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Top News - Oil

Goldman Sachs expects oil demand to keep growing until 2034

Goldman Sachs raised its global oil demand forecast for 2030 on Monday and expects consumption to peak by 2034 on a potential slowdown in electric vehicle (EV) adoption, keeping refineries running at higher-than-average rates till the end of this decade.

The research division of the bank raised its 2030 crude oil demand forecast to 108.5 million (bpd) from 106 million bpd, and expects demand to peak at 110 million bpd in 2034, followed by a long plateau till 2040, analysts led by Nikhil Bhandari said in a report.

WHY IT'S IMPORTANT

A longer period of oil demand growth could boost incomes of producers like the members of Organization of the Petroleum Exporting Countries and allies, known as OPEC+, and also increase climate-warming emissions from fossil fuels.

KEY QUOTES

"We expect peak oil demand to occur by 2034 at 110 million bpd; subsequently, we project a moderate compounded annual growth rate (CAGR) demand decline of 0.3% till 2040," Goldman said, as EV sales stagnated recently. Emerging markets in Asia will likely fuel the majority of global oil demand growth up until 2040, with China and India being the key contributors, it said.

Meanwhile, the duration of the global refining upcycle could be longer than investors currently anticipate, as global refining utilization could remain well above historical average levels over 2024-2027.

"We are more constructive on middle distillates (diesel/jet fuel) over gasoline, as the incremental supply growth for middle distillates lags behind demand growth more significantly over 2024-27, partly due to the later demand peak we expect for middle distillates (mid-2030s) than gasoline (2028)," it said.

CONTEXT

EV sales have cooled in recent months after rising dramatically for several years, as consumers wait for more affordable models to hit the market.

Earlier this month, the International Energy Agency, which expects global oil demand to peak before 2030, trimmed its forecast for this year by 140,000 barrels per day (bpd) to 1.1 million bpd, widening the gap with producer group OPEC.

Russia's ESPO sea-borne oil exports hit record-high in May, Kommersant reports

Russia's ESPO oil blend exports from the Pacific port of Kozmino have increased by 5% so far in May from April's average to a record-high of 960,000 barrels per day (bpd), Kommersant daily reported on Monday citing Kpler ship-tracking data.

It said that the data covers supplies over May 1-24.

The previous record was set in February when the entire export of more than 914,000 bpd was shipped to China, which has become one of Russia's main oil buyers along with India.

Kommersant said, citing Kpler's lead crude analyst Viktor Katona, that Western sanctions against Russian tankers have been ineffective.

Top News - Agriculture

EU crop monitor trims wheat, rapeseed yield outlook on mixed weather

The European Union crop monitoring service on Monday trimmed its outlook for this year's EU soft wheat and rapeseed yields while upping its forecasts for barley and maize as good prospects in Spain and Portugal contrasted with adverse conditions elsewhere.

WHY IT'S IMPORTANT?

The EU is collectively one of the world's largest crop producers and is a significant exporter of wheat and barley while a major importer of maize and oilseeds.

Harsh weather in top wheat exporter Russia has unsettled grain markets in recent weeks, sending European prices to a one-year high, and increasing sensitivity to possible harvest setbacks in other major production zones.

KEY QUOTES

"The yield forecast for winter crops further improved for Spain and Portugal, but was reduced for Italy and several countries of western Europe," MARS said in a monthly report.

"Wet conditions in large areas in western Europe, as well as in Denmark, and northern Italy, resulted in waterlogging, high pest pressure and/or delays to sowing, with potentially negative effects on crop yields."

BY THE NUMBERS

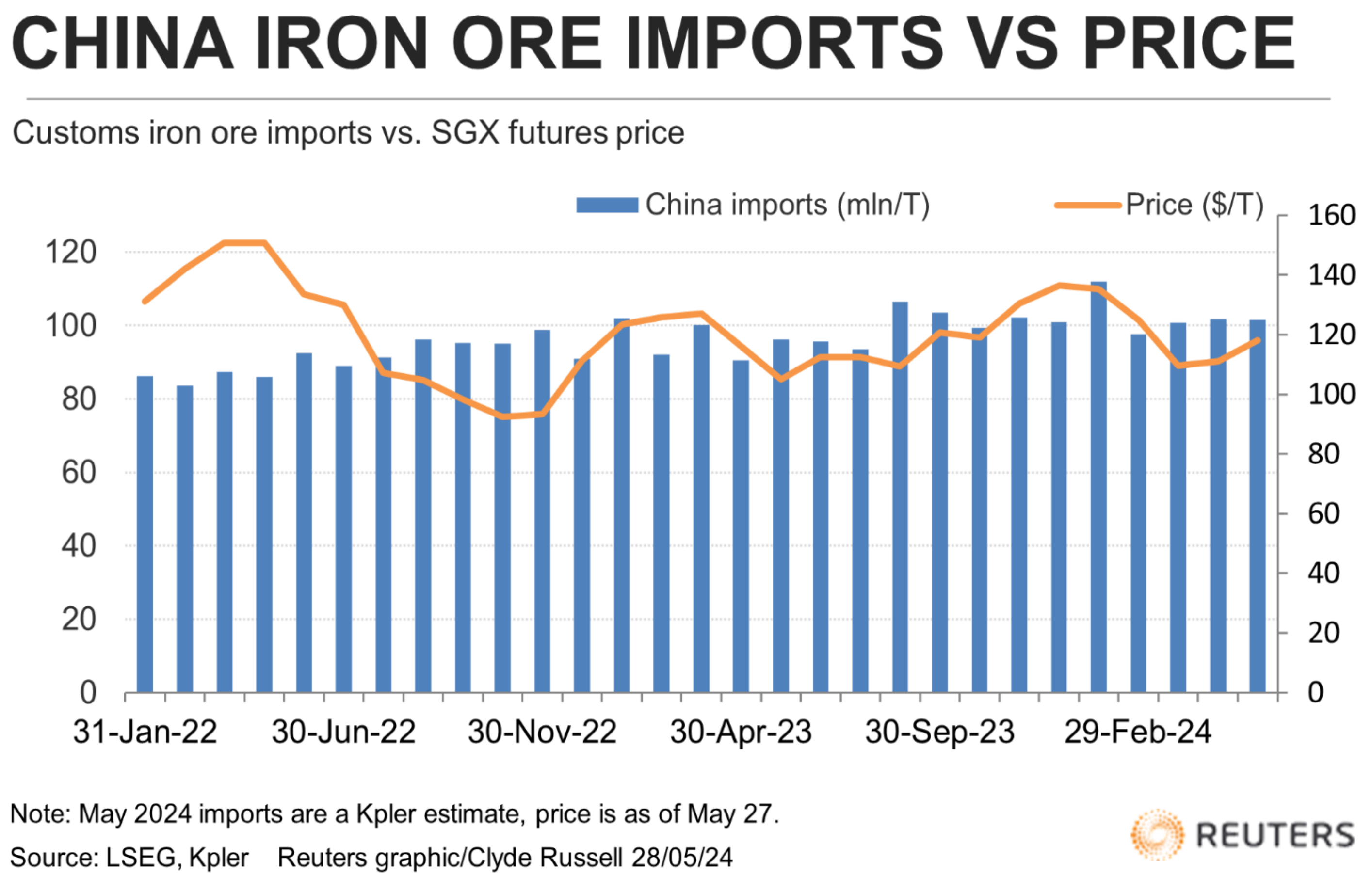
MARS trimmed its forecast for the average soft wheat yield in the EU this year to 5.92 metric tons per hectare (t/ha) from 5.93 t/ha forecast in April, and lowered its projection of the bloc's 2024 rapeseed yield to 3.21 t/ha from 3.26 t/ha forecast last month.

For barley, the expected overall EU yield, including both winter and spring barley, was raised to 5.13 t/ha from 5.11 t/ha, while the forecast EU grain maize (corn) yield was nudged up to 7.59 t/ha from 7.57 t/ha.
For sugar beet, the EU yield was projected at 75.4 t/ha, down from 75.5 t/ha expected in April.
All the yield forecasts remained above the average level of the past five years, MARS said.

CONTEXT
Spain is recovering from severe drought and expected to see cereal production rebound sharply.
But torrential rain in northwest Europe has reduced planting and hampered plant development, including in top EU grain grower France.

Traders union cuts Ukraine 2024 grain, oilseed crop forecast to 74.6 mln T
Ukrainian grain traders union UGA revised down on Monday its forecast for Ukraine's 2024 combined grain and oilseed harvest to 74.6 million metric tons from the previous outlook of 76.1 million tons. The UGA said in a statement the harvest could include 25.5 million tons of corn, 19.1 million tons of wheat, 4.6 million tons of barley, 13.7 million tons of sunseed, 5.5 million tons of soybeans and 4.3 million tons of rapeseed.
Ukraine is a major global grain and oilseed grower and exporter, but its harvests have declined since the Russian invasion in February 2022.
The agriculture ministry has said Ukraine lost about 30% of the country's total potential of the agricultural sector and almost 20% of agricultural land was occupied.
Ukraine had a record grain and oilseed harvest of about 107 million tons in 2021 before the invasion, including 85 million tons of various grains and 16.4 million tons of sunseed.
The wheat harvest totalled 32.7 million tons while corn output reached almost 42 million tons.
"The potential decline in harvest in the new season is caused by both a reduction in sown areas... and a somewhat dry period in May this year in a number of regions in the East and South of the country," UGA said.
UGA said that despite a smaller forecast, overall exports could stay at almost the same level at 43.5 million tons. UGA previously saw the exports at 43.7 million tons.
The union said the 2024/25 July-June exports might include 20.5 million tons of corn, 13 million tons of wheat, 3.4 million tons of rapeseed and 4 million tons of soybean.

Chart of the Day



Top News - Metals

COLUMN-Iron ore prices lack conviction despite China stimulus moves: Russell

The balance of risks for iron ore prices are tilted to the downside despite top buyer China's most recent steps to boost its struggling property sector.

A series of stimulus measures announced earlier this month will see up to 1 trillion yuan ($138 billion) in new property funding, an easing of mortgage rules and allowing local governments to buy some apartments in order to clear overhangs. The spot price of iron ore was initially boosted by the policy support for housing, with Singapore-traded futures gaining nearly 2% to reach a two-week high of $119.20 a metric ton in the three trading sessions after the May 17 announcement. But the contract has since meandered and ended at $118.04 a ton on Monday. The issue for the market is how quickly does the extra support for the property sector translate into higher steel demand, and thus demand for iron ore, the key raw material.

The concern is that even if the new measures are successful in reviving a sector that at one stage accounted for a quarter of China's gross domestic product, it will take at least several months, and likely far longer, for new construction to meaningfully boost steel demand.

This means demand for iron ore in China, which buys almost 75% of global seaborne volumes, will stay largely dependent on other sectors, such as manufacturing and infrastructure. Here the news is mixed, with some parts of the world's second-biggest economy performing well, and others continuing to struggle.

Industrial profits returned to growth in April, rising 4.0% after declining 3.5% in March, leaving them 4.3% higher over the first four months of 2024 compared to the same period a year earlier.

The rising profits came as industrial output grew 6.7% year-on-year in April, largely as a result of strong exports. However, retail sales remained soft, gaining just 2.3% in April, the lowest since December, while credit growth fell more than expected to 730 billion yuan in April, down from 3.09 trillion yuan in March.

FUNDAMENTALS EASE

The uncertain economic signals mean that iron ore is likely to take more direction from fundamentals, and the picture is far from bullish.

China's imports of iron ore are likely to be steady in May from April, with commodity analysts Kpler estimating arrivals of 101.48 million tons, compared to the official figure of 101.82 million for April.

However, within that largely steady volume there are some bearish signals, with iron ore inventories at Chinese ports rising, with consultants SteelHome saying they reached 144.65 million tons in the week to May 24.

This was up from 144.50 million the previous week and close to the two-year high of 145.15 million reached in the week to May 10. It's worth noting that the usual seasonal pattern for iron ore stockpiles is that they decline in the second quarter as steel mills normally ramp up output ahead of the peak summer construction period.

But steel production has been soft, with crude steel output dropping to 85.94 million tons in April, down 2.6% from march and 7.2% from April 2023.

For the first four months of the year China produced 343.67 million tons of steel, down 3% from the same period in 2023.

It's likely that May will see a recovery in steel production as mills ramp up output in the expectation of stronger summer demand, but whether this will be enough to spark renewed optimism in iron ore remains in doubt.

Barrick's Porgera mine in Papua New Guinea operating without restriction after landslide

The Porgera Mine in Papua New Guinea is running without restriction and has enough fuel on site for 40 days, operator Barrick Gold Corp said on Monday, after a massive landslide struck in the province the mine is located. The landslide in Enga province buried more than 2,000 people, the government said earlier on Monday, as treacherous terrain impeded aid and lowered hopes of finding survivors.

The Porgera mine is an underground gold mine jointly run by Barrick Gold, China's Zijin Mining Group and stake holders from Papua New Guinea, according to Barrick website.

The mine was re-started earlier this year after being in dispute for four years.

Barrick in its statement said the Porgera gold mine is providing support to the survivors of the mountainside collapse, which happened 30 kilometres (18.64 miles) from its gold mine. Shares of Barrick Gold were trading up by 1% on the Toronto Stock Exchange on Monday morning.

Top News - Carbon & Power

EU approves law to hit gas imports with methane emissions limit

European Union countries approved a law on Monday to impose methane emissions limits on Europe's oil and gas imports from 2030, pressuring international suppliers to cut leaks of the potent greenhouse gas.

Methane is the main component of the natural gas countries burn in power plants and to heat homes.

It is also the second-biggest cause of climate change after carbon dioxide, and fuels global warming when it escapes into the atmosphere from leaky oil and gas pipelines and infrastructure.
Ministers from EU countries gave their governments' final approval to the policy at a meeting in Brussels, meaning it can now enter into force.
Only Hungary voted against it.
From 2030, the EU will impose "maximum methane intensity values" on fossil fuels placed on the European market. The European Commission will design the exact methane limits by that date.
Importers of oil and gas that flout the limit could face financial penalties.
"This import standard could potentially reduce global methane emissions from oil and gas by a third," said Alessia Virone, EU affairs director at the non-profit Clean Air Task Force, noting the EU's status as the world's biggest oil and gas importer.
The rules are likely to hit major gas suppliers such as the U.S., Algeria and Russia. Moscow slashed deliveries to Europe since its 2022 invasion of Ukraine and has since been replaced as Europe's biggest pipeline gas supplier by Norway, whose supply has among the world's lowest methane intensity. The Biden administration - which alongside the EU has rallied countries to cut methane emissions by 30% by 2030 to limit climate change - has welcomed the EU's methane law.
The U.S. last year set out its own rules requiring oil firms to limit their methane emissions.
A spokesperson for the International Association of Oil & Gas Producers said it was concerned the EU may not recognise other jurisdictions' existing methane standards as complying with its own - and failure to do this could jeopardise security of energy supplies.
The EU will also require European producers to regularly check their operations for leaks of methane, and bans most cases of flaring and venting, when oil and gas companies intentionally burn off or release unwanted methane into the atmosphere.

Russia to build Central Asia's first nuclear power plant in Uzbekistan

Russia will build a small nuclear power plant in Uzbekistan, the first such project in post-Soviet Central Asia, Uzbek President Shavkat Mirziyoyev said on Monday at a meeting with visiting Russian President Vladimir Putin.
The nuclear deal, if implemented, will showcase Russia's ability to export not only energy, but also high-tech products to new Asian markets, at a time when the West is increasing pressure on it through sanctions.
Putin said Russia would put $400 million into a joint investment fund of $500 million to finance projects in Uzbekistan. Mirziyoyev also said Tashkent was interested in buying more oil and gas from Russia, a reversal of

MARKET MONITOR as of 07:17 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$78.69 / bbl	2.37%	9.83%
NYMEX RBOB Gasoline	$2.50 / gallon	1.64%	18.53%
ICE Gas Oil	$750.75 / tonne	1.59%	0.00%
NYMEX Natural Gas	$2.52 / mmBtu	-5.34%	0.04%
Spot Gold	$2,344.21 / ounce	0.45%	13.65%
TRPC coal API 2 / Dec, 24	$121.4 / tonne	0.33%	25.15%
Carbon ECX EUA	€76.25 / tonne	0.85%	-5.13%
Dutch gas day-ahead (Pre. close)	€34.75 / Mwh	1.37%	9.11%
CBOT Corn	$4.78 / bushel	1.06%	-1.19%
CBOT Wheat	$7.32 / bushel	1.88%	14.39%
Malaysia Palm Oil (3M)	RM3,938 / tonne	1.36%	5.83%
Index	**Close 27 May**	**Change**	**YTD**
Rogers International	29.56	0.97%	12.29%
U.S. Dollar Index	104.46	-0.13%	3.09%

decades-long practice where Moscow imported hydrocarbons from Central Asia. The Uzbek president described Putin's visit as "historic". "It heralds the beginning of a new age in the comprehensive strategic partnership and alliance relations between our countries," he said. Putin also called Tashkent Moscow's "strategic partner and reliable ally". According to documents published by the Kremlin, Russian state nuclear firm Rosatom will build up to six nuclear reactors with a capacity of 55 megawatts each in Uzbekistan, a much smaller-scale project than the 2.4 gigawatts one agreed in 2018 which remains to be finalised. There are no nuclear power plants in any of the five ex-Soviet Central Asian republics, although Uzbekistan and its neighbour Kazakhstan, both uranium producers, have long said their growing economies needed them.
The Kazakh project, however, can only move ahead after a national referendum which has not yet been scheduled.
"Nearly all the leading countries of the world ensure their energy security and sustainable development with the help of nuclear energy," Mirziyoyev said.

ENERGY SUPPLIES
Taking advantage of Russia's campaign to redirect its gas exports to Asia amid a rift with the West over Ukraine, Uzbekistan last October started importing Russian natural gas via the same pipeline which had previously pumped it in the reverse direction.
Although its own gas production remains substantial at about 50 billion cubic metres a year, Uzbekistan struggles to fully meet domestic demand, and Russian supplies have allowed it to avert an energy crisis.
"(Gas) exports are running well ahead of schedule and we are ready to increase their volume if needed," Putin said.
According to Mirziyoyev, Tashkent is also keen to increase imports of Russian oil.
The two leaders also said their governments were working on large projects in mining, metals, and chemicals.
Uzbekistan, whose economy depends heavily on remittances from migrant labourers working in Russia, has maintained close ties with Moscow after it invaded Ukraine in 2022.
However, Mirziyoyev and other leaders in the region have never spoken in support of what the Kremlin calls its special military operation in Ukraine, and all countries in the region are also working with the West on projects such as cargo shipping routes designed to bypass Russia.

Top News - Dry Freight

Ukraine grain exports at 45.8 mln T, ministry says
Ukraine's grain exports in the 2023/24 July-June marketing season had reached 45.8 million metric tons by May 27, up from 44.9 million tons exported as of May 29, 2023, agriculture ministry data showed on Monday.
This season's exports included almost 4.4 million tons so far in May, the data showed.
The overall exports included 17 million tons of wheat, 25.8 million tons of corn and about 2.4 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 this season, 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. The economy ministry sees the 2024 grain and oilseed crops at 73 million tons.

Egypt's GASC bought raw sugar at $469.50/T CIF, traders say
Egypt's state commodity buyer the General Authority for Supply Commodities (GASC) on Saturday bought 250,000 metric tons of raw sugar in an international tender all at $469.50 a metric ton CIF free out, traders said on Monday.
Egypt’s supply ministry had on Saturday reported the purchase of 250,000 tons but gave no prices. CIF terms include cost, insurance and freight.
Traders said the sugar was all bought in five 50,000 ton consignments. One consignment for arrival between Sept. 15-30 was bought from Tereos and one for Oct. 1- 15 arrival from Dreyfus, they said.
One consignment each for arrival between Oct. 15-31 was bought from Viterra, Dreyfus and Cofco, they said.
Reports reflect assessments from traders and further estimates of prices and volumes are still possible later.

Picture of the Day

Women cover their faces with scarfs to avoid sunlight as they herd family cattle during a hot summer day, according to the Pakistan Meteorological Department, the temperature rose above 52 degrees Celsius (125.6 degrees Fahrenheit), as the heatwave continues in Mohenjo Daro, Pakistan, May 27. REUTERS/Akhtar Soomro

(Inside Commodities is compiled by Nandu Krishnan in Bengaluru)

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