Oil | Agriculture | Metals | Carbon & Power | Dry Freight
Click on headers to go to that section

Top News - Oil

Venezuela's May oil exports rise 30% during US wind-down period
Venezuela's oil exports recovered in May from a low figure the previous month as state oil company PDVSA's customers rushed to take cargoes ahead of the resumption of U.S. sanctions on the South American country.
The U.S. Treasury Department in April did not renew a broad license that had allowed Venezuela to freely export its oil, but gave companies until the end of May to complete transactions, including crude and fuel sales. It also began issuing individual authorizations to energy firms doing business with Venezuela.
A total of 50 vessels departed Venezuelan waters last month carrying an average 708,900 barrels per day (bpd) of crude and fuel, and 614,000 tons of petrochemicals and oil byproducts, according to internal PDVSA documents and shipping data from financial firm LSEG.
The volume of oil shipped in May was 30% larger than in April, and 7% above the same month a year earlier. Exports of petrochemicals and byproducts were the highest in 13 months, the data showed.
Over a third of total exports, or 250,000 bpd, were bound for Asia. The United States was the second largest recipient with an average of 205,000 bpd sent by U.S. oil major Chevron to its own refineries and others, followed by Europe with 129,000 bpd.
Shipments to political ally Cuba rose to some 70,000 bpd from 23,000 bpd the previous month, driven by larger crude oil deliveries, according to the data.
Following the completion of maintenance work at some crude upgraders and more imports of diluents, PDVSA's inventories of diluted crude oil rose to almost 5 million barrels.
Stocks of the OPEC-member nation's flagship Merey 16 crude also recovered to almost 3 million barrels at the end of the month, one of the documents showed.
Venezuela imported some 68,000 bpd of heavy naphtha and blendstock for producing gasoline, above the 57,000 bpd of April. Washington since mid-April has granted individual licenses to companies including France's Maurel & Prom, Spain's Repsol and to do oil and gas business with Venezuela. More than a dozen others are waiting for green light.

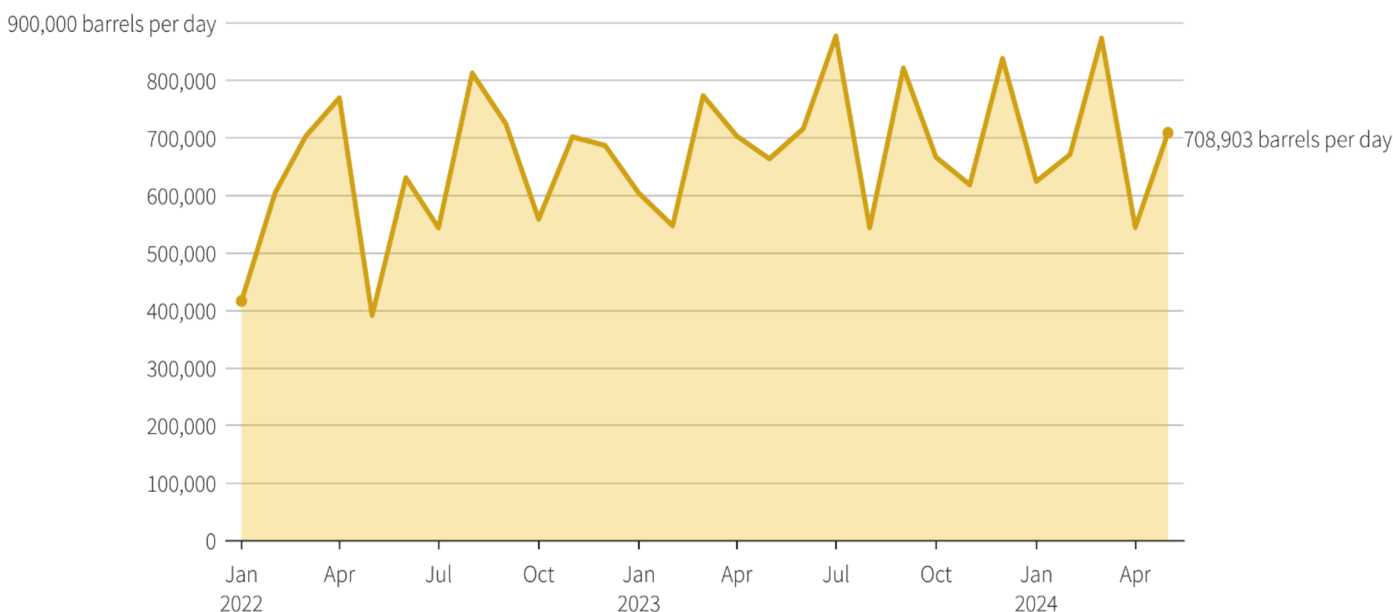
COLUMN-US oil futures draw renewed interest from hedge funds: Kemp
Portfolio investors purchased petroleum contracts for the first time in seven weeks as traders squared up short positions ahead of a meeting of OPEC ministers to decide production policy in the second half of 2024.
Hedge funds and other money managers purchased the equivalent of 21 million barrels in the six most important futures and options contracts over the seven days ending on May 28.
The purchases were the first after six weeks of sales totalling 304 million barrels since April 9, according to records published by ICE Futures Europe and the U.S. Commodity Futures Trading Commission.
Most of the purchases came from closing out previous bearish short positions (+16 million barrels) rather than creating new bullish long ones (+6 million).
Even after short covering, the combined position was just 402 million barrels (19th percentile for all weeks since 2013) while bullish longs outnumbered bearish shorts by 2.51:1 (24th percentile).
Fund managers remained sceptical about the likelihood of price increases, even with prices close to the long-term average and OPEC+ ministers signalling they would prolong production restraint (agreed five days later).
In the most recent week, buying was heavily concentrated in NYMEX and ICE WTI (+32 million barrels) with small purchases in Brent (+2 million) and U.S. diesel (+2 million).
There were sales in both U.S. gasoline (-5 million barrels) and European gas oil (-9 million).
Fund managers continued to rotate away from the Brent international crude benchmark and towards the WTI U.S. regional marker.
Funds have purchased 89 million barrels of WTI in the most recent three weeks while selling 173 million barrels of Brent in the last four.
Some of this rotation has reflected evaporation of the previous war-risk premium in Brent, as the conflict between Israel, Iran, Hamas, Hezbollah and the Houthis has been contained.
But the increased bullishness around WTI could also be an indication of an impending squeeze on deliverable supplies around the contract’s delivery location at Cushing in Oklahoma.
Commercial crude inventories at Cushing depleted by almost 2 million barrels over the seven days ending on May 24, the largest drawdown for 17 weeks. Cushing inventories were 11 million barrels (-25% or -0.76 standard deviations) below the prior 10-year seasonal average. Even a few weeks of depletions could leave deliverable supplies extremely low and make the contract vulnerable to another squeeze.

U.S. NATURAL GAS
Fund managers have become progressively more bullish about the outlook for U.S. gas prices, anticipating that strong demand from gas-fired generators and the restart of LNG export facilities will eliminate excess inventories.
Funds purchased the equivalent of 316 billion cubic feet (bcf) in the two major contracts linked to prices at Henry Hub in Louisiana over the seven days ending on May 28.
Funds have been net buyers in five of the latest six weeks, purchasing a total of 1,365 bcf since April 16.
The fund community held a net long position of 881 bcf (53rd percentile for all weeks since 2010) up from a net short of 1,675 bcf (3rd percentile) in mid February and the most bullish position since the end of October 2023.
U.S. working gas inventories were still 616 bcf (+28% or +1.43 standard deviations) above the prior 10-year average on May 24. But the surplus has been broadly stable or even narrowed slightly since the middle of March, implying production, consumption and exports are now close to balance after large surpluses in 2023 and early 2024. If production starts to decline, following drilling cuts announced in February, or consumption rises faster, inherited inventories are likely to deplete over the next nine months, which has started to draw funds back into the market.

Top News - Agriculture

Russia may declare emergency due to frost impact on crops, farm minister says
Russia may declare a nationwide emergency by the end of this week due to frosts that have damaged crops, Agriculture Minister Oksana Lut was quoted as saying on Monday.
State news agency RIA quoted Lut as saying she hoped the measure would be declared, paving the way for insurance claims, following a meeting of a committee of the emergencies ministry. Several Russian regions have already declared local emergencies because of the frosts, which have hit crops ranging from grains to apples.
The Sovecon agricultural consultancy said last week it expected Russia's wheat crop to slip to 82.1 million metric tons this year, below a previous forecast of 85.7 million tons.
Lut said the extent of damage had not yet been calculated in cash terms. The head of Russia's Grain Union said on May 27 that some 1.5 million hectares of crops had been damaged.

Chart of the Day



TASS news agency separately quoted Lut as saying Russia would find other markets for its grain after the European Union said last week it would impose prohibitive tariffs on cereals, oilseeds and derived products from Russia and Belarus from July 1, a move the bloc said would halt imports of these products.

Australia raises wheat harvest estimate but cuts canola

The Australian government said on Tuesday the country would harvest around 700,000 metric tons more wheat than it previously thought but slashed its forecast for canola production after some areas suffered long periods of low rainfall.
Australia is a major agricultural exporter and the size of its harvests impacts global supply.
Wheat and canola prices have risen in recent weeks as adverse weather hit crops in Russia and some other regions.
With planting of winter crops now wrapping up, ample rain in east Australia has created a "close-to-ideal" start to the season but dry weather elsewhere led some farmers reduce planted area, the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), part of the agriculture ministry, said in a quarterly report.
Above average yields in Queensland, New South Wales and Victoria should more than offset average to below average yields in South Australia and Western Australia, the biggest canola growing region, ABARES said.
Australia should produce 29.1 million tons of wheat in the current 2024/25 crop year, 12% more than in 2023/24 and 10% above the 10-year average, it said.
It predicted barley production of 11.5 million tons, up 7% from 2023/24 and 2% above the 10-year average, and a 5.4 million ton canola harvest, down 5% from 2023/24 but 21% above the 10-year average.
Three months ago, ABARES forecast production in the 2024/25 season of 28.4 million tons of wheat, 11.6 million tons of barley and 6.1 million tons of canola.
Rains have aided crops in Western and South Australia in recent days, and the country's weather bureau predicts wetter than normal conditions from July.
Crops were hit last season by the driest three months on record between August and September 2023.
ABARES said the area planted to wheat and barley would rise 3% from the 2023/24 season and canola area would fall 9%. Chickpea production should more than double from last season to 1.1 million tons, it said, as farmers take advantage of a suspension of import tariffs by top consumer India.
For summer crops now mostly harvested, ABARES said Australia would produce 2.2 million tons of sorghum, down 16% from the last season, 1.1 million tons of cotton lint, down 13%, and 611,000 tons of rice, up 20%.

Top News - Metals

COLUMN-Funds keep faith with copper even as squeeze fades: Andy Home

The vicious squeeze on the CME copper contract appears to have largely passed but fund managers are sticking with their bullish convictions on both U.S. and London markets.
There has been some light profit-taking as the price has retreated from last month's record highs but fund long positioning remains elevated both on the CME and London Metal Exchange (LME).
The money surge into copper is part and parcel of a broader rotation of funds into the base metals sector but copper's super-charged rally to a CME peak of 5.20 cents per lb and an LME high of $11,404.50 per ton has made it the star attraction.
However, Doctor Copper's new investor friends may find their bullish resolve tested in the days ahead.
With the short-covering momentum on the CME contract now abating, fund longs are left waiting for fundamentals to catch up with their price expectations.

LONG AND STRONG

Fund managers trimmed their long positions on the CME copper contract by 7.4% over the week to May 28, according to the latest Commitments of Traders Report (COTR).
However, bets on higher prices amounted to a hefty 128,344 contracts, which is still the largest bull commitment since January 2018.
The net collective long position is lower at 63,787 contracts. There has been no short capitulation. Indeed outright money manager short positions edged up by 2.0% to 64,557 contracts.
However, it's clear that the bulk of the recent investment flow remains sitting on the long side of the market.
The situation is similar in London, where the record investment long position shrank only marginally in the week to May 20. At 105,262 contracts, it is still by some margin higher than anything seen since the LME launched its own COTR in 2018.

SQUEEZE DISSIPATES

The upwards price momentum has faded as the CME squeeze has steadily dissipated, LME three-month metal currently consolidating just above the $10,000 level.
There remain pockets of tightness across nearby CME time-spreads but the immediate panic appears to be over and the cash premium over the London contract has shrunk from over $1,000 per ton in the middle of May to around $250.
Short positions have either been covered or rolled with a view to delivering physical copper.

The explosion in the arbitrage with the LME is expected to draw metal to CME warehouses in the United States. Some 100,000 tons of copper are reported to be on their way, although nothing has yet arrived.
CME registered stocks fell another 2,256 short tons last week to a six-month low of 16,607 tons.

CHINESE GLUT
Outside of the United States, though, copper stocks have been building.
LME headline inventory has edged up from an early-May low of 103,100 tons to a current 116,000 tons. The ratio of metal awaiting physical load-out has shrunk from 20% at the start of May to just 5%, or 6,025 tons.
The stocks build in China has been more pronounced. Shanghai Futures Exchange warehouses hold 321,695 tons of copper, the most since April 2020.
This year has seen the usual seasonal surge around the Chinese New Year holidays but not the usual post-holiday decline. Stocks have simply continued climbing, up another 20,731 tons over the course of last week.
Local data provider Shanghai Metal Market estimates bonded warehouse stocks have also risen from under 10,000 tons at the start of the year to 76,000 tons.
Clearly, no-one is short of copper in China right now.

WAITING GAME
Copper's recent rally to all-time highs has been accompanied by a profusion of headlines about the lack of supply growth relative to strong energy-transition demand.
The bull narrative has spread far beyond the closeted world of industrial metal traders to the retail investment crowd. Fear of missing out has played its part in the buying frenzy and it's understandable given the ever higher price forecasts being bandied around.
Hedge fund manager Pierre Andurand has grabbed the super-bull crown, telling the Financial Times he expects copper to nearly quadruple in price to $40,000 over the coming years.
It's worth stressing the extended time-frame around that prediction because right now copper dynamics don't look quite so bullish.
The extent of the stocks build in China is a major discrepancy in copper's bull narrative.
The country is the world's largest buyer of the metal but shows every sign of entering a de-stocking cycle in response to the recent price surge and still-stuttering demand.
Bullish fund managers may face a tense wait for supply-chain reality to catch up with copper's elevated price.

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$73.35 / bbl	-4.73%	2.37%
NYMEX RBOB Gasoline	$2.30 / gallon	-4.82%	9.24%
ICE Gas Oil	$700.75 / tonne	-4.24%	-6.66%
NYMEX Natural Gas	$2.74 / mmBtu	5.95%	9.03%
Spot Gold	$2,347.70 / ounce	0.89%	13.82%
TRPC coal API 2 / Dec, 24	$128 / tonne	0.99%	31.96%
Carbon ECX EUA	€74.57 / tonne	0.63%	-7.22%
Dutch gas day-ahead (Pre. close)	€36.10 / Mwh	5.52%	13.34%
CBOT Corn	$4.48 / bushel	-1.43%	-7.54%
CBOT Wheat	$6.98 / bushel	-0.25%	9.11%
Malaysia Palm Oil (3M)	RM3,951 / tonne	-1.05%	6.18%
Index	**Close 03 Jun**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	337.95	-0.32%	12.13%
Rogers International	28.23	-2.22%	7.24%
U.S. Stocks - Dow	38,571.03	-0.30%	2.34%
U.S. Dollar Index	104.12	-0.02%	2.75%
U.S. Bond Index (DJ)	424.06	0.64%	-1.55%

Russia proposes raising extraction tax rates on diamonds, gold, iron ore
Russia's finance ministry on Monday proposed increasing mineral extraction rents from next year on diamond, gold and iron ore mining, changes that could boost tax revenues by 230.5 billion roubles ($2.59 billion) from 2025-2027.
The government last week approved tax hikes for companies and wealthy individuals that could add an extra $30 billion to next year's budget revenues and will allow Moscow to further ratchet up spending, including on the conflict in Ukraine, without compromising fiscal stability.
The ministry's latest proposed tax hikes would be offset by the abolition of export duties linked to the rouble-dollar exchange rate that were introduced in October 2023.
"Increasing the mineral extraction tax alongside a simultaneous refusal to collect 'exchange-rate' export duties from Jan. 1, 2025 will not lead to reduced company profits and, accordingly, to regional budget losses on corporation tax," documents submitted to the State Duma by the finance ministry showed.
The ministry proposed raising the tax rate for extracting diamonds and precious stones to 8.4% from 8%, an annual boost of 2.1 billion roubles to the treasury.
Adjustments to the mineral extraction tax on gold would bring in 25.5 billion roubles annually, while raising rents on iron ore mining to 6.7% from 4.8% would add 23.1 billion roubles each year.
Other proposed changes concern raising extraction rates on apatite-nepheline, apatite and phosphorite ores, adjusting coal premiums and an excise tax on natural gas for ammonia production.
"These measures are aimed having a fairer distribution of natural rents between business and the state," the submitted documents said.

Top News - Carbon & Power

Norway outage pushes European gas prices to highest this year
Norway's gas exports to Europe fell sharply on Monday as a shutdown of the offshore Sleipner hub halted operations at the Nyhamna onshore processing plant, pipeline operator Gassco said, lifting European prices to their highest level this year.
The outage was caused by a crack discovered in a two-inch pipeline onboard Norway's offshore Sleipner Riser platform, the company said.
It was not yet known how long this will take to repair, but the situation is not considered dangerous, it added.
"This has big consequences from a supply perspective," Alfred Hansen, head of pipeline system operations at Gassco, told Reuters.
The outage at the Equinor-operated Sleipner platform, which began late on Sunday, was set to continue on Tuesday, according to Gassco.
"The field operator will give us a more accurate estimate for how long it could take to repair, and we will then update our forecasts accordingly," Hansen said.
Norway in 2022 overtook Russia as Europe's biggest gas supplier after Moscow's invasion of Ukraine severed decades-long energy ties.
Sleipner Riser is a connection point for the Langeled North and Langeled South pipelines connecting the Nyhamna plant on Norway's west coast with the Easington terminal in northeast England.
Both terminals were shut on Monday, transparency data showed, with Norwegian gas supply nominations falling to 256 million cubic metres (mcm) per day, from 300 mcm/ day nominated on Friday, according to Gassco data.
While options exist for bypassing Sleipner, this is time-consuming and not without risk, Hansen said.
Europe's benchmark gas price, the Dutch front-month contract, was up 7.2% at 37.08 euros/MWh by 1322 GMT, easing from an earlier peak of 38.56 euros, its highest level since early December.
Gassco is working with Equinor to resolve the situation, a Gassco spokesperson said separately.
"We are working... with a plan for repairs and with a plan for compensatory measures to deliver the highest possible volume to Europe," the spokesperson said.
While Nyhamna plant operator Shell confirmed the issue was related to Sleipner, an Equinor spokesperson referred any questions on the issue to Gassco.
Nyhamna is able to process up to 79.8 mcm per day, with the current shutdown resulting in a real loss of 56.7 mcm on Monday, according to Hansen. Britain's Easington terminal has a capacity of 72.50 mcm/day.

COLUMN-China leads renewables charge in Asia, others need to catch up: Russell
Renewable energy capacity additions have been dominated by China in recent years, but if 2030 climate targets are to be met other countries in Asia are going to have step up the pace of deployment.
The opportunity for nations like India and the major Southeast Asian economies of Indonesia, Thailand, Malaysia, Vietnam and the Philippines to boost their renewable energy capacity is one of the major themes from a new report released on Tuesday by the International Energy Agency (IEA).
The report found that China installed almost 350 gigawatts (GW) of new renewable capacity in 2023, more than half the global total, and if the world's second-biggest economy maintains this pace it will likely exceed its 2030 target this year. China's formal target is to have wind and solar installed capacity of 1,200 GW by 2030, but the IEA said as of April this year it was already at 1,130 GW. The IEA report said that modelling based on China's decarbonisation ambitions give an "estimated

2030 ambition trajectory" of more than 3,000 GW of all types of renewables, including hydro, by the end of this decade.
This represents a doubling of current installed capacity and means China will remain a leader in deploying renewables. But the IEA also said the main opportunities lie elsewhere in Asia, especially since many of the region's countries are at the start of their renewables journey. The agency said excluding China the Asia-Pacific region has plans for nearly 1,200 GW of renewables by 2030, based on targets from the various countries, which is about double the current levels.
But the question is whether this is ambitious enough for the region to meet climate goals.
"This amounts to roughly 15% of total planned renewable energy capacity globally, lower than the region's 22% share in greenhouse gas emissions from power generation and heat production in 2022," the IEA report said. India leads planned renewable additions with 500 GW of non-fossil fuel capacity by 2030, a figure that includes nuclear of about 15 GW while the majority is 293 GW of solar and 100 GW of wind.
Members of the Association of Southeast Asian Nations (ASEAN) have ambitions for 225 GW of new renewables by 2030, led by Vietnam with 84 GW, Indonesia at 44 GW and the Philippines at 30 GW.

MORE TO DO
But the IEA report shows there is considerable scope for a more aggressive rollout of renewables given that the variable renewable generation (VRE) shares of 15 of the 18 Asia-Pacific countries analysed remains below 10% of total generation.
"Thus, low-cost photovoltaic and wind technologies can quickly provide many economic benefits by reducing the overall cost of power supply, decreasing fuel import dependency, and cutting greenhouse emissions," the IEA said. "Nevertheless, despite these advantages, 12 of the 15 countries with low VRE shares plan to increase renewable energy capacity by a factor of only less than three by 2030, and seven countries by less than two, leaving significant potential untapped," the report said.
Part of the problem is that many Asian countries have over-capacity in fossil fuel plants, and some of these were recently built meaning they will have to operate for many years to pay back the capital invested.
This means that for renewables to claim a larger share of power generation in Asia, it's likely that some form of government intervention and policy changes will be required to ease fossil fuel plants from the energy mix.
Putting in place the correct policy framework is one of the main challenges in many Asian countries, as governments tend to prioritise energy security, availability and cost over the amount of carbon emissions.
Displacing coal is also extremely difficult, especially when just three countries in Asia, namely China, India and Indonesia, are responsible for almost 75% of the global total coal burned.
Massive domestic coal reserves, large populations and ambitious economic growth targets are also common to those three Asian countries, factors that make displacing coal even harder.

Top News - Dry Freight

River Rhine in south Germany still closed to shipping after rain

Parts of the river Rhine in south Germany remained closed to cargo shipping on Tuesday after heavy rain in south Germany increased water levels, navigation authorities said. Rhine river shipping has stopped around Maxau and Mannheim in south Germany, the German inland waterways navigation agency said. The river had been closed to freight shipping over the weekend after heavy rain caused extensive flooding in south Germany, stopping sailings to Switzerland.
High water means vessels do not have enough space to sail under bridges and the blockage prevents vessels sailing to Switzerland. Shipping on northern sections of the river is operating normally despite rising water levels including the important points of Duisburg, Cologne and Karlsruhe. The high water warning centre in the south German state of Baden-Wuerttemberg said Rhine water levels were expected to fall in coming days but Maxau was not currently forecast to reopen to shipping until Friday. The Rhine is an important shipping route for commodities including minerals, grains, animal feed, coal and oil products such as heating oil. The Rhine has repeatedly suffered from low water levels because of unusually dry summers in recent years.

Philippines approves tariff cut for rice, extends tariff cuts on some commodities

A Philippine inter-agency panel led by the president has approved lower tariffs on rice and extended existing tariff cuts on some other commodities to combat inflation and ensure ample supply, a minister said on Tuesday.
Tariffs on rice will be cut to 15% for both in-quota and out-quota rates, down from 35%, through to 2028, Economic Planning Secretary Arsenio Balisacan told a press conference. Lower tariffs on corn, pork and mechanically de-boned meat were also extended until 2028.
The Southeast Asian nation will also lower import duties for chemicals and coal briquettes to reduce energy prices, Balisacan said. The Philippines is one of the world's largest rice importers.
"This tariff reduction will substantially ease the upward pressure on domestic prices," Balisacan said.
Annual inflation quickened for a third straight month in April to 3.8%, driven by an uptick in transport and food prices, including rice.

Picture of the Day

A drone view of vehicles waiting in line to refuel as drivers carry out a 48-hour strike in protest over fuel shortages and lack of U.S. dollars, in El Alto, Bolivia, June 3. REUTERS/Claudia Morales

(Inside Commodities is compiled by Nandu Krishnan in Bengaluru)

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

To subscribe to Inside Commodities newsletter, **click here**.

© 2024 London Stock Exchange Group plc. All rights reserved.

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

Please visit: **LSEG** for more information

Privacy statement