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Top News - Oil

OPEC sticks to oil demand view, shifts key forecast to OPEC+

OPEC stuck to its forecast for strong growth in global oil demand in 2024 on Tuesday and said it would switch to focus on projected demand for OPEC+ crude, reflecting that the wider group is now the main forum for cooperation in the market.

The Organization of the Petroleum Exporting Countries, in a monthly report, said it expected world oil demand to 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. This is the last report before OPEC+, which groups OPEC and allies led by Russia, meets on June 1 to decide whether to extend voluntary oil output cuts into the second half of the year.

OPEC sounded an upbeat tone on the economic outlook. "Despite certain downside risks, the continued momentum observed since the start of the year could create additional upside potential for global economic growth in 2024 and beyond," OPEC said in the report. OPEC+ has implemented a series of output cuts since late 2022 to support the market. The latest cut of 2.2 million bpd is in place until the end of June unless it is extended, as some OPEC+ sources have said it could be.

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. The International Energy Agency, which represents industrialised countries and forecasts oil demand will peak by 2030, sees an expansion of 1.2 million bpd and is scheduled to update its figures on Wednesday. OPEC believes oil use will keep rising for the next two decades and has not forecast a peak.

SHIFTS FOCUS TO OPEC+

OPEC also said it would stop publishing a calculation of the world's demand for its own crude - a figure watched as an indicator of market strength - and would focus on demand for oil from OPEC+.

The move "demonstrates solidarity and unity" within the OPEC+ framework, OPEC said, as well as removing the "potential for misunderstanding."

OPEC+ has been working together since 2016 through a pact called the Declaration of Cooperation (DoC). An OPEC+ source told Reuters, which reported on the switch last week, that the move reflected the fact that OPEC+ demand was now more relevant because the DoC nowadays was the framework for cooperation on the oil market. In the report, OPEC projected 2024 demand for DoC crude at 43.2 million bpd, compared with world oil demand of 104.5 million bpd, and said the group produced 41.02 million bpd in April, below the expected demand. OPEC itself pumped 26.58 million bpd in April, down 48,000 bpd, the report said.

COLUMN-India oil demand driven by consumers rather than industry: Kemp

India’s oil consumption increased by 3.7 million tonnes (4.8%) in the first four months of 2024 compared with the same period in 2023, according to data from the government’s Petroleum Planning and Analysis Cell.

Increased domestic consumption was equivalent to an extra 220,000 barrels per day (bpd), only slightly slower than growth of 235,000 bpd in the first four months of 2023 and 241,000 bpd in the same period in 2022.

Growth was broadly in line with the OPEC secretariat’s forecast for a full-year average increase of 230,000 bpd. (“Monthly oil market report”, OPEC, May 14)

India is becoming one of the most important drivers of global petroleum consumption and expected to overtake China as the single most important source of growth by 2030. However, the switchover is still in the future. OPEC predicts India will account for one-tenth of global growth this year, the second-highest share of any country, but still well behind almost one-third coming from China.

MOTORCYCLES, CARS AND COOKING

Two-thirds of India’s petroleum consumption is attributable to just three products - diesel (39%), gasoline (16%) and liquefied petroleum gas (LPG) (13%).

Much smaller shares are attributable to petroleum coke (9%), naphtha (6%), bitumen (4%), jet fuel (4%) and other products. Diesel is mainly used by freight hauliers, manufacturers and mines, with small quantities in agriculture and power generation, and consumption has risen at an average annual rate of a little under 3% over the last decade. The fastest growth has come from gasoline, rising at an average rate of 8% per year, as household incomes have driven a rapid increase in motorcycle and car ownership.

The number of registered motorcycles and passenger cars more than doubled in the decade up to 2020, according to the most recent available data from the Ministry of Road Transport and Highways. The second-fastest growth has come from LPG, increasing more than 6% per year, as more households turn to bottled gas to replace kerosene for cooking. Households account for almost 90% of the country’s LPG consumption and it has almost entirely replaced kerosene in the last 20 years.

Growth led by gasoline and LPG rather than diesel is consistent with other data showing the country’s economic expansion is being driven primarily by consumption rather than industrial deepening.

Top News - Agriculture

NOPA April US soybean crush seen at 183.072 million bushels

U.S. soybean processing slowed in April from a record crush the previous month due to narrowing margins and seasonal downtime at processing plants, analysts said ahead of a National Oilseed Processors Association (NOPA) monthly report on Wednesday. NOPA members, who handle 95% of all U.S.-processed soybeans, were projected to have crushed 183.072 million bushels last month, according to 10 analysts polled by Reuters.

That would mark a 6.8% decrease from the record 196.406 million bushels crushed in March and would be the smallest monthly crush since September.

But it would be up 5.7% from the April 2023 crush of 173.232 million bushels, and the largest April crush on record.

U.S. soybean processors have expanded capacity and built new plants over the past several years to capitalize on rising vegetable oil demand from renewable fuels makers. But a recent downturn in demand, as biofuel producers turned to cheaper alternatives like imported used cooking oil, eroded crush margins. The Biden administration on Tuesday raised tariffs on some Chinese imports, but used cooking oil was not among the products targeted despite recent market rumors.

"NOPA was not proactively pushing for tariffs," NOPA CEO Kailee Tkacz Buller said in an emailed statement. NOPA is concerned about used cooking oil imports and exploring "workable solutions that can address the impact on our domestic market," she said, but did not provide details.

April crush estimates ranged from 173.980 million to 191.000 million bushels, with a median of 184.100 million bushels. The NOPA report is scheduled for release at 11 a.m. CDT (1600 GMT) on Wednesday.

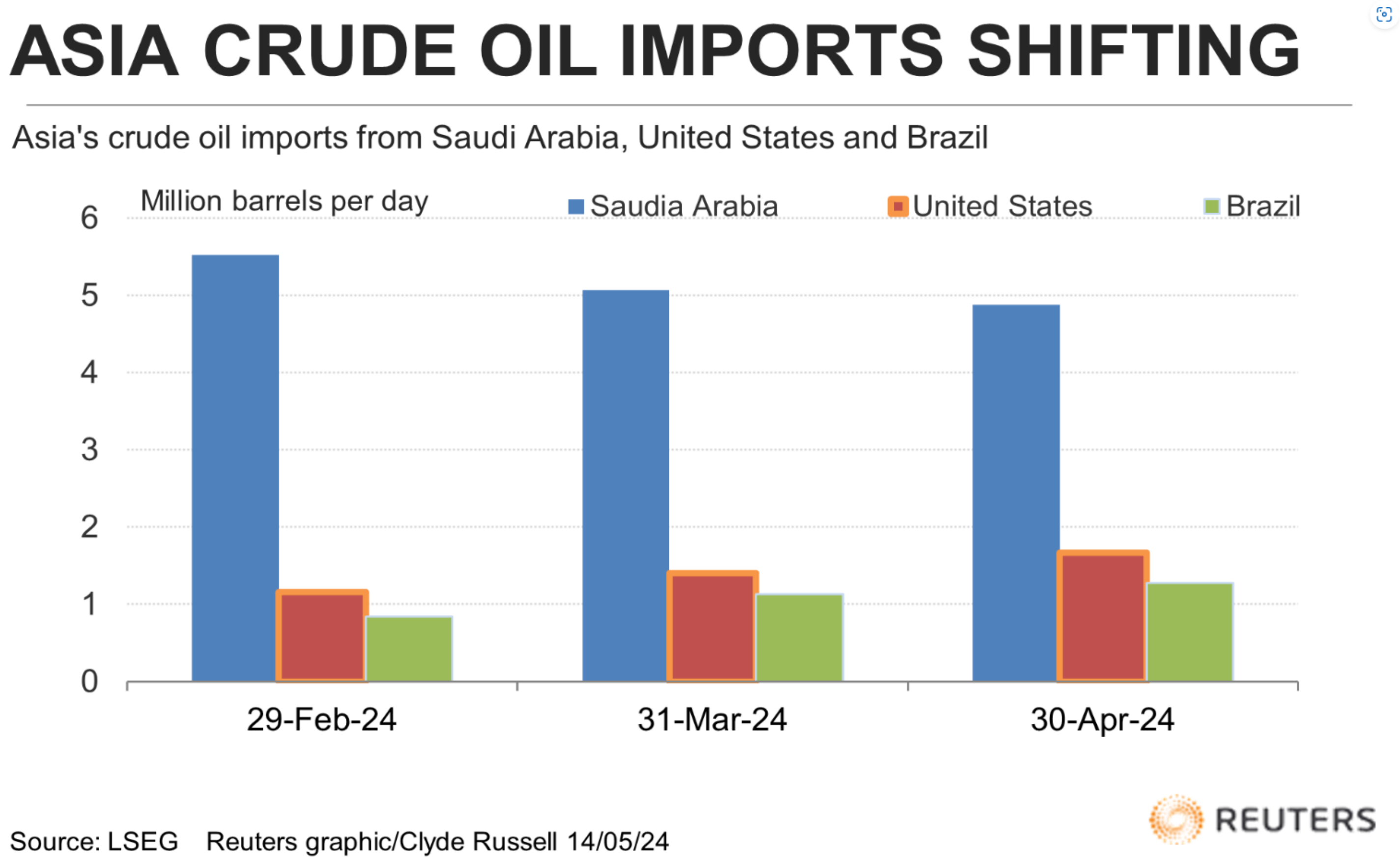
Soyoil supplies held by NOPA members as of April 30 were forecast at 1.882 billion lbs, based on estimates from seven analysts.

That would be up 1.7% from 1.851 billion at the end of March but down 3.9% from the 1.957 billion lbs at the end of April 2023. Stocks estimates ranged from 1.800 billion to 1.975 billion lbs, with a median of 1.885 billion lbs.

Brazil's Conab raises soybean output view by 1.16 mln T despite floods

Brazilian farmers are expected to reap 147.685 million metric tons of soybeans in the 2023/2024 cycle, 1.16 million tons more than forecast in April, as national crop agency Conab revised the size of the area planted with the oilseed on Tuesday.

Chart of the Day



Source: LSEG Reuters graphic/Clyde Russell 14/05/24

The upward revision may surprise some, as Brazil's second largest soy producing state, Rio Grande do Sul, continues to face excess rains and flooding, disrupting farmers before they can finish harvesting all their soybean fields.
Conab did lower Rio Grande do Sul's average yield forecast, to 3,168 kg per hectare from 3,280 kg per hectare last month, noting this was still "normal" but could change if "current climate adversities persist."
In the May report, Conab increased the size of the area planted with soybeans countrywide by almost 500,000 hectares, to 45.73 million hectares (113 million acres), which could help offset yield and output losses in Rio Grande do Sul.
Conab said in Brazil's southernmost state, yields and production will still be significantly higher than last year, when local farmers faced drought.
Still, Conab cut Brazil's average soybean yield estimate to 3,229 kg per hectare, down 7.9% from the previous season, citing the already noticeable impact of excess rains in the south of the country, which is the world's biggest producer and exporter of soybeans.
In the same report, Conab said the outlook for corn production in Brazil improved from a month ago.
Conab said nationally, the nation will produce 111.636 million tons of corn, more than the 110.964 million tons estimated in April but significantly lower than last year's 131.893 million tons because farmers reduced the overall area planted with corn this season.
Brazil's second-corn output, which represents a large chunk of national production and is sowed after soybeans are harvested in the same areas, will total 86.155 million tons, 538,000 tons more than expected last month, Conab said.

Top News - Metals

EXCLUSIVE-Anglo American explores De Beers IPO as part of break-up, sources say
Anglo American is exploring an initial public offering of its diamond business De Beers, two people familiar with the matter told Reuters on Tuesday, with one flagging London as the preferred venue.
The potential listing was the default option, the second person said, although the process is at an early stage. Both were speaking on condition of anonymity because the plans are private.
The London-listed miner set out on Tuesday its plans for a potential break-up via a demerger or sale of some of its assets, as it fights off a $43 billion takeover bid from BHP Group.
CEO Duncan Wanblad said the plan was to spin out or sell De Beers, without giving further details.
Anglo holds 85% of De Beers, while the government of Botswana, the location of its biggest mines, owns the remainder. Anglo declined to comment. Botswana's government did not immediately respond to a request for comment.
"De Beers is a great set of assets and it's a great business," Wanblad told a media call earlier on Tuesday. "It is sitting at the bottom of a cycle. That cycle is more macroeconomic than fundamental." De Beers could fetch a valuation of 8 to 10 times core earnings, one of the people said.
Although he supports the growth strategy Anglo has developed for De Beers, the world's largest diamond producer by value, Wanblad said Anglo believes it is "better executed by different owners and in a different structure" from today's.Like other luxury goods, diamonds have suffered a fall in global demand. De Beers, which both mines diamonds and produces synthetic gems via its Lightbox Jewelry unit, has been limiting supply and offering flexibility to contracted customers.
In February, Anglo announced a $1.6 billion impairment charge on the division.
It acquired De Beers in 2011, buying the Oppenheimer family's 40% stake for $5.1 billion.
A London listing would be a boost for the UK stock market, which as of last month had attracted only 2% of European IPO volumes this year, according to Dealogic Data, reflecting a sluggish economy and a perception the market is undervalued.

Cleveland-Cliffs CEO says Nippon-US Steel deal has 'zero chance' of US approval
Nippon Steel's deal to buy U.S. Steel has "zero chance" of winning government approval amid continued opposition from the United Steel Workers union and "needs to be unraveled," the CEO of rival suitor Cleveland-Cliffs said on Tuesday.
Lourenco Goncalves told reporters at the American Iron and Steel Institute's annual meeting that his bid had the full support of the U.S. government, President Joe Biden, a Democrat who wants U.S. Steel to remain American owned, and Republican presidential candidate Donald Trump.
"It would be a silly movement to wait for the election in the hopes that a different outcome would be allowed to them, because I also have support from President Trump - personal support from President Trump," Goncalves said.
Japan's Nippon Steel is pursuing a nearly $15 billion cash deal to buy the iconic 123-year-old U.S. Steel, despite resistance from Biden, the union and many members of Congress while a U.S. national security review is conducted.
Cleveland-Cliffs put U.S. Steel in play last August with an unsolicited $7.3 billion bid, but Goncalves has said he would consider a lower offer if the Nippon deal is scuttled.
Goncalves on Tuesday likened the transaction to a patient on life support.
"We're waiting for an end. It's like a sick patient that sits on a bed with a bunch of tubes and sensors around him.

He is still alive but for what?" Goncalves added. U.S. Steel has argued that its labor agreement with the United Steel Workers does not give the union a right to veto the transaction. A U.S. Steel spokesperson could not immediately be reached for comment on Goncalves' latest remarks. Nippon Steel has said it is confident of completing the acquisition of U.S. Steel, despite the opposition it has faced from the union and politicians.

Top News - Carbon & Power

EXCLUSIVE-Repsol in talks to sell a slice of its renewable business, sources say

Spanish oil company Repsol is in negotiations to sell a stake in its renewable energy unit, a move to help fund its strategic plan through 2027, according to four sources with knowledge of the talks.

The company has received an unsolicited approach by an investor and has lined up Santander as advisor for the sale, the sources said. Repsol would keep more than 50% of the unit in a transaction that could involve the investor injecting new money into the business, the sources said. Reuters was not able to establish the identity of the investor. Repsol and Santander declined to comment.

Discussions were in the early stages, the sources added, cautioning there was no certainty that the deal would happen. Repsol Renewables is valued at 5.9 billion euros ($6.4 billion), including debt, according to a research note published by UBS in April. Repsol sold a 25% stake in the division in 2022 to French insurance company Crédit Agricole Assurances and Switzerland-based Energy Infrastructure Partner (EIP.) To help fund its plan to diversify into renewables and low carbon businesses, away from its traditional oil and gas business, the company has opened its renewable projects to investors like Inditex founder Amancio Ortega, willing to take minority stakes in portfolios of wind farms and solar plants. Dealmaking has been a key part of Repsol's strategy. Last year, it entered the U.S. onshore wind power market by buying renewable energy developer ConnectGen. This followed its acquisition of renewable energy firm Asterion Energies and a 40% stake in U.S. renewables developer Hecate Energy.

In February, it said it would push forward with this strategic shift, while confirming it still sees an important role in the energy mix for fossil fuels. Repsol plans gross investment of up to 26 billion euros through 2027, with up to 9 billion euros of investments into low-carbon and renewable projects. Repsol is targeting between 9 and 10 GW of installed renewable capacity by 2027.

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$78.58 / bbl	-0.68%	9.67%
NYMEX RBOB Gasoline	$2.47 / gallon	-1.19%	17.12%
ICE Gas Oil	$748.00 / tonne	-0.63%	-0.37%
NYMEX Natural Gas	$2.36 / mmBtu	-0.76%	-6.01%
Spot Gold	$2,358.22 / ounce	0.95%	14.33%
TRPC coal API 2 / Dec, 24	$111 / tonne	0.23%	14.43%
Carbon ECX EUA	€70.22 / tonne	0.59%	-12.63%
Dutch gas day-ahead (Pre. close)	€29.38 / Mwh	2.01%	-7.76%
CBOT Corn	$4.80 / bushel	1.48%	-0.93%
CBOT Wheat	$6.95 / bushel	1.13%	8.64%
Malaysia Palm Oil (3M)	RM3,871 / tonne	0.08%	4.03%
Index	**Close 14 May**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	334.96	-0.09%	11.13%
Rogers International	28.78	-0.38%	9.31%
U.S. Stocks - Dow	39,558.11	0.32%	4.96%
U.S. Dollar Index	104.96	-0.05%	3.58%
U.S. Bond Index (DJ)	422.11	0.29%	-2.00%

COLUMN-Meme stock squeezes and new tariffs shake up US solar sector: Maguire

A slew of U.S. solar stocks jumped to life this week amid a resurgence in retail investor buying so-called meme stocks and news that the Biden administration is imposing new tariffs on Chinese solar equipment that may support U.S. manufacturers.

Share prices in U.S.-listed solar firms including Sunpower Corp, Maxeon Solar and Sunnova Energy all jumped more than 20% this week as they benefited from a wave of investor buying of stocks that have been battered for the past year or so. The Biden administration's new tariffs on several China-made products including solar components and electric vehicles also enlivened trading activity in related stocks.

OVERSHADOWED

Solar equities may lack the profile of meme stock behemoth GameStop, which rallied to its highest since 2021 this week as posts from "Roaring Kitty" Keith Gill raised chatter about the return of the central figure behind the 2021 meme stock frenzy.

Nonetheless, stocks tied to firms mainly engaged in the U.S. residential solar sector have taken a drubbing and seen a surge in short-seller interest since 2022 as rising interest rates slowed demand for residential solar systems. SunPower, Maxeon and Sunnova share prices all plunged roughly 90% between mid-August 2022 and May 1,2024, and until this week looked set to face continued headwinds in 2024 on a "higher for longer" interest rate outlook. However, the downbeat tone pervading the solar space has been upended this week by the one-two punch of the meme stock revival alongside the heightened focus on the solar space from Biden's fresh tariffs and accompanying rhetoric about supporting U.S. businesses.

OVERSOLD?

Stocks in SunPower have been among the most active in the solar space this week, posting a record one-day gain of roughly 60% on May 14 as a buying frenzy took hold.

The manufacturer and installer of large scale solar systems has racked up significant losses since California enacted new net-metering charges a year ago that greatly reduced the appeal of household solar systems in the state. The company's dismal stock price performance over the past year or so reflected the dour operating conditions, and the firm announced a major restructuring last month.

However, the stock has also been a favourite among short-sellers during much of its descent, with short interest representing over 90% of the total amount of shares available to the public as of April 30, according to LSEG.

Such lopsided investor positioning left the stock vulnerable to a short covering rally on any sudden shift in market sentiment, such as seen this week.

UNCLEAR OUTLOOK

Many of the challenges that have beset U.S. solar companies over the past year remain in place, including high interest rates that have snuffed out the appeal of financing the installation of rooftop solar systems.

And the new tariffs imposed on Chinese components this week may actually worsen market conditions for some firms which rely on imported parts.

Nonetheless, after a roughly 90% collapse in the price of some solar company shares since 2022, there was arguably only limited room for additional stock price weakness going forward, and plenty of scope for a rebound.

Now that a major rebound has taken place, many opportunistic investors will no doubt have placed fresh short-sided bets on solar stocks, on the assumption that prices will revert to their downtrend once the short covering melee runs its course.

But given how aggressive the upside price moves have been this week, most short-sellers will remain cautious about placing very large bearish bets, and will be ready to unwind positions if the market runs against them.

That change in sentiment may take some of the pressure off the solar sector in general over the near term, and may allow stock prices to creep higher still on any upbeat news items or earnings reports.

And if U.S. interest rates are viewed as likely to come down later in 2024 - making the financing of solar systems more palatable - some investors with a long-term outlook may start to view the beaten-down solar space as a bit of a bargain.

Such a sentiment swing would have been viewed as outlandish just a few weeks ago.

But now that scores of short-sellers have been battered and pushed out by this week's bull run, a change in the mindset of solar stock holders is on the cards, and a brighter outlook can't be rule out.

(The opinions expressed here are those of the author, a columnist for Reuters.)

Top News - Dry Freight

US switches method to estimate China's soy imports after data gap

The U.S. Department of Agriculture has started using global exporters' data to estimate China's soybean imports because a wide gap emerged between shipping figures from producing nations and Chinese customs data, a USDA official told Reuters.

The change in methodology comes at a sensitive time for U.S.-China relations and as China is trying to improve its food security plans to rely less on imports.

China is the world's biggest soybean importer and tracking its demand is important for world commodity prices.
Chinese customs data that USDA historically used to estimate imports had previously aligned with export data from producers like the U.S. and Brazil, said Joanna Hitchner, who oversees soybean supply and demand estimates for USDA's World Agricultural Outlook Board.
But the numbers began deviating in 2023, and the USDA this month increased its estimate for China's 2022-2023 imports by 3.6% from February to reflect exporters' data, she said.
"We prefer to use China customs data but will continue to monitor this gap in trade to see whether we can go back to using their reported import data," Hitchner said in an interview this week.
Market analysts have long questioned Chinese data. Some said Beijing may have sought to under-report soybean imports to boost its food security campaign.
Hitchner said she did not know why Chinese import data and exporters' data diverged.
China's General Administration of Customs could not be reached for comment.
Last week, it revised soybean import volumes for January-February 2023 to 14.3 million tons, versus an initial published figure of 16.17 million tons. China is known to revise retrospective import figures, but such a big downward adjustment is unusual.
Shipping data from soy exporters and China's import data "particularly deviated even more when they started making downward revisions to their import numbers," Hitchner said.
The USDA this month also increased its estimates for China's soybean crush from 2020-2021 to 2022-2023, following a years-long review of in-country estimates and supply data.
"We don't take changing our methodology lightly," Hitchner said. "This is a very thought-out move for the crush."

Indonesia seeks 300,000 T rice for arrival by July 31, traders say

Indonesian state purchasing agency Bulog's international tender to buy 300,000 metric tons of rice seeks arrival of the staple in Indonesia by July 31, European traders said on Tuesday.
Bulog had announced the tender on Monday but gave few details, saying more information would be provided after traders had registered for tender participation on Tuesday.
Traders said that price offers in the tender must be submitted by May 20. Negotiations with Bulog will take place in following days, with a decision expected by May 22. The tender continues efforts by Indonesia’s government to boost rice imports to cool prices after a poor domestic harvest.
Rice prices in Indonesia rose sharply after the El Nino weather phenomenon cut rainfall in 2023, reducing output of the staple and adding to food inflation.
The country may further extend its rice handout programme to low-income families by six months until December despite easing prices, outgoing President Joko Widodo said on Monday.
The long grain white rice of 5% to 7% broken grade in the latest tender is sought sourced from Thailand, Vietnam, Myanmar, Pakistan and Cambodia, traders said.
Suppliers have the choice to send shipments throughout June and July.
Shipment is requested in breakbulk vessels with no delivery in shipping containers permitted.
The rice should come from the 2023/2024 crop year and should have been milled no longer than six months ago. It should be packed in 50 kg bags.
Bulog has imported 1.2 million tons of rice so far in 2024 amid efforts to stabilise domestic prices, its CEO said on Thursday. Indonesia has allotted 3.6 million tons for its rice import quota this year.
In its last international rice tender reported on April 23, Bulog is believed to have purchased about 300,000 tons.

Picture of the Day

Men sit on a house's roof in an flooded area in Canoas, Rio Grande do Sul state, Brazil, May 14. REUTERS/Adriano Machado

(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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