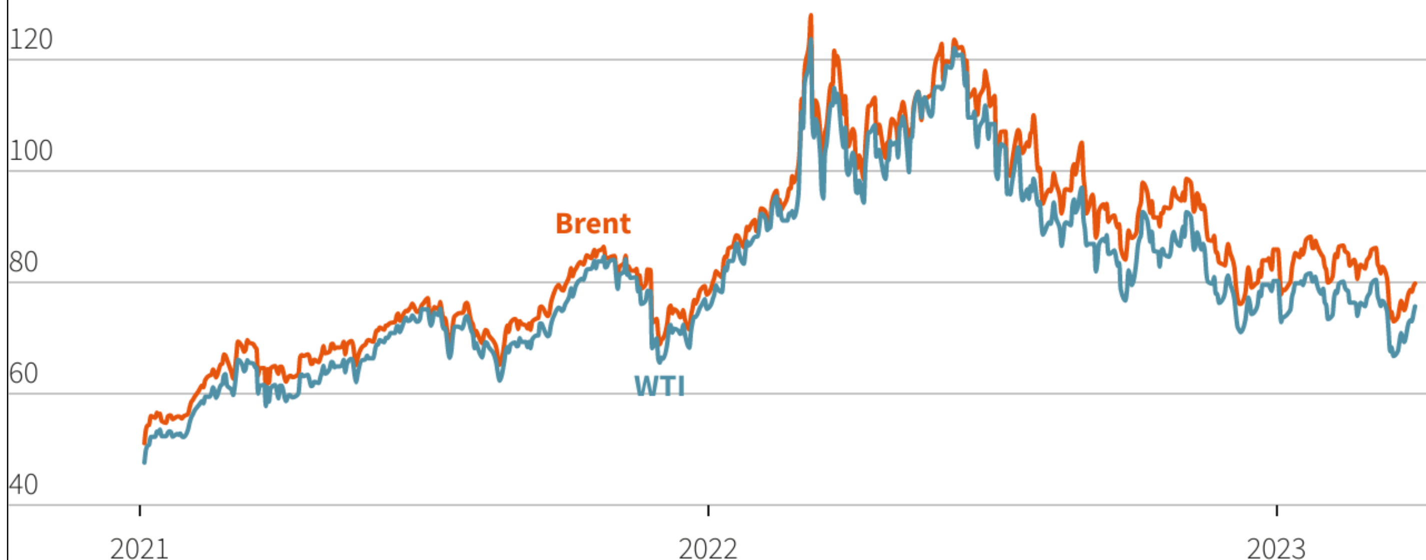
Tianqi declined to comment.

Zhicun Lithium, one of the top lithium carbonate producers in China, was also represented at the meeting, said four of the people, but could not be reached for comment.

The move comes as lithium prices plunge on a significant slowdown in demand for electric vehicles (EV) in China, the world's largest EV market.

Spot prices have slumped by more than 60% since their peak in late November, with the decline picking up pace

Chart of the Day



in recent weeks on a growing price war in China's auto market.
It is not clear how long the companies, which account for over half China's lithium carbonate output, will follow the floor price.
Spot prices dropped to 220,000 yuan a tonne on Friday, according to a weekly price assessment by Fastmarkets, down from 260,000 yuan a week earlier.
Offers as low as 150,000 yuan were also heard in the market this week as traders sought to offload mounting stocks, said a buyer for a battery manufacturer who did not attend the meeting of lithium producers.
"Setting a floor price should strengthen the market sentiment and hold the prices from falling further," said the person who attended the meeting.
However, some buyers were sceptical that producers would stick to the floor price, given the sluggish demand.
"If we don't buy, someone will eventually drop the price," said a lithium carbonate buyer briefed on the decision.
Participants at the meeting also discussed the planned launch later this year of lithium carbonate futures on the Guangzhou Futures Exchange, according to two of the people, another move that could help stabilise prices.

COLUMN-London Metal Exchange aims at nickel market reboot: Andy Home

A year after the implosion of the London nickel market, the London Metal Exchange (LME) has unveiled its "Action Plan" for reviving the contract's flagging fortunes.
The suspension of LME nickel trading and the cancellation of trades last March has left the 146-year-old exchange with a trail of lawsuits, a regulatory investigation and a collapse in volumes.
After this week's resumption of Asian-hours trading "the LME expects LME Nickel to gradually recover lost liquidity, driven by Asian arbitrage trading and hedging business," it said.
Its Shanghai counterpart will be hoping so too. The Shanghai Futures Exchange nickel contract saw volumes slump by 70% last year with no recovery in the first two months of 2023.
The LME is also now planning to expand the range of nickel that can be delivered against its contract and will work with the Qianhai Mercantile Exchange (QME), also owned by Hong Kong Exchanges and Clearing HKEx, to launch spot contracts for other forms of nickel.
The nickel reboot is part and parcel of a broader reform package, including permanent price-move limits, lending caps, changes to margining and a drive to enhance regulatory oversight of the over-the-counter shadows.

MORE NICKEL

The LME only accepts high-purity Class I refined nickel against its contracts, creating "basis risks" for producers hedging other forms of nickel, according to a review of the March meltdown by consultancy Oliver Wyman.
China's Tsingshan Group, the big nickel short at the heart of last year's implosion, is the world's largest nickel producer but not in a form that could be delivered against its London positions.
The physical market mismatch with the LME's Class I contract is growing ever wider as a new wave of Indonesian supply arrives in intermediate Class II form.
As a first step the LME will fast-track applications and waive listing fees for Class I producer brands and look at including nickel powder as a deliverable shape.
The news generated a flurry of lending activity across the LME nickel curve, the cash-to-three-months contango widening from $172.00 per tonne at the Tuesday close to $192.50 at the Thursday close.
The reaction may be premature. As the LME itself concedes, the current list of 19 brands covers around 90% of the Class I market, meaning limited impact on stock levels over the short term.
More significant may be the LME's admission it is "proactively working" with mainly Chinese and Indonesian operators to look at listing metal from new plants capable of converting intermediate materials directly into Class I form.
Tsingshan itself is likely to be a prime candidate. The company is commissioning a 50,000-tonne-per-year refinery in Indonesia and experimenting with using disused Chinese copper smelters to produce Class I nickel.

CLASS II PRICE DISCOVERY

Although Indonesian operators are closing the processing gap between refined metal and products such as matte and ferronickel, the underlying pricing gap remains problematic.
The LME has decided not to launch its own Class II contract, for now at least. A physically-deliverable product is hard to standardise given a wide spectrum of purity and co-product. A cash-settled contract would require "a robust and trusted price index" which doesn't yet exist, it said.
QME will take up the challenge with the launch of spot trading of nickel matte and sulphate, a recognition that "successful Class II pricing will need to reflect the core role of China in these markets," the LME noted.
QME was launched in 2018 after HKEx's attempts to get LME warehouses opened in China ran aground.
It started trading alumina but has extended its portfolio to aluminium products, copper, natural gas and soybeans.
Turnover rose by 144% year-on-year to 79.4 billion yuan in 2022, according to HKEx.

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VOLATILITY AND VISIBILITY
The volatility restraints put in place by the LME in the wake of the nickel crisis will become permanent.
Daily price-move limits, currently set at 15% across the board, will be recalibrated with potential reductions to 12% in the case of copper and aluminium if a more granular approach is adopted, the LME said.
The exchange will consult on making the daily backwardation limit and deferred delivery mechanism a permanent part of the rule book with the aim of "providing confidence to all market participants that current structural low-stock environments can be appropriately navigated".
It also proposes extending its stock reporting requirement beyond the existing "off-market" count, which captures metal stored off-market with contractual reference to LME delivery, to "eligible" stocks, meaning anything of LME quality in any LME warehouse.
The move towards greater visibility on what lies in the off-market warehouse shadows is mirrored in the LME's drive to gather more information on over-the-counter (OTC) trading.
The LME has claimed it lacked timely information about the true size of Tsingshan's short positions, which were structured across multiple brokers and split between both exchange and OTC markets. The Oliver Wyman report highlighted the need for greater regulatory oversight of the OTC market.
The LME has since introduced OTC position reporting but wants to enhance its powers to mitigate against a risk spill-over from the OTC to exchange-traded markets such as occurred last year.
It may not be easy.
"The LME recognises that some market participants may not be supportive of proposed changes in this area as their individual business models may benefit from these factors," it noted.
The exchange also admitted that it "has experienced challenges" in introducing new OTC reporting rules, including "jurisdictional issues, such as with confidentiality and bank secrecy regimes, which limit the effectiveness of aggregating global OTC position data as not all client data can be provided."
"The LME will engage global regulators on these topics including to seek legislation to mandate disclosure of client data," it added.
It is, in other words, likely to be a long road. As will be any recovery in the London nickel market.
Until the LME's reform package passes through the consultation stage to implementation, a revival of trading activity is largely dependent on the reopened arbitrage link with China.

Top News - Carbon & Power

EU extends gas price cap system to all EU hubs
The European Commission will extend its gas price cap system to all trading hubs in the European Union from May to prevent potential distortions to Europe's energy markets, it said on Friday.
EU countries agreed the cap in December after drawn-out talks over taming gas prices that hit record levels after Russia cut gas deliveries to Europe following its invasion of Ukraine.
For now, the cap is triggered if prices exceed 180 euros ($196) per megawatt hour for three days on the Dutch Title Transfer Facility (TTF) gas hub's front-month contract.
The TTF price must also be 35 euros/MWh higher than a reference price based on existing liquefied natural gas (LNG) price assessments for three days.
TTF derivatives account for more than 90% of the natural gas derivatives traded on regulated markets in the European Union.
The Commission said its "market correction mechanism" would extend to derivatives linked to trading in all other EU hubs from May 1.
The EU executive said the move would provide an even broader shield against high and volatile gas prices and help avoid potential distortions from applying it solely to TTF derivatives.
If triggered, trades would not be permitted on the front-month, three-month and front-year TTF contracts at a price more than 35 euros/MWh above the reference LNG price, which is currently set at 39.09 euros/MWh.
This caps the price at which gas can be traded, but the cap can fluctuate alongside global LNG prices - a system designed to ensure EU countries can still bid for gas in global markets.
The front-month TTF gas price contract hit a record high of 343 euros in August, but was trading on Friday at 45.70 euros/MWh, Refinitiv Eikon data showed.
The cap mechanism is designed to be temporary, applying until January 2024.

Gas shortfall in Australia's east coast less likely as supply outlook improves - regulator
The Australian competition regulator said on Monday the country's east coast gas market could have sufficient supply to meet its demand forecast in 2023 if LNG producers committed supply of at least an additional 3 petajoules (PJ) of gas to the domestic market.
An interim March report released by the Australian Competition and Consumer Commission (ACCC) stated

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supply-demand outlook had improved by 27 PJ since its forecast in January due to rise in production estimates and drop in uncontracted gas.
The improved outlook prompted the Australian government to not to activate its domestic gas security supply mechanism for July to September quarter, it said in a statement.
The ACCC data was "one of the key inputs to not commence the notification period for the newly reformed Australian Domestic Gas Security Mechanism (ADGSM) for the upcoming quarter," Minister for Resources Madeleine King's office said in a separate statement.
East coast LNG producers are expected to have uncontracted gas in every quarter in 2023, which could be used to prevent any shortfalls, the regulator said in its report.
The ACCC expects LNG producers to have excess uncontracted gas in all quarters of 2023 - with 33 PJ of uncontracted gas expected in the third quarter which could be sold domestically, internationally as LNG spot cargoes, or stored, it added.
In the March report, the regulator's forecasts showed the domestic market would need at least an additional 11 PJ of gas over currently contracted levels to ensure sufficient supply to meet demand in the third quarter of 2023.
"If gas supply is brought forward (through gas swaps), or if LNG producers commit further gas to the domestic market, then there should be sufficient supply to fulfill demand in the third quarter of 2023," the ACCC said in a statement.
However, it sees an 18 PJ of surplus gas available in the market in the fourth quarter of 2023.

Top News - Dry Freight

Australia critical mineral export revenue to match coal by 2028 - govt report

Revenue from Australia's exports of critical minerals like lithium and nickel will nearly equal the current second-biggest export earner coal by 2028 as the global energy transition gathers pace, the government said in an update of its five-year outlook.
Australia's industry department, which on Monday forecast another record year of resources export revenue, said global coal demand had passed its peak, whereas demand for minerals like lithium, nickel, copper and rare earths was set to speed up.
"Lithium and base metals (and their raw material inputs) will account for almost as much export revenue as all coal types by 2027–28," it said in its March quarterly report, which provided the updated outlook.
Australia's annual export revenue from thermal coal, used in power plants, is expected to fall to a third of current levels to about A$19 billion ($12.67 billion) in real terms by 2027-28, the report said.
Likewise, export revenue from steel-making coal will halve over the next five years to A$30 billion.
Meanwhile, surging demand for lithium will boost the value of exports to A$19 billion in the current financial year ending June 30 from A$5 billion a year earlier.
Annual exports of copper, alumina, lithium and nickel will reach A$49 billion by 2027-28. The department does not provide a breakdown of other critical minerals such as cobalt and rare earths.
Overall, the country's total resource and energy exports are forecast to reach a fresh record of A$464 billion this financial year after energy prices surged because of the war in Ukraine. Last year, exports had reached a record A$421.6 billion.
Prices and revenue are expected to normalise in coming years, but resources exports will remain a major earner for the country, the department said, projecting revenue just shy of A$289 billion in real terms by 2027-28.
China's demand for Australia's biggest export earner, iron ore, is expected to be stronger than previously forecast, though to remain below the A$119 billion seen last financial year amid COVID-related supply disruptions.
The industry department lifted its iron ore revenue forecast by A$8 billion to A$97 billion in the current financial year due to pent up demand as Australia's biggest trading partner reopens after COVID-related lockdowns.

Drought cuts Romanian grain, sunseed output in 2022 -stats office

Romania's production of wheat, maize and sunseed fell by double digits in 2022, driven by weather and higher production costs, preliminary data from the National Statistics Board showed on Friday.
The European Union state put 2.18 million hectares under wheat and reaped 8.6 million tonnes of wheat in 2022, down 18% from a bumper harvest in the previous year.
Its maize harvest stood at 8.2 million tonnes, down 44.7%, while sunseed production was 2.08 million tonnes, down 27%.
Romania is among the EU’s largest grain sellers and an active exporter, with Egypt its main buyer. In the 2022/23 season it was the EU’s second-biggest soft wheat exporter.
It exports through the port of Constanta, which Ukraine has been using as an alternative route since Russia blocked its Black Sea ports.
But logistical bottlenecks mean that large quantities of Ukrainian grains, which are cheaper than those produced

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in the EU, have ended up in central European states, including Romania, hurting prices and sales by local farmers.
Earlier this week, the Polish and Romanian prime ministers said they were in talks with the European Commission over export tracing mechanisms for Ukrainian grains to ensure local farmers are not hurt by a flood of cheap imports.
The Commission has estimated farmers from Poland, Romania, Hungary, Bulgaria and Slovakia have lost 417 million euros overall from the flow of cheaper Ukrainian grains into their markets.
It will hand out compensation worth 56.3 million euros to Polish, Bulgarian and Romanian farmers, with more planned.

MARKET MONITOR as of 06:23 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$79.28 / bbl	4.77%	-1.22%
NYMEX RBOB Gasoline	$2.70 / gallon	0.82%	9.07%
ICE Gas Oil	$796.50 / tonne	4.42%	-13.52%
NYMEX Natural Gas	$2.09 / mmBtu	-5.51%	-53.21%
Spot Gold	$1,953.99 / ounce	-0.71%	7.10%
TRPC coal API 2 / Dec, 23	$142 / tonne	2.16%	-23.14%
Carbon ECX EUA / Dec, 24	€96.13 / tonne	-0.12%	9.24%
Dutch gas day-ahead (Pre. close)	€47.25 / Mwh	10.27%	-37.48%
CBOT Corn	$6.65 / bushel	0.68%	-1.99%
CBOT Wheat	$6.96 / bushel	0.47%	-12.59%
Malaysia Palm Oil (3M)	RM3,858 / tonne	2.58%	-7.57%
Index (Total Return)	**Close 31 Mar**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	293.90	1.28%	-2.47%
Rogers International	26.93	1.22%	-6.05%
U.S. Stocks - Dow	33,274.15	1.26%	0.38%
U.S. Dollar Index	102.51	0.35%	-0.98%
U.S. Bond Index (DJ)	410.42	0.72%	3.83%

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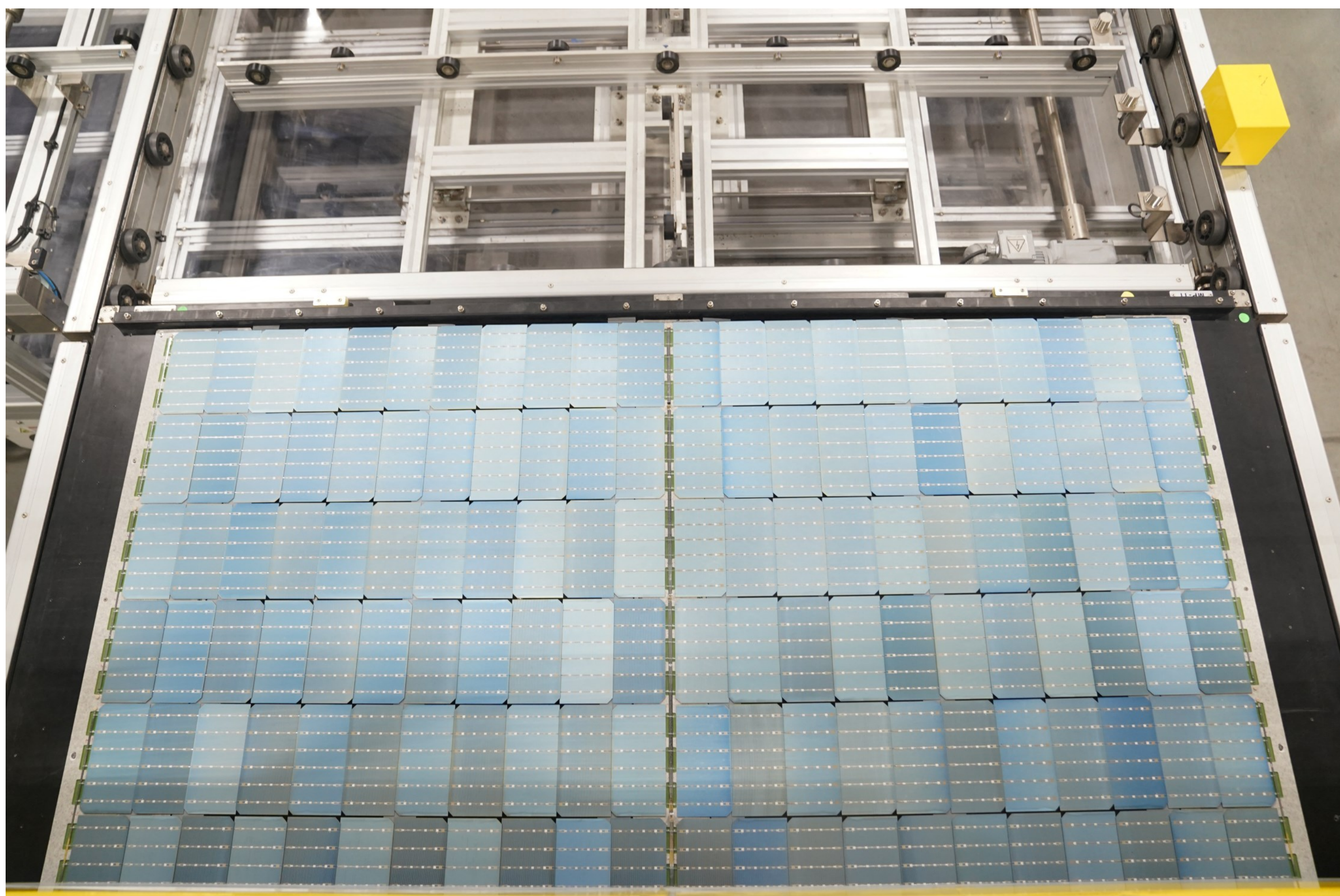
Picture of the Day



Solar panels being built at the QCells solar energy manufacturing factory in Dalton, Georgia, U.S., March 2. REUTERS/Megan Varner

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(Inside Commodities is compiled by Shoubhik Ghosh in Bengaluru)

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

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