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Top News - Oil

EXCLUSIVE-UAE's ADNOC recently eyed BP as takeover target, sources say

The United Arab Emirates' state-owned oil company recently considered buying Britain's BP but the deliberations did not progress beyond preliminary discussions, people familiar with the matter told Reuters.

Abu Dhabi National Oil Company (ADNOC) ultimately decided BP would not be the right fit for its strategy, three people said. Political considerations also weighed on the potential move, one of the people said.

The 88 billion-pound ($110.3 billion) company has underperformed its competitors for years, which investors and analysts say has made the British firm a potential takeover target. U.S. oil giants are in the midst of the industry's biggest consolidation for decades, but European oil majors have to date not been involved.

Investors have penalized BP's plan to reduce fossil fuel production and its faster shift toward renewables than rivals such as Shell, Exxon and Chevron. In February 2023, BP rowed back on its more aggressive energy transition plans.

ADNOC, in contrast, has increased oil and gas production capacity and CEO Sultan al-Jaber is seeking to reshape the state giant in the image of a global oil major. The company, which is not publicly traded, is big enough to consider acquiring the smaller of the oil majors, BP.

ADNOC and BP spoke directly in recent months and ADNOC also sought advice from investment banks on a potential deal, two of the people said.

The Emirati giant considered all options when looking at BP, including buying a big stake, a fourth person said.

Large companies typically evaluate the market value and strategic worth of rivals for potential acquisitions. BP was one of many companies ADNOC has looked at, the person added.

"It didn't go far," the person said of the considerations over buying BP.

ADNOC has also looked at other international companies to give it access to a bigger gas and liquefied natural gas (LNG) portfolio, the person added.

ADNOC declined to comment for this story. A BP spokesman and a spokesman for Britain's business ministry also declined to comment.

BP's U.S. shares rose 0.2% in afternoon trading, hitting a six-month high of $40 and erasing earlier losses.

BP'S VULNERABILITY

The considerations underscore ADNOC's ambitions to expand internationally as part of the UAE's energy transition strategy. It also highlights BP's vulnerability as investors question its plans.

ADNOC previously told Reuters it is pursuing investment opportunities in areas including renewable energy, gas, petrochemicals and liquefied natural gas as part of its international expansion. ADNOC sees those sectors as key future growth markets.

ADNOC has been pursuing a series of European assets. Last year it made a non-binding bid of about 11.3 billion euros ($12.1 billion) to acquire German plastics and chemicals maker Covestro. It has also been in talks with Austria's OMV to create a chemicals giant with combined annual sales of more than $20 billion.

In December, it agreed to buy European chemical producer OCI's stake in ammonia and urea producer Fertiglobe for $3.6 billion.

BP, which reported profits of $13.8 billion last year, is valued at the lowest multiple amongst the global oil majors when measured by market capitalisation versus cashflow. The gap between BP's price-to-cashflow ratio on a 12-month forward basis and that of rival Shell has widened in recent months to levels not seen in years.

Jefferies analyst Giacomo Romeo said that although BP's shares are trading at "a clear valuation discount relative to peers," the company has "an attractive set of assets including good growth opportunities in its upstream portfolio and a best-in-class trading business."

BP Chief Executive Murray Auchincloss took the top job in January, succeeding Bernard Looney who was dismissed in December for lying to the board over personal relationships with colleagues.

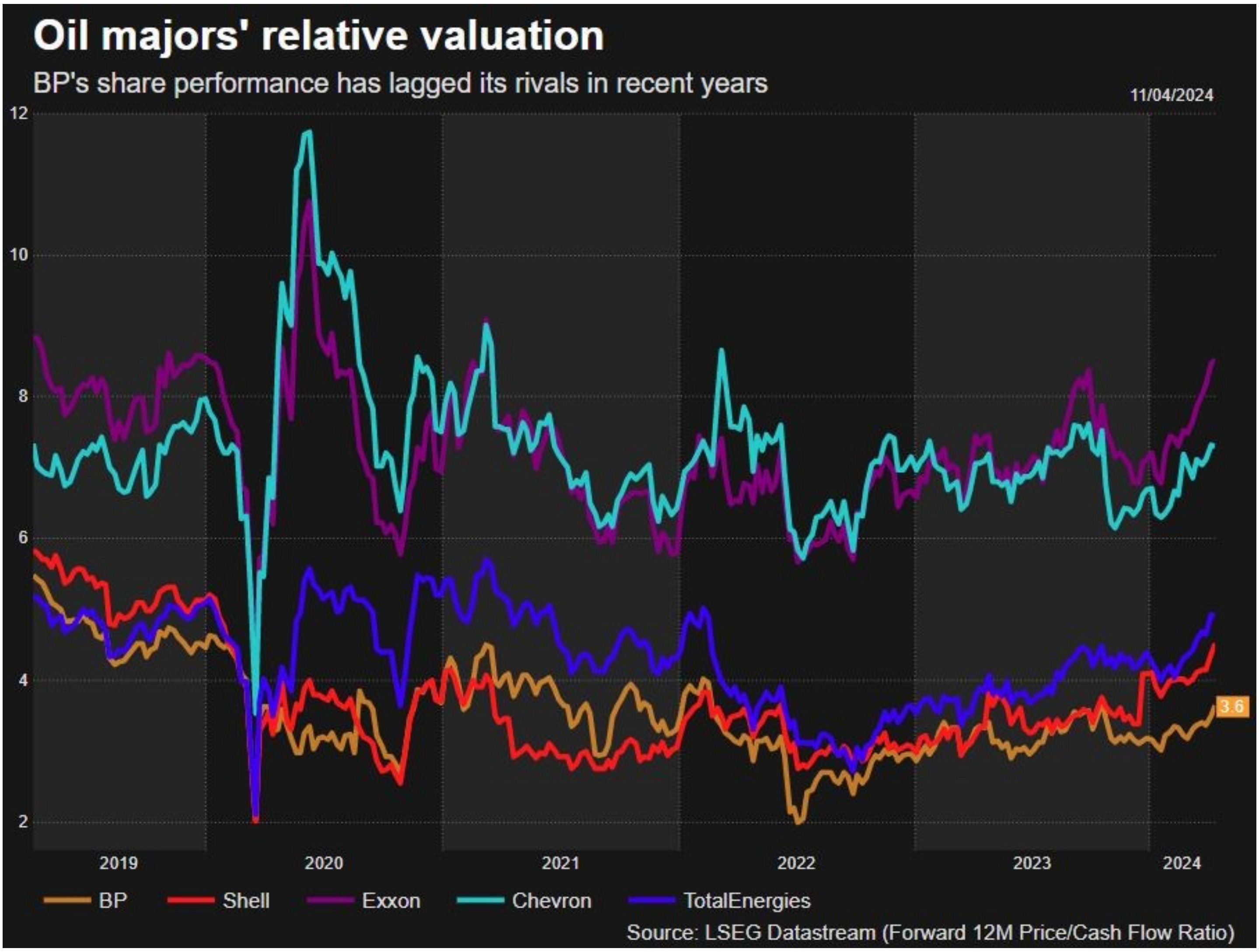
UBS analyst Joshua Stone said Adnoc's move highlights the view that the European oil and gas sector remains undervalued.

"The key question now is if BP can convince the market of the growth still to come from their transition businesses," Stone told Reuters.

BP and ADNOC have been working together for more than 50 years.
In February, they announced a joint venture to develop gas assets in Egypt. The two also made a $2 billion offer to buy a 50% stake in Israeli gas producer NewMed last year, although the deal is on hold due to the conflict in the region.
Britain’s National Security and Investment (NSI) Act came into force in 2022, giving the government power to intervene in acquisitions on national security grounds in industries including energy.
UK governments have in the past told London-listed BP that they would block any takeover attempts by foreign entities given the company's strategic value, people familiar with the matter told Reuters. It is unclear whether the current government would take the same position.
The UAE has expressed interest in investing in UK nuclear power infrastructure, sources told Reuters last month.
The UK government last month in effect killed a UAE-led takeover of newspaper the Telegraph, and plans to ban foreign governments from owning newspapers.

OPEC sees robust summer oil demand, economic upside potential
OPEC predicted robust fuel use in the summer months on Thursday and stuck to its forecast for relatively strong growth in global oil demand in 2024, highlighting an unusually large gap between predictions of oil demand strength.
The Organization of the Petroleum Exporting Countries, in a monthly report, said world oil demand will rise by 2.25 million barrels per day (bpd) in 2024 and by 1.85 million bpd in 2025.
Both forecasts were unchanged from last month.
A boost to economic growth could give extra tailwind to oil prices, which have rallied above $90 a barrel this year on tighter supply and war in the Middle East. OPEC and its allies, known as OPEC+, last week agreed to keep oil output cuts in place until the end of June.
"Despite some downside risks, the continuation of the momentum seen in the beginning of the year could result in further upside potential for global economic growth in 2024," OPEC said in the report.
Looking ahead to the summer, when fuel demand rises seasonally as people travel more, OPEC said global jet/

Chart of the Day



kerosene fuel demand will rise by 600,000 bpd year on year in the second quarter, gasoline by 400,000 bpd and diesel by 200,000 bpd. Following last week's meeting of a panel of top OPEC+ ministers, the full group will meet in June to decide whether to extend output cuts further or return some supply to the market.

"The robust oil demand outlook for the summer months warrants careful market monitoring, amid ongoing uncertainties, to ensure a sound and sustainable market balance," the report said.

OPEC sees world economic growth of 2.8% in 2024, steady from last month, and said the U.S. economy was set to give the traditional summer boost to fuel demand.

"The upcoming driving season in the U.S. is expected to provide the usual additional demand for transportation fuels," OPEC said.

DEMAND VIEW SPLIT

There is a wider than usual split between forecasters on the strength of oil demand growth in 2024, partly due to differences over the pace of the world's transition to cleaner fuels. This week, energy trader Vitol said demand will rise by 1.9 million bpd this year, not far from OPEC's view, while the U.S. government's energy forecaster cut its growth prediction to 950,000 bpd. The International Energy Agency, which represents industrialised countries and forecasts oil demand will peak by 2030, sees an expansion of 1.33 million bpd and is scheduled to update its figures on Friday.

OPEC believes oil use will keep rising for the next two decades and has not forecast a peak.

The OPEC+ alliance has implemented a series of output cuts since late 2022 to support the market. A new cut of 2.2 million bpd for the first quarter took effect in January and was later extended to cover the second quarter.

The OPEC report said OPEC oil production was steady in March, rising by 3,000 bpd to 26.60 million bpd despite the new round of cuts, with modest increases in Iran and Saudi Arabia. Demand for OPEC crude this year is set to average 28.5 million bpd, the report said, up 100,000 bpd from the previous forecast and, in theory, giving the group room to pump more.

Top News - Agriculture

Argentina soy, corn forecasts trimmed as dryness and disease take toll

Argentina's Buenos Aires grains exchange cut its harvest estimates for the 2023/24 soybean and corn crops on Thursday, citing impacts from dry conditions and a disease spread by the leafhopper insect that has hit corn particularly hard.

In a weekly report, the exchange lowered its forecast for the soybean crop from 52.5 million metric tons to 51 million tons, and reduced its projection for the corn harvest from 52 million tons to 49.5 million tons.

Argentina is the third largest exporter of corn in the world, but this year's crop has come up against a boom in the population of leafhoppers, insects that carry harmful diseases and whose population tends to spread in hot and dry conditions. The grains exchange has already made multiple downward revisions to the corn crop estimate, which the exchange initially saw hitting a record of 56.5 million tons.

Analysis into the geographical distribution of diseases spread by leafhopper impacted the decision for the cut, the exchange said, adding that warm and dry weather in the north of Argentina's farming heartland also factored in to the revision.

The estimated drop would be the third time in seven years that Argentina's corn production has fallen below 50 million tons, after drought-hit harvests in the 2022/23 and 2017/18 seasons. It would be the first such drop caused by disease.

Corn harvesting is ongoing, with about 15.3% of the total planted crop now harvested.

The exchange, meanwhile, credited its soybeans revision to hot and dry conditions that affected the crop between January and February.

About 10.6% of the season's soybeans have now been harvested, the report said. Argentina is one of the world's two largest exporters of soybean oil and meal.

US cuts forecast for corn stocks as more grain goes toward ethanol, feed

The U.S. Department of Agriculture trimmed its outlook for domestic corn ending stocks on Thursday as the government said more of the grain will be used to make ethanol biofuel and feed for farm animals. Projections for U.S. corn usage increased after futures prices fell to three -year lows this year, but global corn supplies are still considered plentiful and corn prices were trading lower after the report. U.S. corn stocks are projected at 2.122 billion bushels by the end of the 2023-24 marketing year on Aug. 31, down from USDA's previous forecast for 2.172 billion bushels. Analysts had expected an evenbigger cut to 2.102 billion. Stocks are still projected at a five-year high after farmers harvested a record crop in 2023 and put much of it into storage. The USDA, in a monthly report, estimated that 5.4 billion bushels of U.S. corn will be used for ethanol, up from its March forecast for 5.375 billion. It said 5.7 billion bushels will be used for feed and other residual purposes, up from 5.675 billion in March. "With no supply changes and use rising, ending stocks are lowered," the USDA said. The agency reduced its forecast for Argentina's corn crop to 55 million metric tons from 56 million in March, below analysts' expectations for 55.6 million. Argentina's Rosario grains exchange on Wednesday cut its forecast for the country's corn harvest to 50.5 million metric tons, citing "unprecedented" damage by the spiroplasma disease carried by leafhoppers. The USDA left its forecast for Brazil's soybean crop unchanged at 155 million metric tons. Brazilian crop agency Conab earlier reduced its soybean output projection to 146.522 million metric tons due to adverse weather, highlighting a big divide in the outlooks. "Overall, there's plenty of beans out there and plenty of corn between South America and the U.S. to supply the world," said Terry Reilly, senior agricultural strategist for Marex.

Top News - Metals

Global copper smelters less active after China's planned output cuts
More global copper smelters were not operating in March than in the first two months, data from satellite surveillance of metal processing plants showed, after Chinese smelters proposed to cut output and operations elsewhere undertook planned maintenance.
Earth-i, which specialises in observational data, tracks smelters representing up to 90% of global production for its SAVANT service and sells data to fund managers, traders and miners.
The company said that an average of 17.7% of global copper smelter capacity monitored was inactive in March compared with 11.5% during January and February combined.
Average inactive capacity in China rose to 9% in March from 8.3% in the first two months, it added in a statement on Thursday.
China's top copper smelters proposed in late March to cut production by 5% to 10%, sources told Reuters, after the world's top producer of refined copper battled short supply of raw material and losses at some operations.
"As market watchers seek confirmation of pledged curtailments in China ... inactivity in the country jumped sharply in the final days of March, ending the month at a substantially higher 12.8%," Earth-i said.
Outside China, the Isabel plant in the Philippines has shown "flickers" of inactivity, along with Codelco's Chuquicamata smelter in Chile, it added.
"We are now entering a period of several scheduled maintenance closures."

Shanghai Gold Exchange to hike gold margin requirement to 9% as prices hit record high
The Shanghai Gold Exchange will raise margin requirements for some gold futures contracts to 9% from 8%, the bourse said on Friday.
The change will apply from settlement on April 15, according to the bourse, which added that it will also lift daily trading limits for some gold futures contracts to 8% from 7% from the next trading session.
This came after gold prices climbed to historical highs as geopolitical tensions continued to boost demand for the safe-haven metal. The most-traded June gold futures contract on the Shanghai Futures Exchange rose by 2.17% to 567.6 yuan a gram, as of 0252 GMT, an increase of 17% since the beginning of the year.
Meanwhile, spot gold hit a record high of $2,389.29 per ounce earlier in the session.

MARKET MONITOR as of 06:35 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$85.87 / bbl	-0.39%	19.85%
NYMEX RBOB Gasoline	$2.77 / gallon	0.44%	31.47%
ICE Gas Oil	$829.00 / tonne	-0.27%	10.42%
NYMEX Natural Gas	$1.77 / mmBtu	-6.26%	-29.71%
Spot Gold	$2,388.42 / ounce	2.38%	15.80%
TRPC coal API 2 / Dec, 24	$121 / tonne	3.42%	24.74%
Carbon ECX EUA	€68.03 / tonne	8.21%	-15.35%
Dutch gas day-ahead (Pre. close)	€29.27 / Mwh	7.41%	-8.10%
CBOT Corn	$4.40 / bushel	-1.29%	-9.09%
CBOT Wheat	$5.67 / bushel	-1.22%	-11.42%
Malaysia Palm Oil (3M)	RM4,255 / tonne	-0.93%	14.35%
Index	**Close 11 Apr**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	342.82	-0.76%	13.74%
Rogers International	29.10	0.00%	10.52%
U.S. Stocks - Dow	38,459.08	-0.01%	2.04%
U.S. Dollar Index	105.46	0.17%	4.07%
U.S. Bond Index (DJ)	419.19	-0.20%	-2.68%

Top News - Carbon & Power

EU Parliament approves legal option to block Russian LNG imports

The European Parliament voted on Thursday to pass rules allowing European governments to ban Russian liquefied natural gas (LNG) imports, by preventing Russian firms from booking gas infrastructure capacity.
The European Union has avoided imposing sanctions on Russian gas, which some members rely heavily on.
As a workaround, the new gas policy aims to establish a legal route for governments to block Russian gas deliveries to their country though so far no major importer has indicated they will use it.
The new EU gas market rules allow governments to temporarily stop Russian and Belarusian gas exporters from bidding for capacity on the infrastructure needed to deliver piped gas and LNG into Europe.
Russia slashed pipeline gas deliveries to Europe following its 2022 invasion of Ukraine - shrinking what had been the main route for Russian supplies to reach Europe. But Russian LNG continues to flow into the continent, mostly through ports in Spain, Belgium and France.
These countries have not confirmed they will use the new legal option. A spokesperson for Spain's energy ministry said the country supported a common EU position on banning Russian LNG, since if Spain did this alone, Russian firms could simply send their fuel to other EU ports. Belgium's energy minister has said the government is analysing the law and its conditions - which include that restricting Russian gas imports cannot disrupt flows of gas between EU countries. Belgium re-exports much of the Russian LNG it receives, to other countries.
France's finance ministry did not immediately respond to a request for comment.
Russian LNG deliveries to Europe increased last year to 22 bcm, up from around 16 bcm in 2021, according to EU analysis. A reinforced majority of EU countries need to approve the policy before it takes effect - a step that is expected to pass the law without changes.
The EU has imposed sanctions on Russian sea-borne oil imports and coal. Sanctions need unanimous approval from EU countries. Hungary has vowed to block a Russian gas import ban.

China state planner finalises rule to set up coal production reserve system

China's state planner on Friday finalised a rule to set up a domestic coal production reserve system by 2027, aimed at stabilising thermal coal prices and supplies to power plants.
The rule, which was first issued in draft form by the National Development and Reform Commission (NDRC) in December, called for 300 million metric tons of "dispatchable" annual coal production by 2030, equivalent to about 6% of last year's output.
China set a goal in 2021 to have coal reserves equivalent to 15% of annual output stocked at mines, ports, power plants and other designated storage areas.
The new system will build on that measure by ensuring that a certain amount of production capacity is ready to be mined when needed.
It will focus on mines that produce coal for electricity and heat generation - prices of which are closely monitored by authorities because of their connection to power prices and local livelihoods - rather than coking coal, which is used to make steel.
Coal mines that are part of the capacity reserve system must be able to dispatch output when authorities deem prices to have exceeded a "reasonable" range or when supplies are tight. These mines would also no longer be subject to local government requirements to sign medium - and long-term contracts with buyers.
Large scale, modern mines with good safety conditions in China's top coal-producing regions of Shanxi, Inner Mongolia, Shaanxi and Xinjiang would be prioritised for inclusion into the coal reserve plan, according to the NDRC notice. China is the world's top coal consumer and producer, mining a record 4.66 billion tons last year. But the country has been concerned about energy security since a crippling domestic coal and power shortage in 2021 that prompted a probe into soaring coal prices.
Coal output is expected to stabilise this year as China ramps up renewable power and is likely to notch just 1% production growth, according to an industry group forecast.

Top News - Dry Freight

China cancelled large Ukrainian corn purchases, traders say

Chinese buyers have cancelled shipments of Ukrainian-origin animal feed corn together totalling several hundred thousand metric tons, traders said on Thursday.
The precise volumes were unclear, but some traders spoke of about 300,000 tons cancelled in up to five Panamax shiploads which had previously been bought for April/May shipment.
Most of the cancellations were in the last two weeks, traders said.
Panamax shipments from China to Ukraine are typically about 60,000 metric tons.
One German trader, speaking on condition of anonymity, said China was understood to be seeking to limit corn imports to support Chinese farmers "in the face of current low prices".
Ukraine is a major corn supplier to China. A total of 600,000 tons of corn could be exported from Ukraine to China in April and 400,000 tons in May, Ukrainian brokers said on Wednesday.
A source in Ukraine familiar with the matter said Chinese consumption was falling while warehouses were full and

that the reluctance to import did not just apply to Ukrainian grain.
"It seems that companies have been advised not to fulfil contracts, but this applies not only to Ukraine, but to all supplies in general," said the source, who also could not be named because they were not authorised to speak publicly.
China cancelled purchases of about 1 million tons Australian wheat and 500,000 tons of U.S. wheat largely because of falling prices and a slower rate of economic growth, traders said in March.
Corn prices remain close to three-year lows hit in mid-February as U.S. inventories are expected to be high.
The U.S. Department of Agriculture (USDA) in its world supply and demand report later on Thursday is expected to forecast high season ending U.S. corn stocks.

Japan buys 121,485 tons food wheat via tender
Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) bought a total of 121,485 metric tons 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 the country's second most important staple after rice and buys the majority of the grain for milling via tenders typically issued thrice a month.

REUTERS TECHNICAL ANALYSIS Q2 OUTLOOK 2024 - WANG TAO
Brent and WTI may rise towards their Sept. 2023 highs. Palm oil targets 4,751 ringgit. Gold looks very bullish, heading towards $2,500. Copper may bounce to $9,460 before falling while aluminium may rise to $2,461. Soybeans and corn may slide further to complete their long-term downtrends. Wheat may bounce into $6-$6.33 range. Coffee looks mixed and is biased to fall. Cocoa is likely to maintain its strong momentum and surpass $10k. Dollar index may rise to 109.
To read the full report, **click here.**

Picture of the Day

An employee controls coke production at Zaporizhzhia Coke Plant, amid Russia's attack on Ukraine, in Zaporizhzhia, Ukraine, April 11. REUTERS/Stringer

(Inside Commodities is compiled by Sreshtha Uniyal in Bengaluru)

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