

[Oil](#) | [Agriculture](#) | [Metals](#) | [Carbon & Power](#) | [Dry Freight](#)*Click on headers to go to that section***Top News - Oil****US crude stockpiles rise unexpectedly, gasoline draws down as demand grows -EIA**

U.S. crude oil inventories rose unexpectedly last week due to a big adjustment for unaccounted barrels, while gasoline stockpiles fell as demand grew ahead of the summer driving season, the Energy Information Administration said on Wednesday.

Crude inventories rose by 1.8 million barrels to 458.8 million barrels in the week ending May 17, the EIA said, compared with analysts' expectations in a Reuters poll for a 2.5 million-barrel draw.

Despite higher exports and refining rates and steady production, crude stocks grew as the EIA's adjustment number, which tracks unaccounted for crude, rose to 1.4 million barrels last week, its highest since early November.

Stocks at the Cushing, Oklahoma, delivery hub for U.S. crude futures rose by 1.3 million barrels last week, the EIA said. Brent crude and U.S. oil futures pared losses after the report, trading down 1% on the day.

Refinery crude runs rose by 227,000 barrels per day, while refinery utilization rates rose by 1.3 percentage points to 91.7% of total capacity as refiners sought to meet growing fuel demand.

Gasoline stocks fell by 945,000 barrels in the week to 226.8 million barrels, the EIA said, more than forecasts for a 729,000-barrel draw.

Product supplied for gasoline, a proxy for demand, rose by 440,000 bpd last week to 9.3 million bpd.

The summer driving season and demand for the motor fuel kicks off around the Memorial Day holiday this weekend.

"It's a nice report. Gasoline is the star of the show here because it's driving season", said Bob Yawger, director of energy futures at Mizuho.

"The refinery utilization was up big, that implies refiners trying to make more gasoline. It implies there is going to be some increase in demand", he added.

Distillate stockpiles, which include diesel and heating oil, rose by 379,000 barrels in the week to 116.7 million barrels, versus expectations for a 394,000-barrel drop.

U.S. diesel futures extended losses to 0.8% following the surprise build, while U.S. gasoline futures pared losses, down 0.9%.

Net U.S. crude imports fell last week by 676,000 bpd, with volumes from Mexico hitting a record low of 184,000 bpd. The previous low was 208,000 bpd in the week to April 12, after state energy company Petroleos Mexicanos cut exports to supply more to its domestic refineries.

U.S. exports rose by 595,000 bpd to reach 4.73 million bpd, while crude production held steady at 13.1 million bpd.

US lawmakers urge Justice Department to probe climate deception by Big Oil

U.S. lawmakers behind a congressional probe of major oil companies on Wednesday called on the Justice Department to investigate whether the industry deceived the public about fossil fuels' impact on climate change.

Two Democrats, Senator Sheldon Whitehouse and Representative Jamie Raskin, outlined the findings of a nearly three-year investigation into Big Oil and urged the agency to take action in a letter to U.S. Attorney General Merrick Garland.

The lawmakers accuse companies Exxon Mobil, Chevron, BP and Shell, oil and gas trade group American Petroleum Institute and business group the U.S.

Chamber of Commerce of working together to mislead the public by making promises to reduce emissions while also seeking to protect oil and gas production.

"This evidence, combined with the entities' failure to comply fully with validly issued congressional subpoenas, suggests that further investigation by the executive branch is warranted," the letter said.

A Department of Justice spokesperson said the agency had received the letter but would not comment on it. Chevron, BP and Shell did not immediately respond to requests for comment.

An Exxon official pointed to a statement the company gave following a Senate Budget Committee hearing earlier this month, in which it said the allegations had already been addressed in congressional hearings and litigation.

Chamber Chief Policy Officer Neil Bradley said the lawmakers were attempting to criminalize a policy dispute.

"Their referral insinuates legal violations without identifying a single law that has allegedly been broken," Bradley said in a statement.

The American Petroleum Institute called the move a distraction.

"This is another unfounded political charade to distract from persistent inflation and America's need for more energy, including oil and natural gas.

U.S. energy workers are focused on delivering the reliable, affordable oil and natural gas Americans demand and any suggestion to the contrary is false," an API spokesperson said in a statement.

Top News - Agriculture

Soaring US wheat prices expand price gap with corn to widest since 2022

Chicago Board of Trade wheat futures surged to their biggest premium over corn since 2022 this week, stoking demand for cheaper alternatives that could help whittle down large global corn supplies.

Farmers are expected to boost feedings of corn to cattle, hogs and poultry after wheat prices soared to a 10-month high on deteriorating crop prospects in Russia, the world's biggest exporter, market analysts said.

Concerns about global wheat supplies sent the benchmark contract soaring to a premium of \$2.39-1/2 per bushel over corn on Tuesday, the largest since October 10, 2022.

That difference now makes the staple foodstuff too expensive to be a top choice for animal feed, analysts said.

Wheat is normally cultivated for human food, but can be used as an animal feed when supplies are abundant and prices are low.

"This \$2-plus level, definitely in my research, would say we are at a food-grade status in the wheat," said Mike Zuzolo, president of Global Commodity Analytics.

CBOT wheat's 37% rise from lows set in March has far outpaced corn's meager 15% increase from its 2024 low set in February. The U.S. government this month

projected global use of wheat as animal feed to decline about 5% in the upcoming season due to cheaper options.

"What the market is saying right now is we have an ample supply of corn," said Arlan Suderman, chief commodities economist for brokerage StoneX. U.S. corn exports could increase as a result of wheat's surge, analysts said.

The USDA on Tuesday reported exporters sold 110,000 metric tons of U.S. corn to Spain.

Suderman said the deal looked to be driven by the wheat-corn spread.

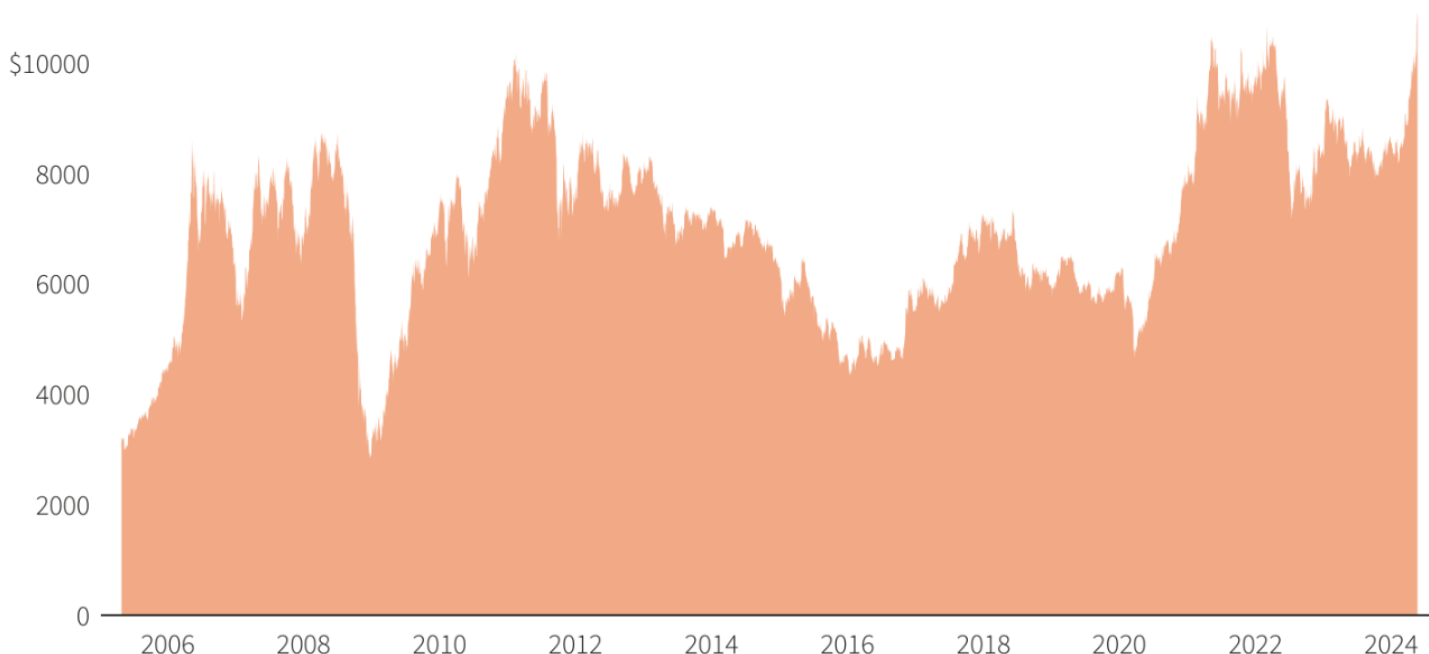
"This could be a global phenomenon where the wheat-corn spread globally really turns the corn into the primary feed grain," Zuzolo said. "It could be the strongest feeding side of the equation for corn in probably 5-7 years."

Brazil second corn crop expected to fall 10.5%, consultancy says

Drought in two key Brazilian corn-growing states is reducing the potential size of the country's second corn crop, according to Agroconsult, an agribusiness consultancy that this week is kicking off a countrywide field tour. Agroconsult said on Wednesday that Brazil's 2023/24 second-corn crop, known as safrinha corn, is expected at 96.7 million metric tons, down 10.5% from last year's safrinha crop.

Chart of the Day

Copper prices have spiked to twenty-year highs



Note: Price of copper for delivery three months hence on the London Metal Exchange. All values in \$ per tonne.

Source: LSEG Workspace

Safrinha corn represents 70%-80% of national production and is mainly exported in the second half to countries such as China, competing directly with U.S. farmers. Brazil is one of the biggest corn exporters.

Global corn stockpiles, however, are set to reach five-year highs in 2024. Parana and Mato Grosso do Sul are expected to lose part of the crop due to dry weather during March and April, despite having sown second-corn in a more favorable time window than last year.

"The scenario in Mato Grosso do Sul, without a doubt, is the most worrying," said Agroconsult's crop tour coordinator, Andre Debastiani.

"The entire southern region of the state was affected by drought, which has already caused irreversible damage." However, good yield potential in two center-western states should partly offset losses elsewhere, Agroconsult said, highlighting "well-distributed rainfall" during corn's development stage in Brazil's top farm state Mato Grosso.

At the onset of the season, Agroconsult believed farmers would reduce the planted area of second corn by around 1 million hectares (2.471 million acres) driven by higher production costs and falling prices.

This month, however, Agroconsult raised its estimate for safrinha area to 16.3 million hectares (40.2 million acres), although plantings would be 662,000 hectares smaller than in 2022/23.

Parana farmers, for example, increased their safrinha area by 10.9% this season as farmers there felt they'd be able to sow it during the ideal climate window, Agroconsult said. Mato Grosso, where second-corn area fell 5.5%, had indications earlier of a much greater reduction in planted area, which did not happen, Agroconsult said.

Much of Rio Grande do Sul is hit by severe floods, however the southern state does not produce safrinha corn.

Top News - Metals

Record high copper hits demand in China, buyers brace to pay even more

A sizzling rally in global copper prices as funds crowd into the market is dampening physical demand for the metal in top consumer China, with buyers bracing for even higher prices.

Copper prices hit historic highs across global exchanges this month, propelled by a short squeeze and funds betting on a copper shortage in the global transition to a greener economy.

Five copper cathode consumers in China, which accounts for about half of the world's demand for the red metal, told Reuters that surging prices have pushed up their costs and prompted clients to scale back orders.

Private companies, especially rod makers, were hit the hardest.

"We've cut production by 70%. Many of us now sit on little inventories, cutting or halting operations, but we aren't looking to replenish fearing prices might drop," said one rod producer, who sells mainly to the power sector.

The waning demand was reflected by a deepening discount in spot trading and rising inventories in China. Adding to the financial stresses, many cathode buyers took short positions when prices hit 72,000 yuan (\$9,947) on the Shanghai Futures Exchange, expecting they would never surpass 80,000 yuan due to China's weak economic outlook, said two consumers.

But SHFE copper surged to a record 88,940 yuan on Monday, and many suffered losses from margin calls. Highly volatile prices are particularly damaging for companies with no hedging capacity.

Many buyers in emerging markets, including China, do not hedge.

Some rod producers in the past month even sold their products as lower-value scrap due to weak demand from the power sector, Chinese analysts and producer sources said.

DISCONNECTED FROM FUNDAMENTALS

China's weak copper cathode demand has already been reflected in declines in semi-finished copper products output in March and April.

"Prices are completely disconnected from fundamentals.

The macro outlook is tilted to the downside," said analyst Natalie Scott-Gray at broker StoneX.

"Although fundamentals have turned more constructive with a 116,000-ton deficit this year, this is not massively out of balance and does not justify the higher prices," she added. Financing costs for some cathode buyers have also jumped as their loans are based on the value of the copper.

"Consumption is significantly suppressed. The price might continue to rise, forcing downstream (companies) to accept higher costs," said a China-based smelter source. Elsewhere, buyers are seeking cheaper alternatives like scrap and aluminium.

"Scrap-fed wire rod is currently more preferable to cathode-fed wire rod ... However, as overall costs continue to rise along with copper prices, orders from scrap-fed semis manufacturers could be hit as well," said analyst Eleni Joannides at Wood Mackenzie, referring to makers of semi-finished products such as copper rods, tubes and foil.

'UNCHARTED WATERS'

Not all copper cathode consumers are suffering, however. One rod producer reported steady orders from its main clients, state grid companies.

"Projects will not stop just because of high prices, even if it goes to \$12,000 or even \$15,000. The higher raw material prices will pass on to consumers in the end," the person said. Copper tube makers are also still enjoying fairly strong demand from air conditioner manufacturers as they ramp up during the March-June peak season to prepare for summer sales.

"Everyday, we still buy copper cathodes because we need to keep producing. We only earn the processing fees," said a tube maker.

"Excluding construction, some other end-use market indicators are looking quite positive and encouraging. Should the copper price moderate, then Chinese consumption might be able to stage a recovery in the second half of 2024," said analyst Jonathan Barnes at Project Blue.

"(However) no one can tell you what will happen to the copper price. We are in uncharted waters," he said.

BHP will not relent on structure, value of \$49 bln Anglo offer, say sources

BHP will stand firm on the structure and value of its latest takeover proposal for Anglo American, focusing instead on allaying its target's concerns around execution risks over the coming week, sources said on Thursday.

The world's biggest listed mining group now has until May 29 to make a firm bid for Anglo American or it will be forced to walk away for at least six months under the UK's takeover rules after it was granted a one-week extension on Wednesday.

Two sources who have been in talks with the miner and its advisers said they expect BHP management will spend the next week properly understanding Anglo's concerns on an asset-by-asset basis with a goal to convince it on the merits of the deal.

Baden Moore, analyst at broker CLSA in Sydney, said BHP's goal will be to get Anglo American to agree to open its books and allow a further extension.

"They are gradually, gradually getting closer to a deal," he said. Anglo chairman Stuart Chambers highlighted concerns on Wednesday about completion and execution risks in BHP's proposal, meaning the structure of any deal and the fate of Anglo's businesses in South Africa remain big obstacles.

One solution that BHP has already offered is to foot the bill to demerge Kumba Iron Ore which is expected to net the South African government \$2 billion of much needed capital gains tax, according to a pre-due-diligence BHP estimate, said one of the sources.

Last week, Anglo announced plans to either spin-off or sell its less profitable nickel, diamond and platinum businesses to refocus on copper, and to also sell its coal businesses.

In that plan Anglo would need to bear those substantial spin-out costs itself, which would ultimately be borne by its shareholders.

If the deal does not go ahead, Anglo boss Duncan Wanblad will be under pressure to get top dollar for its diamonds business in particular and ensure its demergers proceed without any hiccups, two investors said. One foot wrong and BHP will be ready to pounce, they said.

"Anglo does not exist in a year's time, one way or the other, in my mind," one of the investors said.

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	\$77.19 / bbl	-2.61%	7.73%
NYMEX RBOB Gasoline	\$2.46 / gallon	-1.46%	16.87%
ICE Gas Oil	\$741.50 / tonne	-2.37%	-1.23%
NYMEX Natural Gas	\$2.82 / mmBtu	5.58%	12.17%
Spot Gold	\$2,364.95 / ounce	-2.34%	14.66%
TRPC coal API 2 / Dec, 24	\$120.5 / tonne	0.42%	24.23%
Carbon ECX EUA	€76.21 / tonne	-0.05%	-5.18%
Dutch gas day-ahead (Pre. close)	€34.38 / Mwh	3.71%	7.94%
CBOT Corn	\$4.69 / bushel	0.05%	-3.15%
CBOT Wheat	\$7.06 / bushel	-1.57%	10.44%
Malaysia Palm Oil (3M)	RM3,888 / tonne	-0.84%	4.49%
Index	Close 22 May	Change	YTD
Thomson Reuters/Jefferies CRB	344.55	-0.22%	14.31%
Rogers International	29.54	-0.25%	12.21%
U.S. Stocks - Dow	39,671.04	-0.51%	5.26%
U.S. Dollar Index	104.87	-0.06%	3.49%
U.S. Bond Index (DJ)	425.50	-0.13%	-1.21%

BHP and Anglo are having joint meetings with UK and Australian regulators this week, a separate source told Reuters.

BHP's latest 29.34 pounds per share approach, based on undisturbed share prices at market close on April 23, valued London-listed Anglo at 38.6 billion pounds (about \$49.1 billion). The offer was still conditional on Anglo

unbundling its platinum and iron ore assets in South Africa.

The May 29 deadline coincides with general elections in South Africa, where Anglo was formed and is still of significant national importance. Shares of BHP fell 3.8% to A\$44.47 on Thursday. Anglo's shares closed up 0.4% at 26.98 pounds on the London bourse on Wednesday.

Top News - Carbon & Power

Shell sees emerging Asian markets taking more of world's growing LNG supply

Shell expects its Australian supplies of liquefied natural gas (LNG) to help meet demand from emerging markets in south and southeast Asia, which are tipped to absorb some of the pick up in global supplies towards the end of this decade.

Asian spot LNG prices rose last week to the highest levels since January as hot weather across the region spurred demand for the super-chilled fuel.

"That combination of decarbonisation, and declining domestic production (will drive LNG demand growth)," Cecile Wake, Country Chair at Shell Australia told Reuters on the sidelines of the Australian Energy Producers Conference on Wednesday.

Wake expects Philippines, Thailand, Vietnam and Bangladesh to be key demand growth markets.

"I think, we describe it as latent demand in south and southeast Asia," Wake said, adding that global LNG markets were "finely balanced" this year.

Wake said Shell's internal assessment of demand prospects in Asia was why it was deeply committed to the Australian market.

"We see ourselves competitively positioned to Asian markets.

It is about maintaining that supply position, ensuring that we've got high utilization, high reliability of our LNG assets here," she said.

Wake said Shell was pleased with how its flagship floating LNG facility Prelude came out of its statutory shutdown in Australia.

Prelude, whose deck is longer than four soccer fields, was the world's first floating LNG facility estimated to have cost over \$12 billion.

It has suffered a string of outages since it started production in June 2019, including a fire that led to a full power loss in December 2021.

"The volumes this year are of course anticipated to be higher than last year because it doesn't have a statutory turnaround.

It has come out of that statutory shutdown with both higher reliability and a much tighter band of where we think the performance range is," Wake said.

"There's no major statutory shutdowns this year or next. The next major shutdown will not be until 2026, at this stage," she said.

Chinese coal group cuts 2024 output forecast

The deputy chairman of the China Coal Transportation and Distribution Association (CCTD) told a seminar on Wednesday that annual output growth would be in a range of -1% to 1% this year, having previously forecast expansion of 1%.

China, the world's biggest coal producer, mined 4.66 billion metric tons of the fuel in 2023, up 2.9% year-on-year, according to the National Bureau of Statistics.

CCTD deputy chairman Li Xuegang said it will be "extremely difficult" for China's key coal producing hub of Shanxi to meet its 1.3 billion ton production target for the year, dragging down total output.

The tighter supply, combined with expected stronger domestic demand, will support Chinese coal prices at levels of at least 860 yuan (\$121.24) per ton, higher than last year, Li said.

Shanxi has had to pause production at many mines for safety checks, following an uptick in deadly accidents.

National coal output in April fell to the lowest monthly level since October 2022.

Li forecast China would add 40 gigawatts (GW) of new coal power plant capacity in 2024. That is down slightly from previous forecasts, he said.

The U.S.-based Global Energy Monitor said that 47.4GW of new coal power plants came online in China in 2023. May coal imports by China, the world's largest buyer, will fall from April's 45.25 million metric tons, CCTD analyst Su Huipeng told the seminar, citing a narrowing price arbitrage, high power plant inventories, and an increase in hydropower generation.

But the industry group did not give a fresh forecast for China's annual coal imports.

Shipments stood at 161.15 million tons in the January-April period, a 13% increase year-on-year.

China will increase purchases of Russian coal in the coming months, Su said, as Russia's decision to suspend coal export duties from May to August gives a temporary boost.

Still, the increase will be limited because of logistical constraints and western sanctions on Russian coal traders, Su added.

China's decision to reinstate its own coal import tariffs of 3-6% on Russian and Mongolian sellers from January, however, has had a "relatively limited impact" on coal imports, according to Li.

Top News - Dry Freight

Tunisia buys estimated 100,000 T soft wheat, traders say

Tunisia's state grains agency is believed to have purchased about 100,000 metric tons of soft wheat in an international tender for the same volume on Wednesday, European traders said.

Traders said the wheat was bought in four 25,000 ton consignments.

Trading house Casillo was believed to have sold three consignments at \$273.69, \$274.89 and \$279.49 all per ton cost and freight (c&f) included.

Trading house Cargill was believed to have sold one consignment at \$277.93 a ton c&f.

Reports reflect assessments from traders and further estimates of prices and volumes are still possible later.

The grain was sought sourced from optional origins with shipment between June 5 and June 30, depending on the origin selected. In its last reported soft wheat tender on April 4, Tunisia's state grains agency purchased about 75,000 tons at the lowest price of \$232.95 a ton c&f.

Since then, wheat prices have risen to 10-month highs largely on concern about bad weather damaging the harvest in leading exporter Russia. Traders said finance for Wednesday's tender was provided by the World Bank, one of several organisations helping Tunisia during its current economic difficulties.

Brazil's 2025 coffee production seen higher, exports at record

Brazil, the world's top coffee grower, is likely to produce a larger crop in 2025 given the current condition of coffee trees, the country's largest co-op Cooxupe said on Wednesday, while exports in the current season will hit a record high.

Cooxupe's president Carlos Augusto Rodrigues de Melo said the outlook for prices and production costs is favorable to farmers and he expects a small increase in the coffee area under production next year.

"The fields are looking good for 2025. If we have good weather, it should be a very good crop," Melo said on the sidelines of the International Coffee Seminar 2024.

"This year's crop is similar to 2023, a bit larger. But for next year production could increase, you can see the trees have vitality," he added.

Cooxupe's assessment comes when some market players have raised concerns regarding the current dry spell in Brazil. Rains have been below average in April and May. Soil moisture in the top coffee area of South Minas Gerais is at a seven-year low.

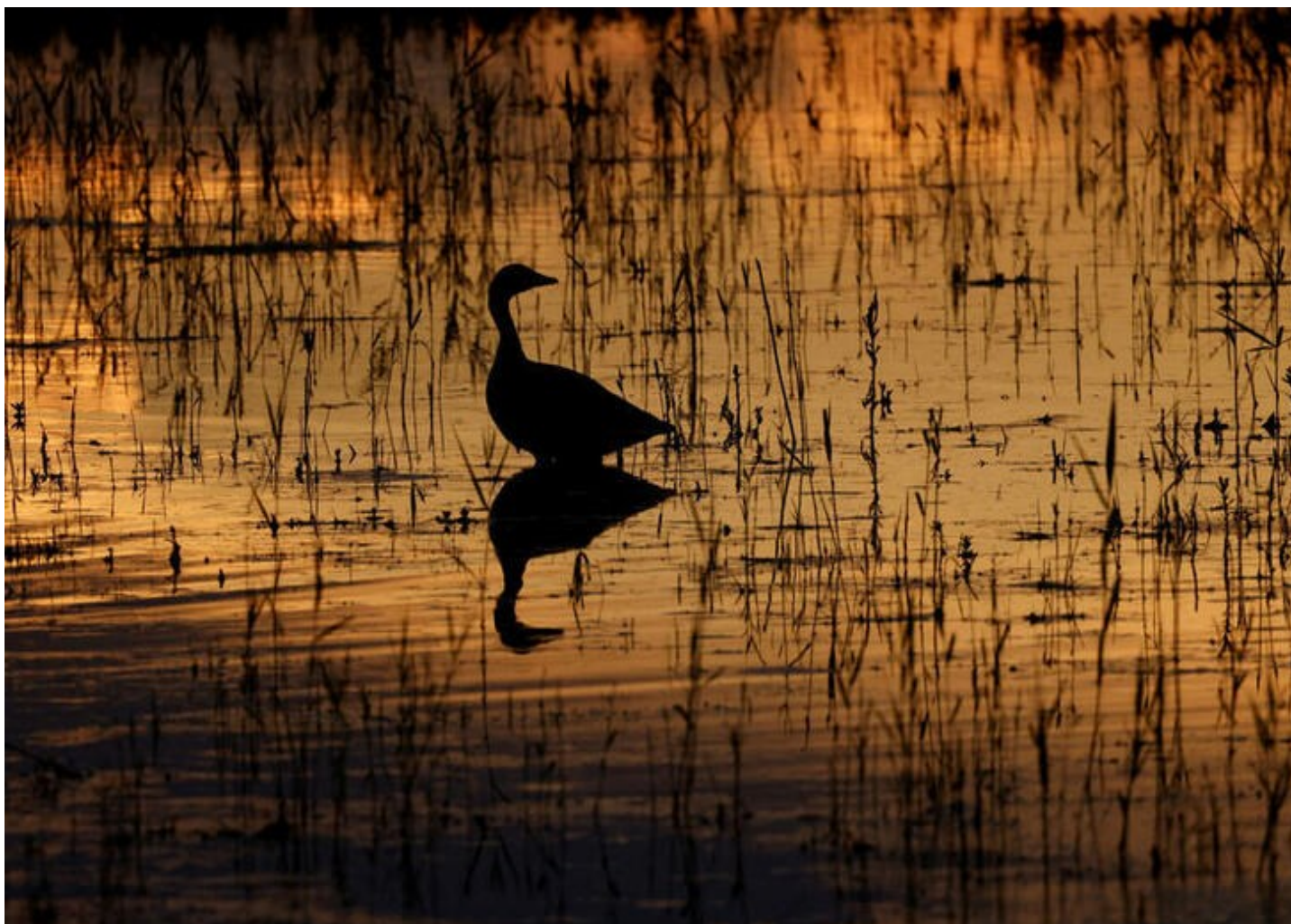
Many farms in Brazil, however, have irrigation systems and recent high prices allowed growers to apply better crop care.

Melo said that Cooxupe is keeping its projection for a 7.7% increase in coffee deliveries by its associated farmers in 2024, as well as its estimate for total sales by Cooxupe of 6.8 million bags this year versus 4.5 million bags in 2023.

Brazil's coffee exports are expected to end the 2023/24 season (July-June) at 46.3 million bags, a record high, the commercial director of Eisa, a large Brazilian exporter, said.

Carlos Alberto Santana said the volume represents a sharp recovery from the previous season, when shipments totaled 35.6 million bags. Santana said "excellent prices" have encouraged producers to sell their stocks.

Coffee prices have been supported by reduced supply in other producing countries.

Picture of the Day

A Greylag goose is seen during sunset at lake Zicksee near Sankt Andrae, Austria, May 19. REUTERS/Leonhard Foeger

(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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10 Paternoster Square, London, EC4M 7LS, United Kingdom

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