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

Top News - Oil

Russia says OPEC+ sees no need for further oil output cuts

Russian Deputy Prime Alexander Novak said on Thursday the OPEC+ group of leading oil producers saw no need for further output cuts despite lower-than-expected Chinese demand, but that the organisation can always adjust policy if necessary.
He said Russia reached its targeted output this month after announcing cuts of 500,000 barrels per day (bpd), or 5% of its oil production, until the year-end.
Russia is part of the OPEC+ group of oil-producing countries that announced a combined reduction of around 1.16 million bpd earlier this month, a surprise decision the United States described as unwise.
Novak said Russian oil and gas condensate production is expected to decline to around 515 million tonnes (10.3 million bpd) this year from 535 million tonnes in 2022, broadly in line with a Reuters' report this week.
Asked if the group needed to lower its output further because of falling oil prices, Novak said: "Well, no, of course not because we only made a decision (on reduction) a month ago, and it will come into force from May for those countries that have joined."
He said the recovery of oil demand in China following the COVID-19 pandemic was "probably lower" than analysts and experts had expected and he regarded the market as balanced.
Novak said OPEC+ did not expect oil shortages on the global market after the production cuts, even though the International Energy Agency (IEA) said they risked exacerbating a supply deficit expected in the second half of the year.
Separately, the Secretary General of the Organization of Petroleum Exporting Countries Haitham Al Ghais said on Thursday that the IEA should be "very careful about further undermining" oil industry investments, which producing countries say are vital for economic growth and depend on robust oil prices.

MOSCOW MAINTAINS OUTPUT DESPITE SANCTIONS
Following severe Western sanctions against Moscow over Ukraine, Russia has maintained its oil production and exports by increasing sales outside Europe, its traditional supply market for oil and gas.
Novak said that Russia will this year divert to Asia 140 million tonnes of oil and oil products that previously would have headed to Europe. He also said Russia will supply between 80 million tonnes and 90 million tonnes of oil and oil products to the West in 2023.
Asked for his view on future oil price direction, Novak said he couldn't "speak for god" and therefore was not able to predict prices, which have been trading around $80 a barrel, far below peaks of well over $100 last year.
The market rallied following the OPEC+ announcement of surprise cuts, but has weakened in response to market concerns about recession and the impact that would have on demand.
Novak also said the difference between prices of Russian Urals flagship oil blend and global benchmark Brent in the Baltic is around $26-$27 per barrel.
The discount widened in December after Western nations imposed a price cap, but has narrowed since mid-March.

Iran seizes oil tanker in Gulf, U.S. Navy says

Iran seized a Marshall Islands-flagged oil tanker in the Gulf of Oman in international waters on Thursday, the U.S. Navy said, the latest in a series of seizures or attacks on commercial vessels in sensitive Gulf waters since 2019.
Iran's army said it had seized a Marshall Islands-flagged oil tanker in the Gulf of Oman after it collided with an Iranian boat, injuring several crewmen, Iranian state media reported.
"Two members of the boat's crew are missing and several were injured due to the collision of the ship with the boat," an army statement said.
The U.S. Navy identified the vessel as the Advantage Sweet. According to Refinitiv ship tracking data, it is a Suezmax crude tanker that had been chartered by oil major Chevron and had last docked in Kuwait.
Chevron said it is aware of the situation involving the Advantage Sweet and is "in contact with the vessel operator with the hope of resolving this situation as soon as possible," a spokesperson said.
The vessel's destination was listed as the U.S. Gulf of Mexico port of Houston, ship tracking data showed.
Its manager is listed as Genel Denizcilik Nakliyati AS. The Turkey-based company did not immediately respond to a request for comment.
The Marshall Islands Maritime Administrator said it was aware of the situation and was in communication with the vessel's owner/operator but declined to comment further.
"Iran's continued harassment of vessels and interference with navigational rights in regional waters are a threat to maritime security and the global economy," the U.S. Navy said, adding Iran has in the past two years unlawfully seized at least five commercial vessels in the Middle East.
The U.S. Navy added that after sending a P-8 Poseidon maritime patrol aircraft to monitor the situation, "we have since been able to determine the IRIN (Iranian navy) conducted the seizure".
Iranian authorities did not immediately respond to a Reuters request for comment.
About a fifth of the world's crude oil and oil products passes through the Strait of Hormuz, a narrow choke

point between Iran and Oman which the Advantage Sweet had passed through, according to data from analytics firm Vortexa.

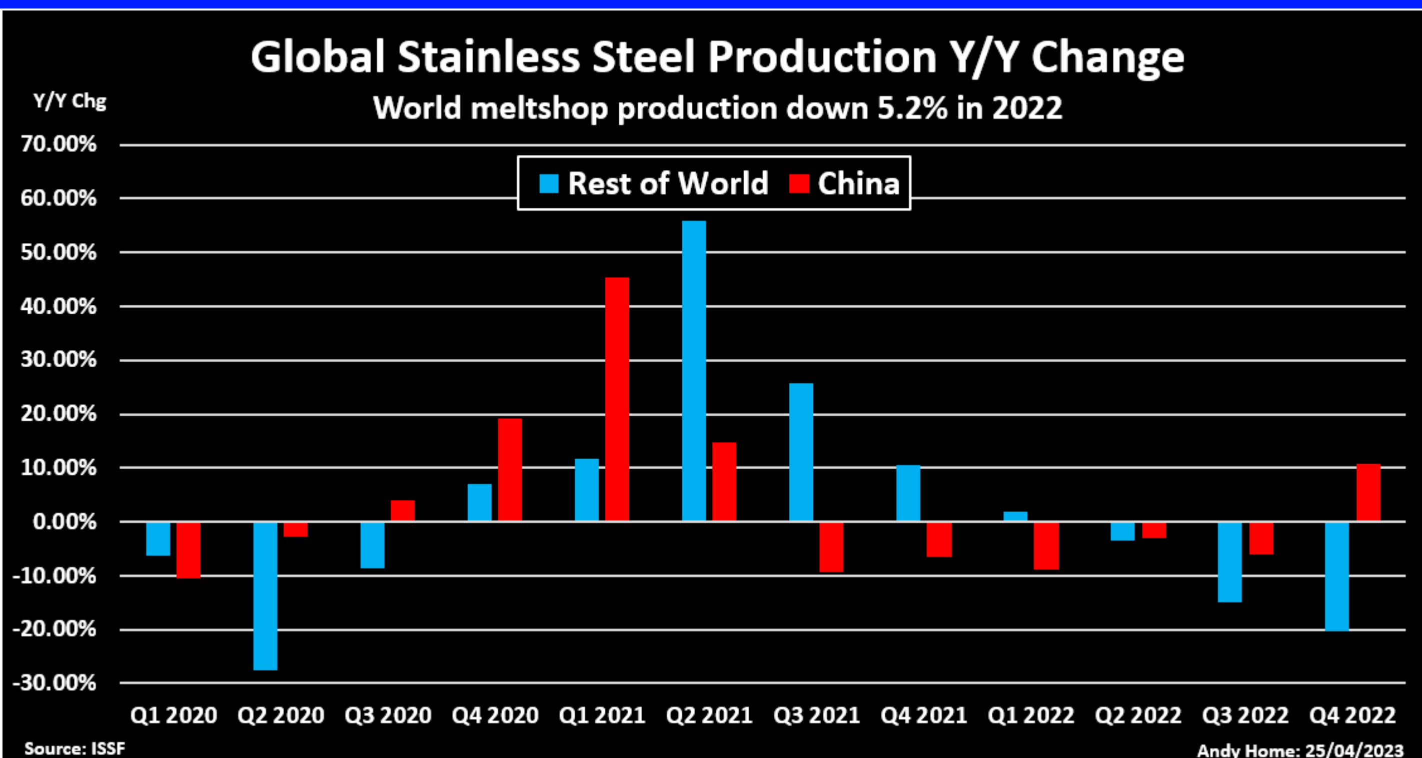
BOARDED VIA HELICOPTER
Maritime security company Ambrey said the vessel had been boarded via helicopter. "The vessel did not show any signs of conducting evasive manoeuvres prior to the incident," it said.
Munro Anderson, with maritime security company Dryad, said separately that Iran usually detained vessels for "leverage or signalling". "The working hypothesis at the moment is that it could either be an arbitrary detention of a vessel by Iran in response to the U.S. sailing its first unmanned vessel through the region last week - as a show of force," he said.
"Or, it could be in response to the sanctions on the 24th (of April) by the U.S. against personnel in Iran connected to the IRGC (elite Revolutionary Guards)."

Since 2019 there have been a series of attacks on shipping in the strategic Gulf waters at times of tension between the United States and Iran. Iran last November released two Greek-flagged tankers it seized in the Gulf in May in response to the confiscation of oil by the United States from an Iranian-flagged tanker off the Greek coast. Indirect talks between Tehran and Washington to revive Iran's 2015 nuclear pact with world powers have stalled since September over a range of issues, including the Islamic Republic's violent crackdown on popular protests, Tehran's sale of drones to Russia and acceleration of its nuclear program. The U.S. Navy, whose Fifth Fleet is based at the Gulf island state of Bahrain, called on Iran to immediately release the tanker. The ship issued a distress call during the seizure, the U.S. Navy statement said. According to the International Maritime Organisation shipping database, the Advantage Sweet is owned by a China-registered company called SPDBFL No One Hundred & Eighty-Seven (Tianjin) Ship Leasing Co Ltd.

Top News - Agriculture

Russia demands full implementation of Black Sea grain deal
Only its full implementation can save the Black Sea grain deal from collapse, Russia's foreign ministry said on Thursday, reaffirming Moscow's dissatisfaction with an accord that aims to prevent a global food crisis. The deal, brokered by the United Nations and Turkey last July, allows Ukrainian grain trapped by the conflict to be safely exported from the country's Black Sea ports. But Russia has repeatedly said it will not allow the deal to be extended beyond May 18 unless the West removes obstacles to Russian grain and fertiliser exports.
"(The deal) is not a buffet you can pick and choose from," Russian foreign ministry spokeswoman Maria Zakharova told a regular news conference in Moscow, adding that implementation of the deal so far had been unsatisfactory. Russia and Ukraine are major grain producers, but Moscow says parts of the deal that are meant to allow it to export its own agricultural goods via the Black Sea are not being honoured.

Chart of the Day



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Although Russia's agricultural exports have not been explicitly targeted by Western sanctions, Moscow says restrictions on its payments, logistics and insurance industries - imposed over its military actions in Ukraine - have created a barrier to the export of its grains and fertilisers. One of Russia's main demands in negotiations is the reconnection of the Russian Agricultural Bank (Rosselkhozbank) to the SWIFT payments system.

More US corn sales to China canceled as Brazil harvest nears
Chinese importers have scrapped more U.S. corn purchases, the U.S. Department of Agriculture (USDA) confirmed on Thursday, the latest in a series of cancellations as the major feed grain buyer awaits newly harvested grain from Brazil.
The USDA, in a daily "flash sales" announcement, said sales of 233,000 tonnes of corn slated for export to China in the 2022/23 marketing year were canceled. The news stoked concerns of steadily eroding corn demand for the top U.S. cash crop, sending benchmark corn futures on the Chicago Board of Trade tumbling to a nearly nine-month low. The agency had reported 327,000 tonnes in cancellations on Monday, and weekly export sales data released on Thursday showed 64,300 tonnes were also canceled in the week ended April 20. The cancellations come just weeks after a flurry of U.S. corn purchases by China and about a month ahead the harvest of Brazil's record-large second corn crop. U.S. corn exporters have struggled to compete with cheaper Brazilian supplies, and the pace of U.S. sales of the most recent harvest is about 33% lower than the same time last year.
The USDA is currently projecting only a 25% decline in sales this season. Sales of the U.S. crop to be harvested this autumn were about 42% behind a year ago, USDA data showed. Corn sales from the United States have been slowing ahead of the Brazilian harvest, which is expected to flood the global market in June and July.
Net sales of U.S. corn for shipment in the current and upcoming marketing years fell to a 15-week low of 400,000 tonnes in the week ended April 20, USDA data showed.

Top News - Metals

Doctor Copper calls in sick in China as metal makers cut production
Chinese copper product makers are cutting their output for the second quarter, typically the peak demand season, because of a slower-than-expected recovery in domestic consumption after COVID-19 and sluggish exports.
A slump in demand for the red metal, nicknamed Doctor Copper for the correlation between its consumption and the economic health of a country, highlights troubling signs that China's economy, the world's second largest, is failing to return to its pre-pandemic output.
China is the world's biggest copper consumer and slowing demand there, combined with fears of a global recession, is likely to weigh on prices, which dropped this week to one-month lows in London and Shanghai.
Officials from six manufacturers who make copper plates, rods and strips that are used in housing, appliances and vehicles told Reuters at an industry conference held by Shanghai Metals Market (SMM) this week that orders in the second quarter are down from a year ago, forcing them to cut offer prices and sell at a loss.
"Our orders dropped by 10% compared with last year," said Wang Liguo, the general manager at Qiangda Tongcai, a manufacturer in Shandong province that makes about 250 tonnes of copper products per month.
After 14 years in the industry, Wang said "never have I seen such poor demand like this year", adding they have cut their offers by up to 500 yuan per tonne.
A slump in copper product output would undermine a forecast from SMM, an industry information provider, for China's copper consumption in 2023 to rise by 2.4% from a year earlier to 14.12 million tonnes.
Finished copper product output rose in the first quarter by 7.8% from a year ago to 5.21 million tonnes, according to the National Bureau of Statistics.
But, SMM data also shows operating rates at copper rod production lines in China have fallen to 64% by mid-April from 75% at the end of March, while rates for plate and strip manufacturing have slumped to 68% in mid-April from as high as 77% in March.

STRUGGLING SECTORS
The property, power and automobile sectors, which make up around two-thirds of copper consumption in China, are struggling with dismal sales that are curbing metal demand.
China's automobile production in the first quarter fell 4.3% from a year earlier to 6.21 million units while sales were down 6.7% to 6.08 million units, data from the China Association of Automobile Manufacturers showed.
Housing completions rose in the first quarter but new construction starts as measured by floor area fell 19.2% from a year earlier, while developers raised less money.
"Household electrical appliances face huge pressure this year due to the ailing property sector last year as it takes about 14 months for house sales to boost demand," said Ye Jianhua, a director at SMM.
Lackluster exports from China amid slowing global economic growth will also add to pressure on metal prices, Zeng Zhihua, a senior economist at the World Bank, told the conference.
Around 40% of China's copper consumption is supported by exports, according to SMM's Ye.
China's exports of copper cable and wire in the first quarter dropped 5.7% from a year ago while exports of household electronic appliances slid 2.8%, data from the General Administration of Customs showed.
Copper tubing demand is a lone bright spot for the sector because of increases in air conditioning production, which accounts for about 15% of China's total copper use.
China produced 17.67 million household air conditioning units in the first quarter of 2023, up 5.9% from a year ago, according to industry information provider China IOL.
Wu Xiangling, a sales manager at Mengyao, a copper product maker in Henan province whose clients include

air conditioner makers Haier, Gree and Midea, said production has climbed to replenish low inventories as output fell during the pandemic but that will likely slow down.
"Our orders from air conditioning makers for May and June delivery are quite good," Wu said. "But demand might drop after they build up enough stocks. Also, we expect to see less orders during summer time as it is typically a weak demand season."

COLUMN-Nickel faces huge supply glut as Indonesian output booms: Andy Home
The nickel market is facing a massive supply glut this year as surging Indonesian production continues to outpace global demand.
The International Nickel Study Group (INSG) is forecasting a supply-demand surplus of 239,000 tonnes, the largest in at least a decade and a significant increase from last year's excess of 105,000 tonnes.
It also represents a lift from the Group's last assessment in October, when it expected a surplus of 171,000 tonnes for this year.
Demand expectations have been tempered, although nickel usage is on track to register healthy 6.1% growth in 2023. It still won't be enough to absorb the wave of new production coming out of Indonesia.
The supply surge, though, is not coming in the form of the Class I refined metal traded on both the London Metal Exchange (LME) and the Shanghai Futures Exchange. That may complicate the pricing impact.

EV TRACTION
The INSG estimates global nickel usage rose by 6.3% last year and forecasts it will almost match that rate this year.
It's a resilient performance given that stainless steel is still the largest component of nickel usage and output of the alloy fell by 5.2% last year, according to the World Stainless Association.
Stainless meltshop production fell everywhere, even in China, the world's largest producer, which registered a 2% year-on-year decline.
Chinese production started recovering in the fourth quarter as the country emerged from zero-Covid restrictions but any positive impact was offset by sharp drops in European and U.S. run-rates in line with slowing economic activity.
The INSG expects only "mild growth" in the stainless sector this year.
Taking up the slack from a weak stainless sector is demand for nickel from the electric vehicle (EV) battery sector.
Despite weak Chinese sales after the removal of subsidies and the shift towards non-nickel chemistries, the speed and scale of the global switch to EVs means that batteries are the core driver of growing nickel demand.
A total 17,137 tonnes of nickel were deployed onto roads globally in EV batteries in February, according to research house Adamas Intelligence. That was up 19% month-on-month and 47% up on February last year.

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$77.06 / bbl	3.08%	-6.37%
NYMEX RBOB Gasoline	$2.56 / gallon	2.64%	1.09%
ICE Gas Oil	$718.50 / tonne	4.51%	-25.52%
NYMEX Natural Gas	$2.21 / mmBtu	-6.07%	-47.62%
Spot Gold	$1,984.99 / ounce	-0.14%	8.86%
TRPC coal API 2 / Dec, 23	$125 / tonne	-	-27.47%
Carbon ECX EUA / Dec, 24	€96.48 / tonne	7.16%	2.51%
Dutch gas day-ahead (Pre. close)	€41.50 / Mwh	6.41%	-48.35%
CBOT Corn	$6.63 / bushel	5.70%	-7.59%
CBOT Wheat	$6.80 / bushel	8.10%	-21.22%
Malaysia Palm Oil (3M)	RM3,705 / tonne	7.24%	-17.42%
Index (Total Return)	**Close 27 Apr**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	299.30	0.12%	-3.02%
Rogers International	26.85	-1.20%	-9.47%
U.S. Stocks - Dow	33,786.62	-0.33%	2.05%
U.S. Dollar Index	101.5	0.04%	-1.95%
U.S. Bond Index (DJ)	409.93	-0.45%	4.99%

INDONESIA RAMPS UP

The coming surplus, however, will not be defined by demand but by production, particularly Indonesian production

The country's nickel mine output grew by 48% to 1.58 million tonnes in 2022 and by another 44% in the first two months of this year, according to the INSG's most recently monthly bulletin.

Since Indonesia fully banned the export of ore in 2020, all that mine output is now being converted to nickel products.

Some of the new processing capacity is producing nickel pig iron for the stainless sector and Indonesia's growth will come at the expense of lower Chinese output as the off-shoring trend continues.

Much of the new production, however, is targeted at the fast-growing battery sector with operators experimenting with new technology to cross the processing hurdle of converting Indonesia's relatively low-grade laterite resources into a form that can be used in lithium-ion batteries.

This changes the nature of this particular nickel surplus.

"Historically, market surpluses have been linked to LME deliverable/class I nickel, but in 2023 the surplus will be mainly due to class II and nickel chemicals (principally nickel sulphate)," the INSG said.

The rapid growth of nickel in non-exchange deliverable form has widened the pricing gap with the LME benchmark and indeed played a significant part in the blow-out of the LME nickel contract in March last year.

SPLIT MARKET

The split between the different segments of the market is clear to see on both London and Shanghai exchanges.

LME stocks of Class I nickel continue to slide even as surplus builds in other parts of the supply chain.

Registered inventory has fallen by 28% so far this year to 40,032 tonnes, the lowest level since 2007.

Shanghai registered stocks are lower still at just 1,496 tonnes as China's imports of refined metal are increasingly replaced with intermediate products heading for the EV sector. Pricing on both exchanges is capturing this Class I dynamic, the LME three-month price last week hitting a two-month high of $25,950 per tonne. It has eased to a current $23,700 but is now being supported by a tightening in the spread structure.

The contango across the benchmark cash-to-three-months spread has contracted from over $200 per tonne earlier this month to $12 as of Wednesday's closing evaluations. As Indonesian operators close the processing gap between Class I and II forms of nickel, the split in pricing should in theory start closing as well.

But it's not happened yet. The INSG's latest forecast is clearly bearish for the nickel price but how bearish for the price of exchange-traded refined metal remains to be seen.

Top News - Carbon & Power

New nuclear power could help US climate fight but faces hurdles-report

A next generation of smaller nuclear power plants could help the U.S. reach long term climate change goals but face technical, regulatory and economic hurdles, a report by nonprofit scientific institutions said on Thursday.

Backers of so-called advanced nuclear reactors such as NuScale Power Corp say the smaller plants can be built in factories eventually at less cost than today's large light water reactors. Some of the reactors including NuScale's would use fuel and coolants used in conventional reactors while others plan to use liquid metal, molten salt or high-temperature gas as coolants.

Widespread deployment of the reactors could take several decades said the report, "Laying the Foundation for New and Advanced Nuclear Reactors in the United States," by the National Academies of Sciences, Engineering, and Medicine. The nonprofit institutions provide analysis to inform public policy decisions.

"If we want the ability to pursue this option, the U.S. should address these barriers now," said Richard Meserve, a former chair of the Nuclear Regulatory Commission, and the chair of the committee that wrote the report.

The report said regulations governing existing reactors are not suitable for the next generation of plants and called on Congress to provide the U.S. Nuclear Regulatory Commission with more resources to boost its ability to deal with the differences.

Some of the plants are designed to be deployed remotely which presents new security challenges, the report said. For instance, some would use a fuel called high assay low-enriched uranium, or, which is enriched up to 20% compared to about 5% for today's reactors. But HALEU is more attractive for diversion or theft by militants who could use it as a feedstock for producing high-enriched uranium potentially for use in weapons, and may require additional security measures, it said.

The report recommends that the Department of Energy develops a program to improving performance of fuels and materials used to build or operate the reactors. It also said incentives that have nurtured solar and wind power technologies should be provided to speed commercial development of the reactors.

It also called for the DOE and other government agencies to work with labor groups, regulatory agencies and others to identify gaps in skills and to fund training programs.

Australia's record renewable output lowers costs, emissions - market operator

Australia's renewable energy output surged in the quarter ended March, pushing down energy costs, driving carbon emissions to record lows and helping replace power generated from coal and gas, the country's energy market operator said. Renewable energy supply to the National Electricity Market (NEM) hit a record of 66% in the first quarter, according to the latest quarterly update from the Australian Energy Market Operator (AEMO).

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That was up 4.4 percentage points from the previous high, while contributions from coal and gas fell, with gas-fired power touching its lowest level since 2005. Total NEM emissions slid to the lowest first-quarter levels on record, down 5.1%.
The record comes less than a year since Labor Party came to power, promoting clean energy projects and pledging to invest A$20 billion to rebuild and modernise the national electricity network as part of a drive to cut carbon emissions by 43% by 2030 and reach net zero emissions by 2050. The AEMO, in its latest quarterly update, said its data also underlined that need for more investment in new transmission lines, connecting more wind and solar farms to the national power grid. "These insights reinforce that critical transmission investments ... are needed to share low-cost, low emission renewable energy with consumers," AEMO CEO Daniel Westerman said in a statement.
The NEM covers all regions of Australia except the state of Western Australia and the Northern Territory.
Easing La Nina conditions - the weather phenomenon that typically brings more rain - and a relatively mild southern hemisphere summer helped wholesale electricity prices drop back to typical historic levels, the report said.
NEM wholesale spot prices averaged A$83 per megawatt hour (MWh), down from A$93/MWh and A$216/MWh from the quarters through December and September, respectively.
The AEMO report came on the day Australia retired one of its oldest coal-fired power stations.
AGL Energy Ltd, the country's top power producer, shut down the Liddell power station after more than half a century of operations as it looks to convert the site into a renewable energy hub, including plans to build a 500 MW grid-scale battery there.

Top News - Dry Freight

EU hikes wheat stocks forecast as exports cut, imports raised

The European Commission on Thursday sharply raised its outlook for wheat stocks this season as it reduced forecast exports and increased expected imports.
The revisions highlight the prospect of large wheat supplies that has led to calls from some eastern EU countries to curb an influx of cheaper grain from war-torn Ukraine.
In supply and demand data, the Commission raised its forecast of EU stocks of common wheat, or soft wheat, at the end of the current 2022/23 season to 19.6 million tonnes from 18.1 million projected in late March.
That reflected a 1 million tonne cut to projected exports, now seen at 31 million tonnes, and a 0.5 million increase to forecast imports to 8 million tonnes.
The Commission also increased its projection of EU maize imports this season by 1 million tonnes to 24 million, though it also revised up expected maize exports by 1 million tonnes to 3 million and lowered slightly its maize stocks forecast.
In oilseeds, forecast 2022/23 EU rapeseed imports were increased to 6.5 million tonnes from 6.2 million last month.
For the upcoming 2023/24 season, the Commission lowered its expectations for cereal production due to a steep downward revision for Spain, which is suffering drought.
Forecast usable production of soft wheat in 2023/24 was cut to 130.2 million tonnes from 130.9 million, projected barley was lowered to 52.2 million tonnes from 54.2 million, while expected maize production was trimmed to 64.4 million tonnes from 65 million.
The Commission said it had cut its outlook for overall cereal output in Spain by almost 20% from last month, with the crop now expected 25.5% below the five-year average. Scorching temperatures in Spain this week are set to deepen the drought, even as the rest of Europe sees wet, cool conditions.
For 2023/24 EU oilseed production, the Commission increased its outlook for rapeseed output to 20 million tonnes from 19.8 million, but lowered its forecast for sunflower seed, of which Spain is a major producer, to 10.5 million from 10.9 million tonnes.

Algeria buys wheat in tender for shipment to 2 ports – traders

Algeria’s state grains agency OAIC is believed to have bought milling wheat in an international tender on Thursday which sought limited shipment to two ports only, European traders said.
Purchases reported were around $295 a tonne cost and freight (c&f) included, they said. Purchases were also reported at $296.50 a tonne c&f.
No estimates of tonnes bought were initially available.
The requirement in the tender to unload the wheat only in the ports of Mostaganem and/or Tenes in two port tenders from the OAIC generally signals that a relatively small purchase will be made, traders said.
The wheat was sought for shipment in several periods from the main supply regions including Europe: May 16-31, June 1-15, June 16-30, July 1-15 and July 16-31. If sourced from South America or Australia, shipment is one month earlier.
Results reflect assessments from traders and further estimates of prices and volumes are still possible later.

Picture of the Day

Soy plants are pictured in a field in Ponta Grossa, Parana state, Brazil, April 25. REUTERS/Rodolfo Buhrer

(Inside Commodities is compiled by Vaishali Puthran in Bengaluru)

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

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