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Top News - Oil

US crude stockpiles slump unexpectedly as exports jump, EIA says

U.S. crude oil inventories unexpectedly fell sharply last week as exports jumped, while gasoline stockpiles decreased less than forecast, the Energy Information Administration (EIA) said on Wednesday.

Crude stocks slumped by 6.4 million barrels to 453.6 million barrels in the week ended April 19, the EIA said, compared with analysts' expectations in a Reuters poll for a 825,000-barrel rise.

Crude oil inventories fell following the largest weekly rise this year in exports of 453,000 barrels per day (bpd) to 5.18 million. Net U.S. crude imports fell by 417,000 bpd, the EIA said.

“It was all about the exports", said Bob Yawger, director of energy futures at Mizuho.

"You would think that would happen a lot more often because of the squeeze in the Red Sea. I always thought that would chase customers to the Gulf Coast and you're really seeing that for the first time this year in this report," he added.

Crude stocks at the Cushing, Oklahoma, delivery hub for futures fell by 659,000 barrels in the week, the EIA said.

U.S. crude futures and gasoline futures briefly turned positive after the data but were trading 80 cents and 0.3% lower, respectively, by 11:10 a.m. ET (1510 GMT).

“The large crude draw was the result of very high crude exports. Assume it is seen as one off and preliminary tanker tracking data shows lower exports so far this week”, said UBS analyst Giovanni Staunovo.

Gasoline stocks fell by 600,000 barrels in the week to 226.7 million barrels, the EIA said, compared with forecasts for a 1.8 million-barrel draw.

Refinery crude runs fell by 42,000 bpd and refinery utilization rates rose by 0.4 percentage point in the week.

Distillate stockpiles, which include diesel and heating oil, rose by 1.6 million barrels in the week to 116.6 million barrels, versus expectations for a 1.1 million-barrel drop, the data showed.

New technology helps US shale oil industry start to rebuild well productivity

Technology advances are making it possible for U.S. shale oil and gas companies to reverse years of productivity declines, but the related requirement to frontload costs by drilling many more wells is deterring some companies from doing so.

While overall output is at record levels, the amount of oil recovered per foot drilled in the Permian Basin of Texas, the main U.S. shale formation, fell 15% from 2020 to 2023, putting it on par with a decade ago, according to energy researcher Enverus.

That is because fracking, the extraction method that emerged in the mid-2000s, has become less efficient there. In the technique, water, sand and chemicals are injected at high pressure underground to release the trapped resources.

Two decades of drilling wells relatively close together, resulting in hundreds of thousands of wells, have interfered with underground pressure and made getting oil out of the ground more difficult.

"Wells are getting worse and that is going to continue," said Dane Gregoris, managing director at Enverus Intelligence Research firm.

But new oilfield innovations, which began being implemented more widely last year, have made it possible for fracking to be faster, less expensive and higher yielding.

The advances in the past few years include the ability to double the length of lateral wells to three miles and equipment that can simultaneously frack two or three wells. Electric pumps can replace high-cost, high maintenance diesel equipment.

"Companies now can complete (frack) wells faster and cheaper," said Betty Jiang, an oil analyst with Barclays.

A drawback to the new simultaneous fracking technology, also called simul-frac, is that companies need to have lots of wells drilled and ready to move to the fracking phase in unison before they can proceed. Pumps inject fluids into and get oil and gas out of two or three wells at the same time, instead of just one.

Because these act as an interconnected system, wells cannot be added piecemeal. But companies eager to cut costs have not deployed enough drill rigs to capitalize fully on the potential of the innovations.

"Instead of drilling the wells and getting production in a few months, you have got to drill eight wells, or 10 wells," said Mike Oestmann, CEO of Tall City Exploration.

"That's $100 million in the ground before you see any revenue," he said. "For small companies like Tall City, that's a big challenge." The number of active drilling rigs in the U.S. this month fell nearly 18% from a year ago.

Simul-fracking can also lower well costs by between $200,000-$400,000, or 5%-10% apiece, said Thomas Jacob, senior vice president of supply chain at researcher Rystad Energy estimates.

NEW TECH SUPPORTS RECORD PRODUCTION

Oil analysts anticipate use of the new technology will accelerate. "We saw a trend of companies shifting to simul-fracs in the second half last year, and that is only going to continue," said Saeed Ali Muneeb at energy analysis firm Kayrros. Longer wells and advancements in fracking techniques are more than offsetting declining productivity and limited rig count, helping the U.S. reach record oil production volumes.

The top U.S. shale-producing regions are forecast next month to hit the highest output in five months with new-well production up 28% from a year ago, according to the U.S. Energy Information Administration.

"Companies are making a fine-tuning and getting better and better in fracking," said Oestmann. "Without them, production would fall."

Innovations are going to gain scale once top producers like Exxon Mobil Corp and Chevron Corp adopt them more broadly, shale experts said. Mid-sized shale firms like Pioneer Natural Resources that can afford the costs were first to embrace the new methods.

The positive results make them more attractive to big firms like Exxon, which is awaiting regulatory approval to buy Pioneer.

But the biggest shale producers have committed to using oil revenue to finance shareholder returns rather than drilling expansion.

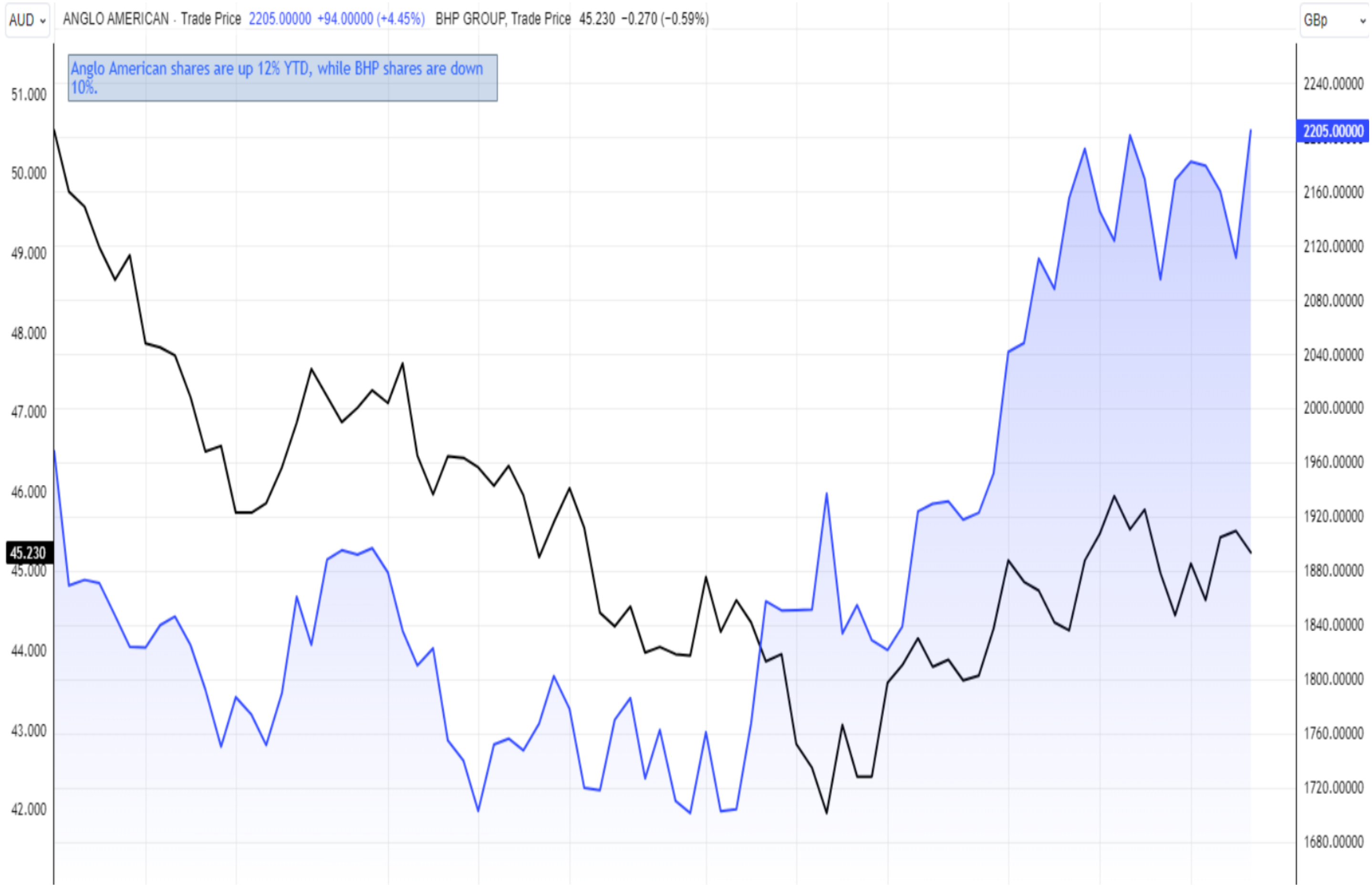
Two of the biggest shale oil operators, Exxon and Chevron, have missed targets for Permian production in the past years.

Exxon said its own new fracking technology will allow it to extract an extra 700,000 barrels of oil equivalent per day (boepd) from Pioneer's assets by 2027, tripling output there to 2 million boepd.

Chevron is increasing use of simul-fracs and says the technique will help it increase Permian production by 10% this year to 900,000 boepd.

It also completed a triple-frac pilot and anticipates using it more widely, a spokesperson said.

Chart of the Day



Top News - Agriculture

Warmer winter seen hitting Argentine corn due to leafhopper outbreak

Argentine corn farmers are bracing for a warmer than usual Southern Hemisphere winter that will likely undermine efforts to reduce the population of leafhopper insects that damage the crop, the Rosario grains exchange (BCR) said on Wednesday.

Agricultural powerhouse Argentina is the world's No. 3 corn exporter, as well as a major soybean, wheat and beef producer.

Local corn yields, however, have been hit by explosive growth of leafhoppers, whose appetite for plant sap weakens corn plantings while triggering stunted growth and leaf yellowing. The insects also help spread plant disease.

Farmers were hoping that cooler weather in the weeks ahead could check the growth of leafhoppers, as they do not tolerate temperatures below about 39 degrees Fahrenheit (4 degrees Celsius).

But the exchange forecasts that upcoming winter weather conditions are unlikely to help control the pest with "minimum temperatures at average values or even slightly higher," according to a BCR report citing climate specialist Alfredo Elorriaga.

"A particularly cold year is not expected," Elorriaga said.

A separate report from the Buenos Aires grains exchange also released on Wednesday predicted cooler temperatures from this coming weekend, but they are not expected to fall below 41F (5C) in agricultural areas.

Earlier this month, BCR cut its corn harvest forecast by 6.5 million metric tons to settle at 50.5 million tons, citing damage attributed to the leafhopper outbreak for the downward revision.

India struggles to rebuild wheat stocks with purchases down 25% y/y

India is struggling to replenish its wheat stocks, with purchases down around 25% on last year's levels due to untimely rains and higher open market prices, which encourage farmers to sell to private traders.

India's wheat inventories have dropped to their lowest in 16 years after two straight years of reduced crop yields prompted New Delhi to sell record volumes from its stocks to boost domestic supplies and bring down local prices.

If the world's second biggest wheat producer is unable to rebuild stocks as hoped, its ability to intervene in the market to calm prices may be curbed, and New Delhi may have to import wheat for the first time since 2017.

State-run agencies have bought 11.92 million metric tons of wheat from farmers so far this season, down 25% on the 15.92 million tons bought in the same period a year ago, according to data from the Food Corporation of India (FCI).

Untimely rainfall in northern states, particularly in Punjab, has delayed purchases, said a government official, who declined to be named.

"Harvested crops have higher moisture content. It is forcing farmers to wait for them to dry before selling to the government," he said.

State-run agencies have procured 3.5 million tons of wheat from Punjab, down 49% from a year ago, the data showed.

Wheat prices in the open market are above 2,400 rupees ($28.81) per 100 kg, compared with the government's fixed minimum buying price of 2,275 rupees.

In the past two years, farmers have sold crops to the government at a lower price during the summer, only to see prices jump during the winter, said a New Delhi-based dealer with a global trading house.

"This year, many farmers are all about holding onto their stocks, hoping the prices will shoot up later on," said the dealer.

Private players are also active in the market as most flour mills and bulk buyers had almost exhausted their stocks before the start of the new season, said a Mumbai-based trader.

The trend suggests the government won't be able to achieve its procurement target of 30-32 million tons, setting the stage for the imports, the trader said.

Top News - Metals

Anglo American receives BHP buyout proposal, could reshape copper market

London-listed miner Anglo American said on Thursday it had received an all-share buyout proposal from BHP Group, a deal that would create the world's biggest copper miner churning out around 10% of global output.

The deal, if agreed, would also trigger further transactions in the global mining industry, which has seen a slew of mergers and acquisitions as companies review their assets to raise exposure to metals deemed critical to the energy transition.

"This is all about copper," said Ben Cleary, portfolio manager at Tribeca Investment Partners, which holds shares in BHP and Anglo.

"I think it's a good deal for BHP. Anglo is obviously very much in play now and there’s probably room for others to interlope. This is going to set the whole sector on fire."

The proposal comes after Anglo, which had a market capitalisation of $37.7 billion as of Wednesday's close, began a review of its assets in February after a 94% plunge in annual profit and a series of writedowns due to a fall in demand for most of the metals it mines.

Anglo owns mines in countries including Chile, South Africa, Brazil and Australia.
BHP, the world's biggest listed miner and best-known for mining iron ore, copper, coking coal, potash and nickel, had a market capitalisation of about $149 billion as of Wednesday.

COPPER IN FOCUS
The deal, if agreed, would give BHP access to more copper, one of the most sought after metals for the clean energy transition, and potash, which are its key strategic commodities, as well as more coking coal in Australia.
Technological developments such as artificial intelligence and automation, and the energy transition, which includes electric vehicles and renewable energy, have driven up demand prospects for copper cable used to conduct electricity.
Anglo has copper mines in Chile and Peru, countries in which BHP also has operations, and their combined output would amount to around 2.6 million metric tons a year, or about 10% of global production, pushing it well ahead of U.S.-based Freeport-McMoRan and Chilean state miner Codelco.
Copper prices on the London Metal Exchange have surged 15% this year, approaching $10,000 a ton and two-year highs on demand hopes sparked by encouraging macroeconomic data, U.S. rate cut bets and speculative trading.
Supply bottlenecks driven by the forced December shutdown of Cobre Panama, one of the world's largest open-pit copper mines, are also fuelling the gains. Anglo's 2024 copper production guidance is 730,000 to 790,000 tons. BHP is targeting copper production of between 1.7 million and 1.9 million tons for the 12 months ending in June.

ASSET CARVE-OUTS
Anglo said the proposal would be conditional on being preceded by separate distribution of its entire stakes in Anglo American Platinum and Kumba Iron Ore to its shareholders, which would significantly lower its exposure to South Africa.
Anglo's stakes in the platinum and iron ore miners are worth $7.44 billion and $5.4 billion respectively, according to LSEG data based on Wednesday's close of trade.
"Anglo is hurt due to its poor South African asset so ripe to be acquired," said Nicolas Van Broekhoven, CrossASEAN Research analyst who publishes on Smartkarma. The deal could also trigger a wave of transactions for any other unwanted assets such as nickel, manganese and diamonds, where Anglo owns 85% of industry giant De Beers.
"There can be no certainty that any offer will be made nor as to the terms on which any such offer might be made," Anglo American said in a statement, adding the unsolicited proposal is non-binding and highly conditional.

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$82.90 / bbl	-0.55%	15.70%
NYMEX RBOB Gasoline	$2.71 / gallon	0.51%	28.89%
ICE Gas Oil	$783.00 / tonne	-0.16%	4.30%
NYMEX Natural Gas	$1.63 / mmBtu	-10.21%	-35.28%
Spot Gold	$2,320.06 / ounce	-0.08%	12.48%
TRPC coal API 2 / Dec, 24	$118 / tonne	-0.84%	21.65%
Carbon ECX EUA	€66.47 / tonne	1.22%	-17.30%
Dutch gas day-ahead (Pre. close)	€29.80 / Mwh	1.95%	-6.44%
CBOT Corn	$4.48 / bushel	-1.10%	-7.54%
CBOT Wheat	$6.15 / bushel	1.99%	-3.87%
Malaysia Palm Oil (3M)	RM3,836 / tonne	-3.40%	3.09%
Index	**Close 24 Apr**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	345.27	-0.13%	14.55%
Rogers International	29.22	0.41%	10.98%
U.S. Stocks - Dow	38,460.92	-0.11%	2.05%
U.S. Dollar Index	105.65	-0.20%	4.26%
U.S. Bond Index (DJ)	416.75	-0.27%	-3.24%

The company said its board was reviewing the proposal and did not disclose the share ratio on offer. Under UK takeover rules, BHP has until May 22 to make a firm offer. BHP declined to comment when asked about preliminary talks with Anglo, first reported by Bloomberg. The Australian market is closed on Thursday for a public holiday.
Jefferies analysts said it could take a premium of around 28% above Anglo's most recent share price to get the deal across the line, adding the increased copper market concentration could raise antitrust concerns.
Their combined coking coal assets, both in Australia's Queensland state, could also be subject to regulatory scrutiny given the deal would merge two of the biggest producers in the global seaborne market.
If the Anglo American deal came to fruition, it would be the second major acquisition for BHP in about a year after its 2023 purchase of copper miner Oz Minerals and adds to a frenzy of global M&A activity.
Recent mega-deals in the mining sector include gold giant Newmont's $16.8 billion buyout of Australia-based Newcrest Mining late last year. Once the deal is completed, it would likely be among the 10 biggest-ever mining deals by value and has the potential to delist Anglo from the London market, a fresh blow to an exchange that is struggling to retain big companies and to attract new share offerings.

Global lead, zinc market to be in surplus for 2024 - ILZSG
Global refined lead and zinc markets are likely to see a surplus in 2024, the International Lead and Zinc Study Group (ILZSG) said on Wednesday.
The global refined zinc market will see a surplus of 56,000 metric tons in 2024 compared with a previous forecast of 367,000 tons.
Prices for zinc, used to galvanise steel for the construction and auto sectors, are up 5% so far this year. Global demand for refined zinc metal is forecast to rise by 1.8% to 13.96 million tons in 2024.
In China, the world's largest consumer, zinc usage will rise by a more contained 1.4% this year following a 7.1% increase in 2023, the ILZSG said. The group expects world refined zinc metal output will be limited by the availability of concentrates and sees a modest increase of 0.6% to 14.01 million tons in 2024.
In October, the group expected 2024 zinc output to rise to 14.30 million tons.
In the lead market, global supply of refined metal will exceed demand by 40,000 tons in 2024, the ILZSG said. Refined lead supply is forecast to increase by 1.4% to 13.46 million tons in 2024, while demand is seen increasing by 1.9% to 13.42 million tons this year. Chinese demand rose by 2% last year and is anticipated to grow by a further 1.6% in 2024, ILZSG added.

Top News - Carbon & Power

EXCLUSIVE-Russia does not rule out LNG exports stagnating in next 4 years
Russia's liquefied natural gas (LNG) exports could stagnate in the next four years under the two less-rosy of three Economy Ministry scenarios - a sign that Western sanctions might be cramping Moscow's energy plans.
Under the ministry's "conservative" and "stress" scenarios, the latter not made public, LNG output would stagnate at 38.6 million metric tons each year in 2025-2027, according to a document seen by Reuters.
The baseline scenario, the most optimistic, calls for a rise to 56.6 million tons in 2027 from 33.3 million in 2023.
Russia says it wants to secure 20% of the global LNG market by 2030-2035, compared to around 8% at present, thanks to new plants predominantly located in the Arctic.
However, myriad Western sanctions present obstacles, not least to a new Arctic LNG 2 project that is yet to export a cargo after tentatively starting production in December.
The project is due to become one of Russia's largest such plants with eventual annual output of 19.8 million metric tons of LNG and 1.6 million tons of stable gas condensate from three production units, or trains.
Sources have said the conversion of methane into liquid at minus 163 degrees Celsius (minus 261 Fahrenheit) has now been suspended at the plant.
The Kremlin-controlled energy giant Gazprom also delayed the start-up of a huge gas complex at the Baltic port of Ust-Luga since the withdrawal of Western companies such as Linde after the start of Russia's conflict with Ukraine in February 2022. Russia currently has two large-scale LNG plants: the Novatek-led Yamal LNG, which produced around 20 million tons last year, and Gazprom's Sakhalin-2, with an output of more than 10 million tons last year.

Steep discounts, new vessels spur demand for LNG to power ships
Demand for liquefied natural gas (LNG) to power ships will rise this year on attractive prices, while more dual-fuel vessels join the global fleet, industry executives said.
Prices of LNG delivered as marine fuel at the world's largest bunker hub Singapore are at steep discounts of nearly $100 per metric ton compared with conventional 0.5% very low sulphur fuel oil (VLSFO), industry sources said. That is a far cry from record premiums of more than $1,000 a ton seen in September 2023, based on data from S&P Global Platts published on industry coalition SEA-LNG's website, after Russia sparked a global gas crisis in 2022 by reducing piped supplies to Western Europe after its invasion of Ukraine. LNG prices have since stabilised at lower levels with ample supply as winter demand eases.

Consultancy Rystad expects discounts to persist at least through the third quarter of this year, barring major market disruption, said Junlin Yu, a senior analyst on shipping supply chains.
Global LNG bunker sales in the first three months of 2024 reached 1.9 million cubic meters (855,000 tons) and could surpass 7 million by the end of the year, Rystad forecasts show, up from 4.7 million cubic meters in 2023.
In Singapore, LNG bunker sales rose for a fourth straight month to a record 38,600 tons in March, data from the Maritime and Port Authority showed.
Global mining giant BHP, which operates five dual-fuelled bulk carriers, is refuelling its ships with 100% LNG in Singapore on the route between Port Hedland, Australia, and China, Rashpal Singh Bhatti, vice president of maritime and supply chain excellence at BHP, told Reuters.
"We rode out the (previous) uptick in LNG prices and now we are taking full advantage," he said, adding that LNG also reduces emissions by 30% compared with fuel oil.
Deliveries of new dual-fuel vessels, mostly container ships, car carriers and tankers, are also set to add to LNG bunker demand in coming years. SEA-LNG Chief Operating Officer Steve Esau expects there will be more than 1,000 dual-fuel LNG vessels operating by the end of 2027, compared with around 400 now, which Reuters calculates accounts for less than 1% of the global merchant fleet. Esau called for more investment in barges dedicated to delivering LNG with limited lifting capacity in Singapore, where three firms are licensed to supply LNG as bunker fuel according to the port authority. Globally, LNG is available mainly at major bunker ports, with infrastructure still lagging in scale compared to conventional marine fuel facilities.

Top News - Dry Freight

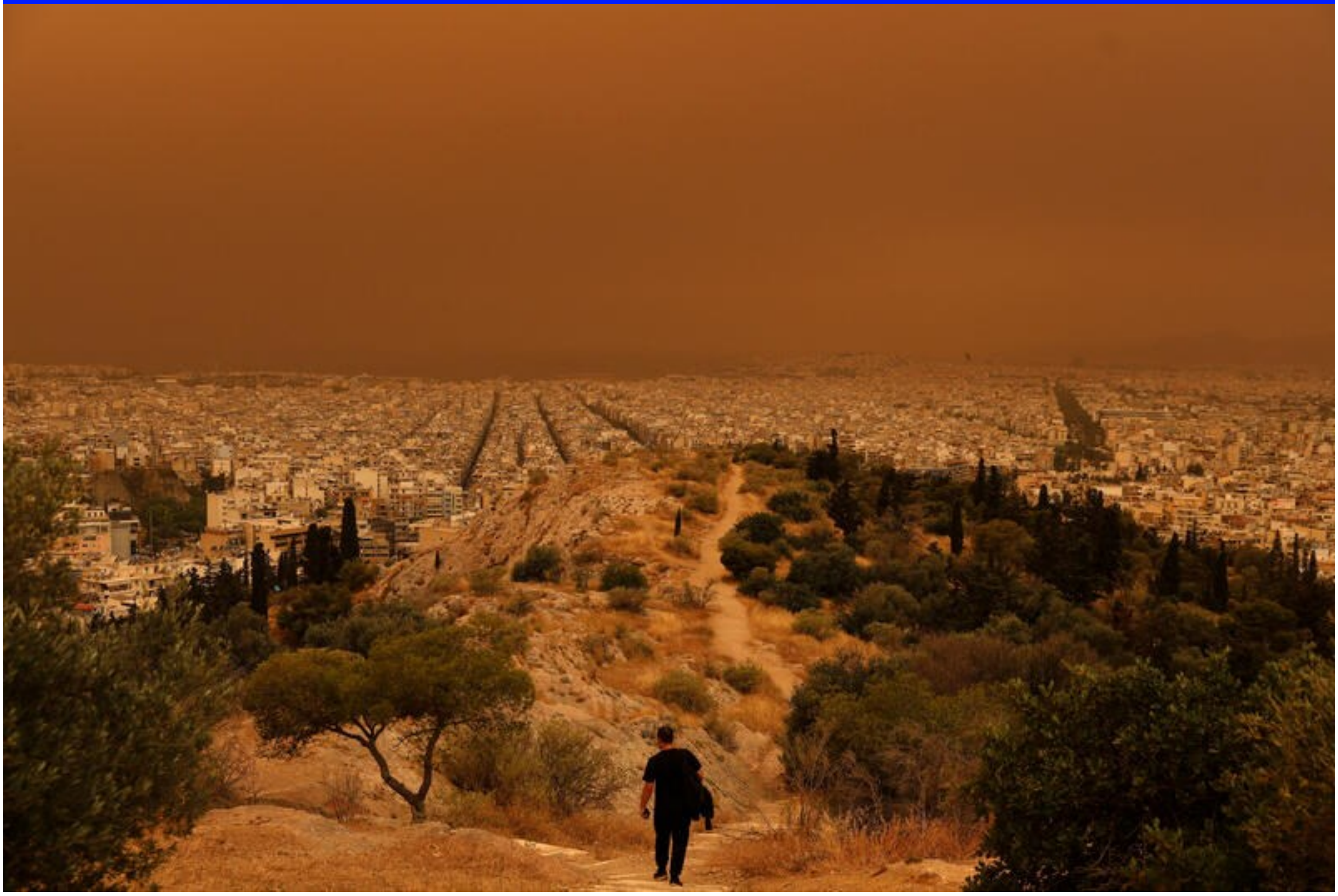
Ukraine grain exports at 40 mln T so far in 2023/24 season

Ukraine's grain exports in the 2023/24 July-June marketing season had reached almost 40 million metric tons as of April 24, against 40.7 million a year earlier, analyst APK-Inform quoted agriculture ministry data as showing on Wednesday.
The data showed the overall volume included 4.9 million tons of various grains exported so far in April.
Exports this season have included 15.2 million tons of wheat, 22 million tons of corn and 2.2 million tons of barley.
An industry source said on Tuesday that Ukrainian grain exports could total 6-7 million tons in April despite Russian attacks on Ukrainian port infrastructure on the Black Sea.
Ukraine typically sends about 95% of its grain exports via its Black Sea ports.
The Ukrainian government expects a harvest of 81.3 million tons of grain and oilseeds in 2023, with a 2023/24 exportable surplus of about 50 million tons.

First full-size sugar vessel reaches Baltimore Refinery after accident

A full-size vessel carrying raw sugar was able to navigate through the 20-foot deep temporary channel at the U.S. Patapsco River on Wednesday and reach the Port of Baltimore for the first time since an accident blocked access to the port almost a month ago.
The vessel The Jonathan carried supplies for the large sugar refinery operated by the ASR Group - the company that makes Domino Sugar - located at Port of Baltimore.
The plant, which is one of the largest sugar refineries in the United States, has faced hurdles to keep operations at normal levels since the collapse of the Francis Scott Key Bridge on March 26 that killed six people.
At that time, ASR Group said it had stocks to keep the refinery working for around six to eight weeks.
ASR Group said on Wednesday that a couple of smaller boats had managed to reach the refinery before Wednesday, but with much smaller cargoes.
Despite the arrival of a full-size vessel, the company said the supply situation has yet to normalize.
"Supplying the Baltimore Refinery will continue to require extra efforts until the 35-foot channel is permanently opened," said Marianne Martinez, ASR Vice-President for Corporate Communications.
The new navigation channel, which will allow even larger vessels with heavier loads to enter the port, is expected to open in coming days, but it will have limited periods of operation for now.

Picture of the Day



A man makes his way at a hill as African dust from the desert of Sahara covers the city of Athens, Greece, April 23. REUTERS/Louisa Gouliamaki

(Inside Commodities is compiled by Dhanya Hegade in Bengaluru)

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

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