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Top News - Oil

IEA trims 2024 oil demand growth forecast, widens gap with OPEC

The International Energy Agency (IEA) on Wednesday trimmed its forecast for 2024 oil demand growth, widening the gap with producer group OPEC in terms of expectations for this year's global demand outlook.

The divide between the IEA, which represents industrialised countries, and the Organization of the Petroleum Exporting Countries sends divergent signals about oil market strength in 2024 and, over the longer term, about the speed of the world's transition to cleaner fuels.

Global oil demand this year will grow by 1.1 million barrels per day (bpd), the Paris-based IEA said in a monthly report, down 140,000 bpd from the previous forecast, largely citing weak demand in developed OECD nations.

The agency said the lower 2024 forecast was linked to poor industrial activity and a mild winter sapping gas oil consumption, particularly in Europe, where a declining share of diesel cars was already undercutting consumption.

"Combined with weak diesel deliveries in the United States at the start of the year, this was enough to tip OECD oil demand in the first quarter back into contraction," the agency said, noting though that the OECD slump was somewhat offset by resilient non-OECD demand led by China. In its monthly report on Tuesday, OPEC stuck by its expectation that world oil demand will rise by 2.25 million bpd in 2024.

The 1.15 million-bpd difference is about 1% of world demand.

The gap between the IEA and OPEC is now even wider than it was earlier this year, when a Reuters analysis found that the 1.03 million-bpd difference in February was the biggest since at least 2008.

The two are closer in their projections for 2025.

The IEA on Wednesday slightly raised its demand growth estimate to 1.2 million bpd. OPEC left its 1.85 million-bpd forecast unchanged.

SUPPLY GROWTH DOWN TOO

The IEA also trimmed its estimates for oil supply in 2024, citing heavy outages in Brazil and logistical constraints in the U.S. World supply will rise by 580,000 bpd this year to a record 102.7 million bpd, it said.

Last month, global supply growth was seen at 770,000 bpd. The state of the supply-demand balance will inform decision-making by OPEC+ - which groups OPEC and allies led by Russia - on whether to extend voluntary oil output cuts into the second half of the year when it meets in June.

The IEA now estimates that the demand for OPEC+ crude plus inventories will average 41.9 million bpd in 2024, up slightly from 41.8 million bpd last month, implying a tighter overall market balance.

While OPEC on Tuesday sounded an upbeat tone on the global economic outlook, the IEA was more cautious.

Although the global demand economic outlook has improved since the end of last year, sticky inflation in major Western economies has pushed investors to dial back their expectations for central bank interest rate cuts, the IEA said.

High borrowing costs, which have been in place for months in the U.S. and Europe, dampen economic growth and oil demand.

Next year, the market looks more balanced overall, the IEA predicted, with supply rising outside OPEC.

Even if OPEC+ voluntary production cuts were to stay in place, global oil supply could jump by 1.8 million bpd in 2025, compared with this year' 580,000-bpd increase, the agency forecast, largely on the strength of non-OPEC+ output growth. The IEA and OPEC also differ over the demand outlook in the medium and long term.

The IEA expects oil demand to peak by 2030. OPEC thinks oil use will keep rising for the next two decades and has not forecast a peak.

US crude, fuel inventories fall as refining, demand pick up, EIA says

U.S. crude oil, gasoline and distillate inventories fell last weekas both refining activity and fuel demand rose, the Energy Information Administration (EIA) said on Wednesday.

Crude inventories dropped by 2.5 million barrels to 457 million barrels in the week ending May 10, the EIA said, compared with analysts' expectations in a Reuters poll for a 543,000-barrel draw.

The draw came as refinery crude runs rose by 307,000 barrels per day (bpd) and plant utilization rates increased by 1.9 percentage points in the week to 90.4% of total capacity, according to the EIA. Crude futures pared losses following the report. Brent was trading at $82.29 a barrel, down 0.1% at 11:02 ET (1502 GMT), while U.S. crude was nearly unchanged on the day at $77.99. U.S. gasoline and diesel futures also pared earlier losses, with gasoline futures turning positive after a surprise draw in inventories. “Refiners finally got serious,” said Bob Yawger, director of energy futures at Mizuho. He cautioned, however, that product-supplied for gasoline, a proxy for demand, remained below seasonal norms ahead of the Memorial Day weekend at the end of May that officially kicks off the summer driving season.

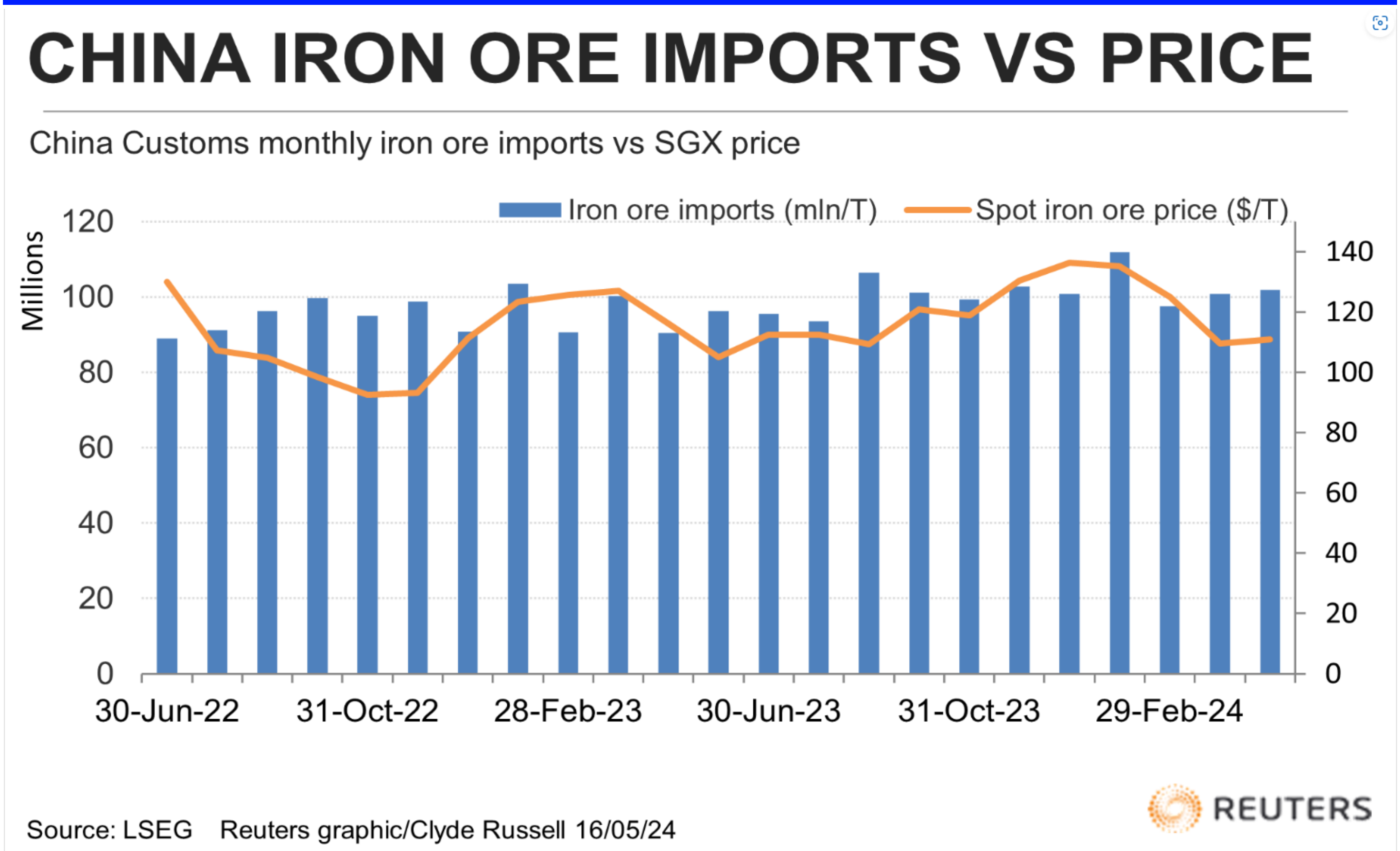
Gasoline product supplied was at 8.9 million bpd last week, up slightly from the week before. However, the four -week average for product supplied of gasoline was at 8.7 million bpd, versus 9.1 million bpd for the same period last year.
“Historically speaking, you're going to have demand numbers above 9 million bpd at this point in the U.S. heading into Memorial Day weekend.
It's hard to paint a rosy picture with gasoline demand still not where it needs to be,” he added. Gasoline stocks fell by 235,000 barrels in the week to 227.8 million barrels, the EIA said, compared with expectations for a 537,00-barrel build.
Distillate stockpiles, which include diesel and heating oil, fell by 45,000 barrels in the week to 116.4 million barrels, versus forecasts for a 824,000-barrel rise, the EIA data showed. Product supplied for distillates climbed by 342,000 bpd to 3.8 million bpd, the EIA said. Net U.S. crude imports rose last week by 108,000 bpd, while exports declined by 333,000 bpd to 4.14 million bpd, EIA said. Crude stocks at the Cushing, Oklahoma, delivery hub fell by 341,000 barrels, the EIA said.

Top News - Agriculture

CME and Euronext to launch US-Europe wheat spread contract, sources say
The CME Group and Euronext exchanges are planning to launch joint futures contracts on the spread between Chicago Board of Trade wheat and Euronext milling wheat futures prices, three sources told Reuters on Wednesday. There will be two products, one cleared by CME and traded in dollars, the other cleared by Euronext and traded in euros, the sources said on the sidelines of the GrainCom conference in Geneva. CME and Euronext both declined to comment. The new products will also allow traders who are not registered on both the CBOT and Euronext markets to trade the difference, the sources said. The contracts are still to be agreed officially with some details to be confirmed. The U.S. exchange launched European wheat futures in 2016 as a direct competitor to Euronext but closed them two years later due to a lack of activity. It suspended its Black Sea wheat and corn and Ukraine wheat futures in August of last year.

Argentina wheat facing likely La Nina, but Indian Ocean offers silver lining
Argentina's Rosario grains exchange expressed optimism about the 2024/25 wheat crop on Wednesday, citing improved soil conditions at the start of planting and expected rains in October and November due to the mix between weather phenomena known as La Nina and the

Chart of the Day



Indian Ocean Dipole. "There are factors favoring a successful wheat season," wrote agricultural engineer Cristian Russo in a report for the exchange.
Soil maps show that current conditions are even better than at the start of the 2021/22 wheat season, which produced a record harvest, according to the exchange.
Furthermore, the impact of the mix of the two weather phenomena is expected to be softer than in the 2022/23 season, when it cut the wheat harvest in half.
The exchange predicted that La Nina is 70% likely to hit Argentina as soon as October. La Nina usually brings dry weather with lower rainfall, and contributed to the historic drought in 2022/23. "It's clear, La Nina is coming," the exchange said. The Nina will likely be "strong," according to the Rosario exchange, but its projected impact has softened from April estimates.
The 2022/23 harvest was especially hit by La Nina due to its interaction with the Indian Ocean Dipole, which was in a negative phase from September to October - a key growing period - the exchange said.
That dipole index marks the difference in sea surface temperatures between the east and west halves of the Indian Ocean, which can impact nearby weather patterns.
However, this season, the dipole is expected to be in a neutral phase, "canceling out its interaction with La Nina," the exchange said.
This increases the probability of "almost normal" rains from October to November, it added.
The exchange has yet to give a planting area estimate for the 2024/25 wheat crop, but said earlier this month it should be "much higher" than the 6.9 million hectares planted in the 2021/22 cycle.

Top News - Metals

Trafigura, IXM caught in COMEX copper short squeeze as prices hit record

Commodity traders Trafigura and IXM are looking to buy physical copper to deliver against large short positions on U.S. exchange CME where copper prices soared to record highs on Wednesday, five sources with direct knowledge of the matter said.
Short positions can be bets on lower prices or producers hedging their output.
A short squeeze occurs when parties holding such positions are forced to buy them back at a loss or deliver physical copper to close them out.
Copper prices on COMEX, part of the CME Group, hit a record peak of $5.1775 a lb or $11,414 a metric ton on Wednesday, a gain of 28% so far this year and 14% over the last week.
They were down 0.3% at $4.9375 at 1644 GMT.
"Trafigura is one of the largest physical suppliers of copper to North America and given the premium in this market we are shipping larger quantities of the metal to COMEX," the Swiss-based trader said Geneva-based IXM, owned by China's CMOC Group, declined to comment.
"We continuously monitor our markets, which are operating as designed as market participants manage copper risk and uncertainty," the CME said in response to a request for comment.
COMEX copper prices are expected to keep climbing until shipments of the metal used in the power and construction industries from South America and Australia arrive in the United States. It could be many weeks before short positions can be cut, the sources said.
"Copper supply, demand fundamentals in the U.S., while not unsupportive, probably don’t justify such extremes, suggesting something else is happening in the paper market," said CRU analyst Robert Edwards.
Swiss-based commodity trader IXM is one of the world's largest traders of physical non-ferrous metals.
Trafigura has asked some copper producers to divert May and June shipments to the United States, the sources said. But changing destination at short notice is extremely difficult.
The COMEX copper rally has outpaced gains on the London Metal Exchange (LME) and created an arbitrage opportunity, when copper producers and traders sell commodities in different locations to take advantage of price differentials.
"We think arb-related and outright short covering has fuelled COMEX gains which are likely unsustainable: redirection of physical units to the US should ease the arb dislocation, but this will take some time," Citi analysts said in a note. Copper prices on the LME are trading around $10,240 a ton.
Taking into account costs such as freight and insurance, traders can make around $300 a ton by taking copper from the LME system and delivering it to the CME, one source said. However, the problem is half of the available copper in LME registered warehouses is of Russian origin and cannot be delivered into the CME system.
Elsewhere, several Chinese copper importers had redirected shipments to the United States, according to two of the sources. But copper cathode from China, which smelts about half of the world's copper, cannot be delivered against COMEX contracts.

EXCLUSIVE-Anglo American starts revamp with hiring freeze, document shows

Anglo American has suspended hiring globally according to an internal memo reviewed by Reuters, as it gets plans underway to simplify itself and build value - and avert a $43 billion takeover bid by Australia's BHP Group.
Anglo laid out plans on Tuesday to refocus its company on energy transition metal copper while spinning out or selling its less profitable coal, nickel, diamond and platinum businesses, as it moves to fend off the world's biggest miner.

The London-listed miner has rejected BHP twice, saying its proposals continue to significantly undervalue the company. "Following yesterday's announcement of our plans to unlock significant value through a simplification of our portfolio ... it is appropriate that we put in place a freeze on the recruitment of all non site-based permanent employees and contractors across all Businesses and Group Functions," People and Organisation Director Monique Carter said in the memo.

"In instances where formal written offers have been made to a candidate, we will honour those commitments however no new offers should be made," Carter said, adding the freeze also applied to consultants beyond those already contracted.

BHP's options to take over Anglo are narrowing as it approaches a May 22 deadline to lodge a binding offer.

"There is certainly pressure on Anglo's management to prove themselves," said analyst Kaan Peker at RBC, adding that management will want to be keeping a strict lid on costs as the process unfolds.

Anglo's plan to spin out its Australian metallurgical coal business could ultimately attract Rio Tinto, which exited its coal business in 2018, to the pared-back company.

"Management buys themselves six to nine months or a year, then arguably you might have three interested parties at the table," Peker said. Anglo did not immediately respond to an emailed request for comment.

Australia's mining and energy union said on Wednesday it would seek urgent meetings with Anglo to discuss workers' job security. Anglo shares closed up 0.2% at 26.48 pounds on Wednesday, below BHP's latest offer of about 27.53 pounds per share.

Top News - Carbon & Power

China LNG imports could hit record levels in 2024, PetroChina official says

China's liquefied natural gas imports could hit record levels in 2024, a PetroChina official forecast on Wednesday.

The world's top importer of the super-chilled fuel is seen shipping between 78-80 million metric tons of LNG this year, with the industrial and commercial sectors driving demand, Zhang Yaoyu, global head of LNG and new energies for PetroChina International, said at an industry conference in Bangkok. Zhang's forecast would be a 9-12% rise from the 71.2 million metric tons imported in 2023, according to China's customs data. China imported a record 78.8 million metric tons in 2021.

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$78.93 / bbl	1.17%	10.16%
NYMEX RBOB Gasoline	$2.50 / gallon	1.89%	18.59%
ICE Gas Oil	$749.00 / tonne	1.01%	-0.23%
NYMEX Natural Gas	$2.41 / mmBtu	2.60%	-4.34%
Spot Gold	$2,387.61 / ounce	1.26%	15.76%
TRPC coal API 2 / Dec, 24	$110 / tonne	-0.90%	13.40%
Carbon ECX EUA	€69.46 / tonne	-1.08%	-13.57%
Dutch gas day-ahead (Pre. close)	€29.50 / Mwh	0.41%	-7.38%
CBOT Corn	$4.73 / bushel	1.23%	-2.22%
CBOT Wheat	$6.87 / bushel	2.16%	7.43%
Malaysia Palm Oil (3M)	RM3,796 / tonne	-0.50%	2.02%
Index	**Close 15 May**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	338.04	0.92%	12.15%
Rogers International	28.76	-0.05%	9.25%
U.S. Stocks - Dow	39,908.00	0.88%	5.89%
U.S. Dollar Index	104.30	-0.05%	2.92%
U.S. Bond Index (DJ)	423.34	0.72%	-1.71%

"Based on the first quarter data, that's achievable," said Zhang. He said China has shipped nearly 20 million tons of LNG already in the first quarter of this year, with the chemicals, paper, steel and cement industries driving demand growth.

"Besides, we haven't seen winter (demand) yet."

For power plants in China, however, LNG prices would need to drop to below $6 per million British thermal units (mmBtu) for consumption to pick up, added Zhang, who spoke to Reuters on the sidelines of the Future Energy Asia conference.

Asia spot LNG prices had traded as low as around $8/ mmBtu in February this year, its lowest in nearly three years, amid weak demand in Asia and Europe. But hotter weather and supply concerns have since pushed prices up to $10.50/mmBtu.

Zhang said he expects coal to support grid stability in China and did not see greater LNG adoption in power generation amid rising renewable energy use. "You can't solely rely on renewable power. The reliability, that's not going to be easy. But having said that, the base is still coal. So (in the) short term, no worries."

Qatar to sign more long-term LNG contracts this year, QatarEnergy CEO says

Qatar has not had difficulty securing long-term liquefied natural gas (LNG) contracts and will sign more this year, QatarEnergy CEO and State Minister for Energy Saad al-Kaabi said at an economic forum on Wednesday.

"We've actually secured 25 million tons of long-term LNG sales (in the last 12 months) and I can tell you also on this podium that we're signing more this year," he said.

State-owned QatarEnergy has been signing supply deals with European and Asian partners for gas that is expected to come onstream from its massive North Field expansion, part of the world's largest natural gas field which Qatar shares with Iran, which calls it South Pars.

Qatar, one of the world's largest LNG exporters, announced an additional expansion of its LNG production in February that will add 16 million metric tons per year to its original plans, bringing total capacity to 142 million tons per year from 77 million tons.

Kaabi said he sees big future demand for LNG and Qatar would continue to assess its gas reservoirs for possible future growth.

"We are very bullish on demand going forward," Kaabi said.

Kaabi also re-iterated that should technical evaluations show Qatar could further expand production it would.

"If there is more we probably will do more," he said.

Competition for LNG had ramped up since the beginning of the war in Ukraine in February 2022.

Europe, in particular, needs vast amounts of the fuel to help replace the Russian pipeline gas that had made up almost 40% of the continent's imports.

On Wednesday, Kaabi said he saw a future need for more LNG in European markets.

"The comfort that they get in Europe is because they had two very warm winters and they filled up all the storages and they didn't need to use much of it," he said.

"So if you have two harsh winters or normal winters ... you're always going to need a lot more LNG.

And the world will need much more LNG with the growth and I don't see an oversupply."

Top News - Dry Freight

Jordan tenders to buy up to 120,000 T wheat, traders say

Jordan's state grain buyer has issued an international tender to buy up to 120,000 metric tons of milling wheat which can be sourced from optional origins, European traders said on Wednesday.

The deadline for submission of price offers in the tender is May 21. A new announcement had been anticipated by traders after Jordan made no purchase in its previous tender for 120,000 tons of wheat on Tuesday.

Shipment in the new tender, for hard wheat, was sought in a series of possible combinations in 50,000 to 60,000 ton consignments. Possible shipment combinations were between June 16-30, July 1-15, July 16-31 and Aug. 1-15. These are the same shipment periods as sought in Tuesday’s tender.

Japan to import 23,428 tons feed wheat and barley via tender

Japan will import 23,048 metric tonnes of feed-quality wheat, and 380 tonnes of barley for livestock use, via a simultaneous buy and sell (SBS) auction that closed late on Wednesday, the Ministry of Agriculture, Forestry and Fisheries (MAFF) said.

The ministry had sought 65,000 metric tons of feed wheat and 25,000 tons of feed barley to be loaded by August 31 and arrive in Japan by October 31 in the tender that is usually conducted weekly.

Japan buys and sells its feed wheat and barley via so-called SBS auctions, in which end-users and importers specify the origin, price and quantity of grain, allowing millers to meet their varied needs for the feed grain.

Picture of the Day

A horse that was rescued from the floods stands in Eldorado do Sul, Rio Grande do Sul state, Brazil, May 13. REUTERS/Amanda Perobelli

(Inside Commodities is compiled by Nandu Krishnan in Bengaluru)

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