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Top News - Oil

BP Q1 profits slump to \$2.7 billion, missing forecasts

BP reported on Tuesday first-quarter earnings of \$2.7 billion, down 40% from a year earlier and missing forecasts due to lower oil and gas prices and a U.S. refinery outage.

The London-based company held its dividend steady at 7.27 cents per share and maintained the rate of its share buyback programme at \$1.75 billion over the next three months, similar to the previous period.

BP's first-quarter underlying replacement cost profit, the company's definition of net income, reached \$2.7 billion, missing forecasts of \$2.87 billion in a company-provided survey of analysts.

That compared with a \$3 billion profit in the previous quarter and \$5 billion a year earlier.

The results reflected lower energy prices and the impact of the Whiting refinery outage and a significantly weaker fuels margin, BP said.

Those were partially offset by significantly lower level of turnaround activity at BP facilities as well as a strong oil trading result and higher realised refining margins.

Exxon sees Hess arbitration dragging into 2025, CEO says

U.S. energy major Exxon Mobil's arbitration case that could block Chevron's purchase of Hess will extend into 2025, Exxon CEO Darren Woods said in an interview on CNBC on Monday, ahead of a coming vote by Hess shareholders on the deal.

Exxon and CNOOC Ltd filed cases before the International Chamber of Commerce in March, seeking a right-of-first-refusal over any sale of Hess's 30% stake in the Stabroek offshore oil block in Guyana, where the three companies control the largest oil discovery in nearly a decade.

Hess has set May 28 for a shareholder vote on the \$53 billion all-stock deal that would give Chevron a major stake in Guyana's lucrative offshore oil fields, which to date have been shown to hold more than 11 billion barrels of oil and gas resources.

Exxon would prefer to slow the deal closing to gain time to consider its next steps, Roy Behren, co-president of the

New York investment firm Westchester Capital Management and a large Hess shareholder, said in an interview.

Westchester Capital expects to vote its 2 million Hess shares in favor of the Chevron deal unless a higher bid materializes, Behren said.

At Monday's closing price for Hess and Chevron shares, Hess traded at a \$6.97 spread to the current value of the transaction. Chevron closed at \$162.30 and Hess at \$159.40 at 4 p.m. New York Stock Exchange trading.

"The spread suggests an about 79% chance of the deal being successfully completed," said Behren.

"That is lower than the implied likelihood a high quality transaction would typically trade."

Exxon has said it was not planning to bid for Hess but could consider a larger stake in the Guyana joint venture.

"Exxon would probably like to see a shareholder vote not take place because it is one more of the dominos that needs to fall for the transaction to be completed," Behren said on Monday.

"They want shareholders to be not comfortable with the assumption that this is a cake walk for Chevron."

Woods comments present a later timeline for a decision on its claims and for when the Chevron deal could close. Previously, Hess said it sought to have the case heard by the third quarter and completed by year-end.

Chevron CEO Michael Wirth separately told CNBC the company is working toward U.S. Federal Trade Commission approval and the Hess shareholder vote. Hess did not reply requests for comment.

An Exxon spokesperson said the 2025 arbitration timeline was not new and did not comment on the shareholder remarks on any impact on the Hess shareholder vote.

U.S. antitrust regulators have not yet approved the Chevron-Hess deal. The U.S. FTC last week consented to Exxon's \$60 billion all-stock purchase of top U.S. shale oil producer Pioneer Natural Resources.

Exxon has claimed it holds a right of first refusal over any change of control in Hess's Guyana properties as part of the Stabroek consortium's operating agreement.

Hess and Chevron have said they believe a right does not apply to the sale of the entire company.

Top News - Agriculture

US wheat ratings tick up; corn, soy seedings slower than expected

The U.S. Department of Agriculture (USDA) weekly crop progress report showed 50% of the U.S. winter wheat crop rated in good-to-excellent condition, up 1 percentage point from last week and the highest for this time of year

since 2020. The relatively strong wheat conditions align with forecasts for a shift in global grain supplies to surplus, compared with the shortages of the past several years.

Drought conditions eased last week in portions of the U.S. winter wheat belt.



As of April 30, some 28% of U.S. winter wheat was located in an area experiencing drought, the USDA said last week, down from 30% the previous week.

However, while beneficial rains fell in the Midwest and central and eastern Plains, dry conditions persist in central and southwest Kansas, key winter wheat areas where crops are still developing ahead of harvesting in June and July.

Meanwhile, farmers continue to plant spring crops in between showers, although seeding progress in the past week was below expectations, USDA data showed. The agency reported the corn crop was 36% planted as of May 5, up from 27% the previous week but short of the average analyst estimate of 39% complete.

U.S. soybeans were 25% planted as of Sunday, slightly lower than the average analyst estimate of 28% complete. Spring wheat was 47% seeded, above the average analyst estimate of 45% complete.

Russian wheat export prices continue to rise

Russian wheat export prices continued to rise last week as volatile weather conditions made crop forecasts difficult. Combined with dry weather in the south of the country, May frosts in central regions, the Volga region and in some southern regions could have a negative impact on the crop, analysts said.

The price of 12.5% protein Russian wheat scheduled for free-on-board (FOB) delivery in June was \$216 a metric

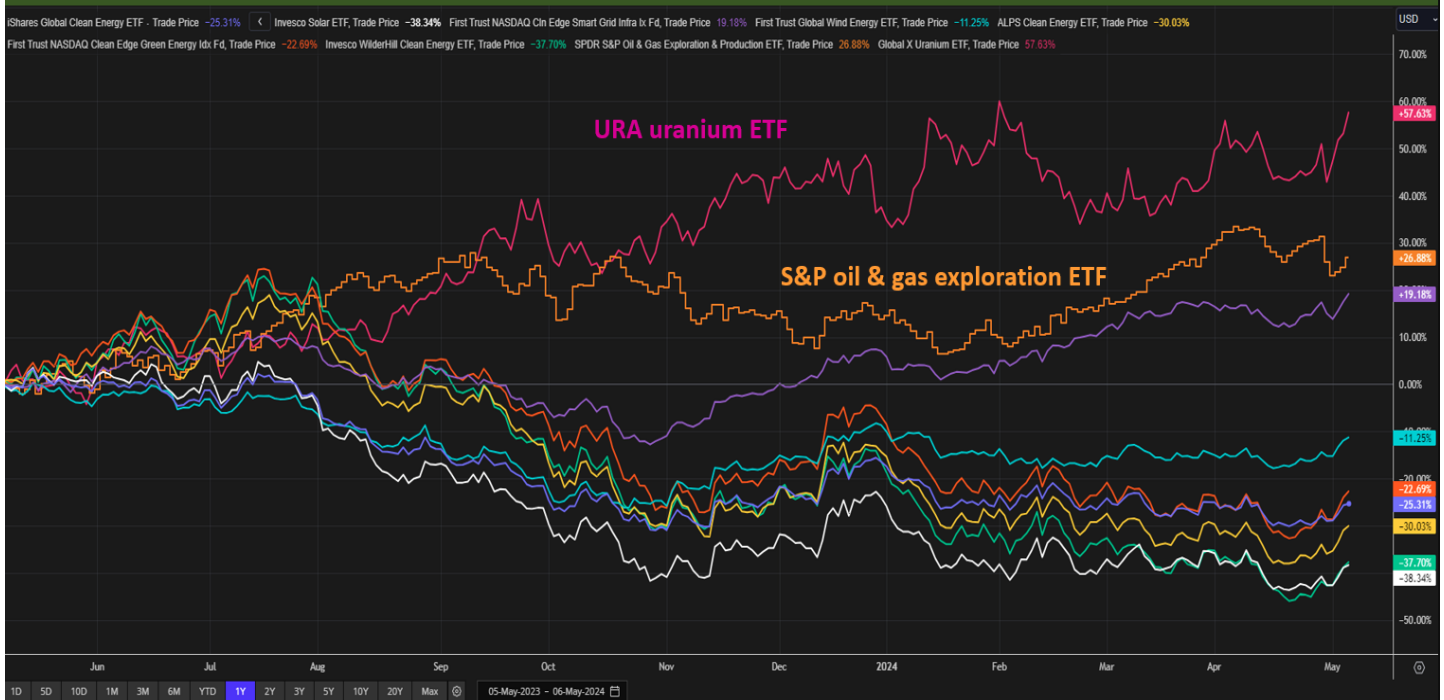
ton, up from \$212 a ton the previous week. The Sovecon agriculture consultancy pegged the same class of wheat at \$215-219 a ton, up from \$213 to \$216 a ton FOB. "The weather in Russia has been a key topic for the global market. Rain in the South on April 30 - May 1 was limited... Also, the precipitation outlook has substantially worsened during the week. The models earlier were predicting meaningful rain in the South this weekend which is not the case anymore," Sovecon wrote in a weekly note, suggesting another revision to the crop forecast. "The weather models predict more noticeable rain in the South in the second half of May, but by that time plants are likely to be substantially impacted." IKAR cut its forecasts last week for Russia's wheat crop and wheat exports.

Russia is the world's largest wheat exporter. Its exports fell to 0.77 million metric tons of grain in a shortened workweek last week, from 0.99 million metric tons the previous week. Exports included 0.67 million metric tons of wheat, down from 1.07 metric tons a week earlier, Sovecon wrote, citing port data. Sovecon has kept its forecast for record high exports for April of 4.6 million metric tons, compared with 4.4 million tons a year earlier. As of April 26, farmers had seeded 4.9 million hectares of grains compared to 7.1 million hectares in the same period in 2023. That included 1.1 million hectares of spring wheat, compared to 2.2 million last year, Sovecon wrote.

Chart of the Day

1-year chart of clean energy ETFs vs key oil & gas exploration ETF

Over the past year, uranium ETFs outperformed other clean energy vehicles, followed by oil & gas exploration ETF



REUTERS

Source: LSEG

Top News - Metals

EU clears \$14.9 bln purchase of U.S. Steel by Japan's Nippon

The European Union cleared U.S. Steel's \$14.9 billion buyout by Japan's Nippon Steel on Monday, allaying competition concerns from a deal that has drawn political opposition in the United States. The approval by the European Commission was expected to be a formality but in the U.S., the deal is facing resistance from several lawmakers worried about national security and U.S. Steel's union, which is concerned about job losses. While U.S. President Joe Biden has said Pennsylvania-based U.S. Steel should remain domestically owned, Republican front runner for the presidential race, Donald Trump said he would block the deal if elected.

Japan's Nippon has tried to address the concerns by offering to move its U.S. headquarters to Pittsburgh, where U.S. Steel is based and by promising to honor all agreements in place between U.S. Steel and the United Steelworkers.

Nippon had in December clinched a deal to buy the 122-year-old iconic steelmaker, prevailing over rivals bidders such as Cleveland-Cliffs, ArcelorMittal and Nucor. The acquisition of U.S. Steel will help Nippon, the world's fourth-largest steel maker, move toward 100 million metric tons of global crude steel capacity.

Last week, U.S. Steel said the Department of Justice had sought more details on the proposed merger as part of an antitrust review. Despite mounting opposition, an overwhelming majority of U.S. Steel shareholders voted in favor of the deal in April. The company now expects the deal to close in the second half of 2024 compared to its prior deadline of second to third quarter. The European Commission said on Monday it cleared the deal given the companies' "limited market positions resulting from the proposed transaction".

Shares of U.S. Steel rose 2% in morning trade. They have lost a quarter of their value so far this year.

EXCLUSIVE-Freeport may export up to 900,000 metric tons of Grasberg copper in second half

Freeport-McMoRan is preparing to ship as much as 900,000 metric tons of copper concentrate starting in June from its Grasberg mine after positive talks with Indonesia to extend its export licence, two sources with knowledge of the situation said.

An Indonesian minister urged the government last week to allow the U.S. copper giant to keep shipping copper concentrate from the mine it operates at Grasberg in Indonesia after its current licence expires at the end of May.

Exports of copper concentrate, produced from crushing mined ore, in the second half would help smelters facing shortages.

Copper prices hit two-year highs at \$10,208 a ton last week, a gain of more than 20% so far this year, driven in

part by major Chinese smelters planning to cut output after disruptions to mine, supply such as those at First Quantum's Cobre mine in Panama. Freeport is talking to customers about selling Grasberg output in the second half this year, according to three sources, reflecting the company's confidence the government will allow continued exports.

Initial commercial discussions on sales of Grasberg output were held in Santiago, Chile, on the sidelines of an industry conference in mid-April, two of the sources said. Freeport did not respond to requests for comment via email and phone.

The sources asked not to be named because they were not authorised to speak to the media.

INDONESIAN BAN

Indonesia banned raw material exports in 2020 to try to force companies to refine minerals in the country, adding value to its exports. Miners have had to apply for export quotas when their smelters and refineries are under construction.

Freeport has said that banning exports of Grasberg concentrates output could lead to a loss of \$2 billion in revenues for Jakarta.

The company's Manyar smelter is due to be completed this month, but it may take up to six months to reach full capacity, meaning it will not be able to process all of the concentrate produced by Grasberg, the world's second largest active copper mine. The amount of concentrate available for export could amount to between 500,000 to 900,000 tons from June until about November, the sources said.

Freeport was allowed to export 1.7 million tons of concentrate from Indonesia between late July 2023 and when the export licence ends in May, it said in a filing last year.

The release of Grasberg's output could cause an increase in treatment charges (TC), fees paid by miners to smelters for converting raw materials into metal. Miners typically can negotiate lower prices when traders and smelters have to compete for concentrate because supplies are low.

The copper concentrate market is expected to be in deficit for the next three years.

Last week, TCs, also a tracker of mined copper availability, turned negative. According to price rating agency Fastmarkets, treatment charges turned negative in April for the first time since 2013.

That compares with annual 2024 benchmark TCs settled between Chinese smelters and Antofagasta at \$80 per ton. The latest Reuters' poll showed analysts see a copper deficit of 125,000 tons in 2024, more than triple the deficit of 35,000 tons expected in the January poll and compared with a surplus of 302,500 tons expected late last year.

Top News - Carbon & Power

Uniper's Q1 core profit falls on lower gas prices, outlook confirmed

Uniper's core profit fell around 11% in the first quarter, mainly due to lower wholesale prices that impacted margins at the bailed-out utility's fleet of gas-fired power plants.

First-quarter adjusted earnings before interest, tax, appreciation and amortisation (EBITDA) came in at 885 million euros, Uniper said in a statement on Tuesday. The company, which is preparing to return to the stock market after having been nationalised in the wake of Europe's energy crisis, also confirmed its 2024 target corridor for adjusted EBITDA of 1.5 billion to 2.0 billion. "Uniper's start in 2024 is good and in line with our expectations. The capital market is acknowledging Uniper's positive performance in recent months," Chief Financial Officer Jutta Doenges said.

Adjusted net profit for the period rose by around a quarter to 570 million euros and the group's net cash position increased to 4.5 billion euros, Uniper said.

EXCLUSIVE-Colombia's Ecopetrol exploring participation in offshore wind auction

Colombia's majority state-owned energy company Ecopetrol is analyzing its potential direct participation in

the Andean country's first-ever offshore wind auction, the company said in a statement to Reuters.

The government of President Gustavo Petro, Colombia's first leftist leader, has said it wants to wean the Andean country from its dependence on fossil fuels while ensuring energy self-sufficiency.

Bidders in the auction for concessions off the country's Caribbean coast are required to demonstrate some sort of partnership agreement with a public or mixed-ownership company - such as Ecopetrol - in order to be awarded a concession.

But it had not been known whether Ecopetrol would seek to qualify for the auction process as a bidder itself.

"Ecopetrol is carrying out the technical, economic and legal analyses of its potential participation in the offshore wind auction process," the company told Reuters in a statement in response to questions about its participation. Potential private bidders will be able to choose from a variety of companies with public participation, energy minister Andres Camacho told Reuters in December. Public or mixed-ownership companies that later join private company bids are not subject to evaluation at the qualification stage under the terms of the auction.

A source with knowledge of the matter had told Reuters that Ecopetrol was exploring its own qualification.

MARKET MONITOR as of 06:45 GMT

| Contract | Last | Change | YTD |
|----------------------------------|--------------------|--------|---------|
| NYMEX Light Crude | \$78.54 / bbl | 0.55% | 9.62% |
| NYMEX RBOB Gasoline | \$2.55 / gallon | 1.05% | 21.21% |
| ICE Gas Oil | \$750.00 / tonne | 0.50% | -0.10% |
| NYMEX Natural Gas | \$2.16 / mmBtu | 1.03% | -13.92% |
| Spot Gold | \$2,320.12 / ounce | 0.81% | 12.49% |
| TRPC coal API 2 / Dec, 24 | \$113.5 / tonne | 1.11% | 17.01% |
| Carbon ECX EUA | €73.20 / tonne | 1.65% | -8.92% |
| Dutch gas day-ahead (Pre. close) | €32.70 / Mwh | 8.64% | 2.67% |
| CBOT Corn | \$4.70 / bushel | 2.06% | -2.94% |
| CBOT Wheat | \$6.48 / bushel | 4.06% | 1.29% |
| Malaysia Palm Oil (3M) | RM3,914 / tonne | 1.82% | 5.19% |
| Index | Close 06 May | Change | YTD |
| Thomson Reuters/Jefferies CRB | 334.83 | 0.43% | 11.09% |
| Rogers International | 28.68 | 0.91% | 8.95% |
| U.S. Stocks - Dow | 38,852.27 | 0.46% | 3.09% |
| U.S. Dollar Index | 105.27 | 0.21% | 3.88% |
| U.S. Bond Index (DJ) | 421.12 | 0.38% | -2.23% |

Public or mixed-ownership companies must qualify alongside other businesses that have technical experience, the company said.

"The qualification stage requires Ecopetrol to participate jointly with a partner," it said in the statement.

Ecopetrol is talking with a number of companies regarding potential partnerships to develop offshore wind projects, the company said, though it declined to name any businesses it has spoken to. Ecopetrol - the country's biggest oil producer - is taking part in a number of forays into renewable energy, such as green hydrogen pilots

and powering its operations with solar energy. Offshore wind energy represents a good opportunity to incorporate non-conventional renewable energy into Ecopetrol's operations, the company said.

"Participating in the offshore wind auction will allow us to access reliable renewable energy to leverage the entry of green hydrogen projects and their derivatives," the statement added.

The auction process is being overseen by the government's National Hydrocarbons Agency (ANH) and the registration deadline is June 21.

Top News - Dry Freight

Ukraine 2023/24 grain exports at 42 mln T so far

Ukraine's grain exports in the 2023/24 marketing season had reached almost 42 million metric tons as of May 6 compared with 42.6 million sent abroad as of May 8, 2023, agriculture ministry data showed on Monday.

That included 624,000 tons exported so far in May, the data showed. Exports this season have included 16 million tons of wheat, 23.3 million tons of corn and 2.2 million tons of barley. 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. The ministry has said the 2024 combined grain and oilseed crop could fall to 74 million tons including 52.4 million tons of grain.

Taiwan's MFIG tenders to buy up to 65,000 metric tons of corn

Taiwan's MFIG purchasing group has issued an international tender to buy up to 65,000 metric tons of

animal feed corn which can be sourced from the United States, Brazil, Argentina or South Africa, European traders said on Monday.

The deadline for submitting price offers in the tender is Wednesday, May 8, they said.

Price offers in MFIG's tender are being sought for one consignment of yellow corn of between 40,000 and 65,000 tons at a premium over the Chicago September 2024 corn contract.

Shipment is sought between July 6-25 if the corn is sourced from the U.S. Gulf, Brazil or Argentina, traders said.

If sourced from the U.S. Pacific Northwest coast or South Africa, shipment is sought between July 21 and Aug. 9. Chicago corn futures rose on Friday as floods hit southern Brazil and amid concern about crop disease and strikes in Argentina.

In its last reported corn tender on April 2, the MFIG group bought about 65,000 tons expected to be sourced from Argentina.

Picture of the Day

A drone view shows a flooded city center after people were evacuated in Porto Alegre, in Rio Grande do Sul state, Brazil, May 5. REUTERS/Renan Mattos

(Inside Commodities is compiled by Nandu Krishnan in Bengaluru)

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

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