## Top News - Oil

**Saudi pledges big oil cuts in July as OPEC+ extends deal into 2024**

Saudi Arabia will make a deep cut to its output in July on top of a broader OPEC+ deal to limit supply into 2024 as the group seeks to boost flagging oil prices.

Saudi's energy ministry said the country's output would drop to 9 million barrels per day (bpd) in July from around 10 million bpd in May, the biggest reduction in years.

"This is a Saudi lollipop," Saudi Energy Minister Prince Abdulaziz told a news conference. "We wanted to ice the cake. We always want to add suspense. We don't want people to try to predict what we do... This market needs stabilisation". OPEC+, which groups the Organization of the Petroleum Exporting Countries and allies led by Russia, pumps around 40% of the world's crude, meaning its policy decisions can have a major impact on oil prices.

A surprise decision to cut supply in April briefly sent international benchmark Brent crude around $9 higher, but prices have since retreated under pressure from concerns about the weakness of the global economy and its impact on demand. On Friday, Brent ended trade for the week at $76. Saudi Arabia is the only member of OPEC+ with sufficient spare capacity and storage to be able to easily reduce and increase output.

It was able to respond rapidly to excess supply that weakened the market in the early stages of the pandemic in 2020 when the group of producers implemented record output cuts.

EXTENSION TO END OF 2024

OPEC+ has in place cuts of 3.66 million bpd, amounting to 3.6% of global demand, including 2 million bpd agreed last year and voluntary cuts of 1.66 million bpd agreed in April. Those cuts were valid until the end of 2023 and on Sunday OPEC+, in a broader deal on output policy agreed after seven hours of talks, said it would extend them until the end of 2024. Since Russia's invasion of Ukraine began in February last year, Western nations have accused OPEC of manipulating oil prices and undermining the global economy through high energy costs. The West has also accused OPEC of siding with Russia. In response, OPEC insiders have said the West's money-printing over the last decade has driven inflation and forced oil-producing nations to act to maintain the value of their main export. Analysts said Sunday's OPEC+ decision sent a clear signal the group was willing to support prices and attempt to thwart speculators.

"It is a clear signal to the market that OPEC+ is willing to put and defend a price floor," Amrita Sen, co-founder of Energy Aspects think-tank, said. Veteran OPEC watcher and founder of Black Gold Investors Gary Ross said:

"The Saudis have made good on their threats to speculators and they clearly want higher oil prices."
As the market stayed closed on Sunday, UBS analyst Giovanni Staunovo predicted a strong start when it reopens on Monday. In addition to extending the existing OPEC+ cuts of 3.66 million bpd, the group also agreed on Sunday to reduce overall production targets from January 2024 by a further 1.4 million bpd versus current targets to a combined of 40.46 million bpd. However, many of these reductions will not be real as the group lowered the targets for Russia, Nigeria and Angola to bring them into line with actual current production levels. By contrast, the United Arab Emirates was allowed to raise output targets by around 0.2 million bpd to 3.22 million bpd.

**Brent may rise toward $100/bbl as Saudi output cut could worsen supply gap – analysts**
A global shortfall in crude oil supply is set to deepen in the third quarter as the world's top exporter Saudi Arabia pledged extra output cuts from July in a move likely to push Brent towards $100 a barrel by the end of the year, analysts said. Oil prices jumped more than $1 a barrel on Monday as the Saudi energy ministry said on Sunday its output would drop to 9 million barrels per day (bpd) in July from around 10 million bpd in May, the kingdom's biggest reduction in years. The voluntary cut pledged by Saudi is on top of a broader deal by the Organization of the Petroleum Exporting Countries and their allies including Russia to extend production cuts into 2024 as the group seeks to boost flagging oil prices. "Saudi Arabia has a track record of delivering on material cuts," RBC Capital's Helima Croft said in a note. "Hence, we would expect the full 1 million bpd unilateral cut to hit the market in July, nearly doubling the true physical reduction we have seen from the producer group since October." The move has paved the way to tighter supplies and put a $70 a barrel floor under prices, analysts said, however the Saudi cut is not likely to drive prices sharply higher immediately as it will take time for inventories to be drawn down.
"With Saudi Arabia protecting oil prices from sliding too low by cutting production, we think oil markets are now more prone to a shortfall later this year," Commonwealth Bank of Australia analyst Vivek Dhar said in a note.
"We think Brent futures will rise to $85/bbl by Q4 2023 even with a tepid demand recovery in China factored in." Goldman Sachs analysts Daan Struyven and Callum Bruce said the "moderately bullish" OPEC+ meeting partly offsets some bearish risks to the bank's December 2023 price forecast of $95 a barrel, including stronger-than-expected supply from Russia, Iran, and Venezuela, and weaker-than-expected Chinese demand.
ANZ said the potential for a strong rally in crude prices had risen sharply as supply is expected to tighten significantly in the second half of the year if the U.S. Federal Reserve pauses interest rate hikes and macroeconomic headwinds ease. "Investors are likely to add bullish bets, comfortable that Saudi Arabia and OPEC will provide a backstop should the market hit any hurdles," ANZ analysts Daniel Hynes and Soni Kumari said in a note, maintaining their year-end target of $100 a barrel for Brent. However price gains may be limited in the short term until there are signs of tightening in the physical market, they added. By contrast, the United Arab Emirates was allowed to raise output targets by around 200,000 bpd to 3.22 million bpd while Russia, African and other smaller producers cut their quotas to bring them into line with their actual production levels. "ADNOC's investment in expanding spare capacity and its Murban (price) benchmark has fueled concerns that it might eventually look to exit the producer group and fully monetize these investments," RBC's Croft said.
"Affording it the 200,000 bpd quota adjustment for 2024 seems to settle the issue of its OPEC membership for now."

## Top News - Agriculture

**Mexico to fight US dispute over GM corn after formal consultations fail**
Mexico said on Friday it would counter U.S. arguments over agriculture biotech measures, including plans to limit its use of genetically modified (GM) corn, in trade dispute settlement consultations requested by Washington earlier in the day. The consultation request comes as the North American neighbors inch toward a full-blown trade dispute under the U.S.-Mexico-Canada Agreement (USMCA) over Mexico's policies to limit the use of GM corn, which it imports from the U.S. If the consultations fail to resolve disagreements within 75 days, Washington can request a dispute settlement panel to decide the case. Mexico said it was committed to "constructive dialogue" regarding U.S. concerns and to "reach a mutually satisfactory agreement." Asked if Canada would take similar action to the U.S., a spokesperson for the Trade Ministry said Canada is "considering its next steps" and would be "guided by what is in the best interest of our farmers and the Canadian agriculture sector."
The United States requested formal trade consultations in March over objections to Mexico's plans to limit imports of GM corn and other agricultural biotechnology products. Those consultations took place, but failed to resolve the matter, senior officials of the U.S. Trade Representative's office said. Mexico's agriculture ministry declined to comment, but the minister this week expressed confidence that the dispute with the U.S. would not escalate to a dispute settlement panel.

The conflict comes amid other disagreements between the U.S. and Mexico, most notably over energy in which the U.S. has argued that Mexico's nationalist policy prejudices foreign companies.  Despite February changes to Mexico's decree on GM corn, the U.S. said the Latin American country's policies are not based on science and appear inconsistent with its commitment under the USMCA. The new decree eliminated a deadline to ban GM corn for animal feed and industrial use, by far the bulk of its $5 billion worth of U.S. corn imports, but maintained a ban on GM corn used in dough or tortillas. Mexico argued on Friday the ban will not affect trade with the U.S., as Mexico produces more than enough white corn used for tortillas. A senior Mexican executive, speaking before consultations were requested, said that because Mexico is not formally preventing sale of U.S. GM corn, any dispute panel would likely find little material damage had been done to U.S. business.
Mexican President Andres Manuel Lopez Obrador has also said GM seeds can contaminate Mexico's age-old native varieties and has questioned their impact on human health. February's revised "decree does call for a gradual substitution and eventual banning of biotech corn, and this part of the measure itself is not science-based," said a senior USTR official. The consultations will also address Mexico's rejection of new biotech seeds for products like soybeans, cotton and canola, U.S. officials said. Mexico argued on Friday that the decree "encourages Mexico to preserve planting with native seeds, which is done in compliance with the USMCA's environmental regulations." Some sector experts have expressed concern that the move could set a precedent among other countries, which would disrupt the global corn trade. The National Corn Growers Association, which represents U.S. farmers, praised the U.S.' move. "Mexico's actions, which are not based on sound science, have threatened the financial wellbeing of corn growers and our nation's rural communities," association President Tom Haag said in a statement.

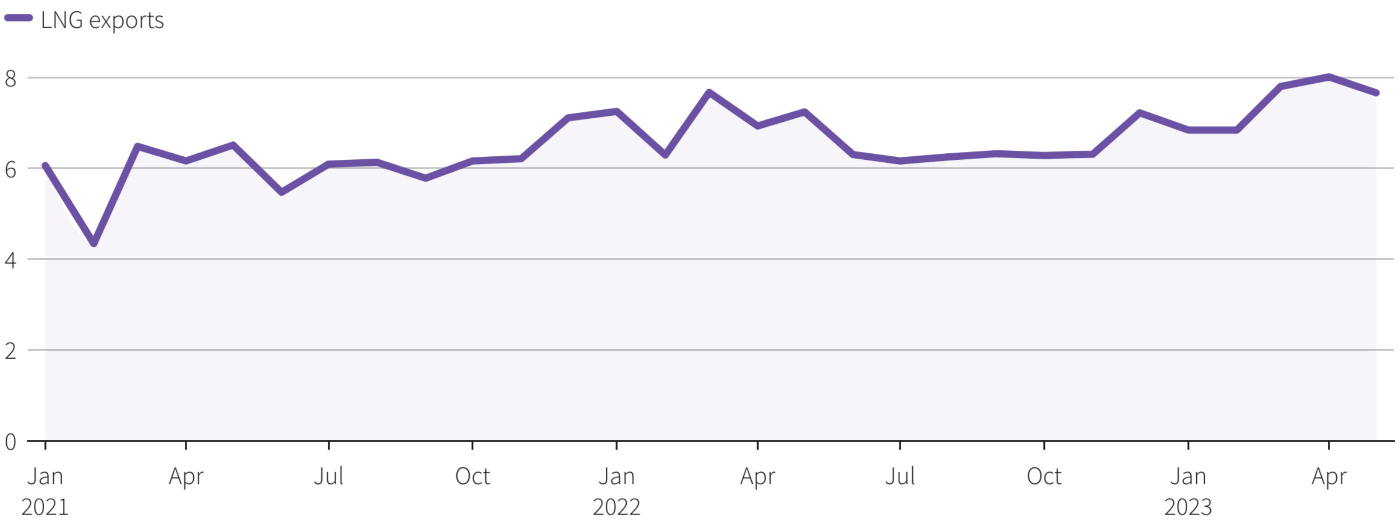
**Indonesia aims to raise 2023 white sugar output 8.3% y/y**

Indonesia wants to raise its white sugar output to 2.6 million tonnes this year, the country's National Food Agency (Bapanas) said in a statement late on Sunday. The Southeast Asian country produced 2.4 million tonnes in 2022, and consumes 3.4 million tonnes annually, the agency said. "Overseas procurement for this year is planned to be under 1 million tonnes, while in 2022 it was more than 1 million tonnes," Bapanas Secretary Sarwo Edhy said in the statement. Indonesian plans to import 991,000 tonnes of white sugar for household consumption and 3.6 million tonnes of raw sugar for industrial use this year, its trade minister said previously.

## Chart of the Day

### US LNG exports fell in May on lower output, changing demand

US exports of liquefied natural gas fell to 7.66 million tonnes in May from a record of 8.01 million tonnes in April as lower domestic output and falling prices in Europe slightly changed the trend of previous months.




Note: Figures in million tonnes
Source: Refinitiv Eikon

# Top News - Metals

**Green shoots of recovery for LME nickel after restart of Asian hours trading**

Trading volumes for the London Metal Exchange's (LME) benchmark nickel contract in electronic trading, boosted by the restart of Asian hours trading, climbed in May to their highest since the crisis in March last year.

LME data shows average daily nickel volumes in May for the three-month benchmark contract at 18,190 tonnes compared with more than 28,000 tonnes in March 2022 when prices hit a record above $100,000 a tonne in disorderly trade and the LME suspended the nickel market for more than a week. To control volatility when the market reopened, the LME introduced a package of measures including daily price limits and cancelled early morning trading during Asian hours when volumes are thin, which exacerbates volatility. Asian hours trading on the LME's electronic system Select starts at 0100 in the morning in London, but for nickel that was pushed back to 0800. Nickel trading on Select restarted on March 27.

Industry sources say, the restart of Asian hours nickel trading was helping liquidity, but that it would take time for volumes to recover to levels before the crisis.

"A lot of people are still avoiding LME nickel, but if liquidity keep improving, hopefully some of them will come back," a source at a commodity-focused fund said.

Rising average daily nickel volumes -- up 7% since the start of 2023 -- and liquidity have helped the LME to cut requirements for margins -- cash that has to be deposited with the LME's clearing house against outstanding trades. To avoid tying up capital in margin requirements, many consumers, producers, funds and traders shunned the LME's nickel contract, which further undermined volumes. The initial margin -- a proportion of the purchase price that must be deposited with LME Clear for nickel trades -- currently at $5,301 a tonne compares with $6,194 in early May 2022.

**Peru April copper production jumped 30% -gov't**

Peru's copper production soared by 30.5% in April versus the same month a year earlier, due to the good performance of mines including Las Bambas and Cerro Verde, the Ministry of Energy and Mines said in a statement on Saturday. Fine copper production in April shot up to 221,999 tonnes, the statement said, compared to 170,168 tonnes in April 2022. Peru is the world's second-largest copper producer and the red metal is an important generator of income for the county's economy.

April's strong showing pushed Peru's copper production during the first four months of the year to 837,514 tonnes, representing growth of 15.7% versus the year-earlier period, when output hit 723,931 tonnes, the statement said. Zinc production increased by 31.4% in April, the statement said, while lead and iron output also increased by 9.1% and 2.9% respectively to 23,009 tonnes and 1.14 million tonnes during the fourth month of the year.

Silver production in April was relatively flat but trended upwards. Production increased by 0.2% to 249,655 kilograms, the statement said, versus 249,149 kilograms in April 2022.

# Top News - Carbon & Power

**Tardy energy projects face losing grid connection spot, National Grid warns**

Energy generation projects not meeting development milestones could lose out on a grid connection, helping to speed up overall grid development, Britain's power transmissions system Operator National Grid ESO said on Friday.

"If energy generators are not progressing their project, they will have to either move backwards in the queue or leave, making space for other projects ready to progress and connect," National Grid ESO announced.

The step is part of a targeted reform for how new grid connections are allocated, it added.

"These reforms will mean that projects will be able to connect up to ten years earlier," National Grid ESO said.

There are around 220 projects due to connect to the national transmission system before 2026, totalling circa 40 gigawatts (GW) of capacity, more than double current British peak demand in the summer months, the company said. However, only half of these have got planning consent and some projects had moved their connection dates back by over 14 years, it added.

The grid operator had written to those seeking a grid connection asking for updates on progress and project milestones, to help identify non-viable projects, according to the statement.

**U.S. LNG exports fall in May on lower output and changing demand trends**

U.S. exports of liquefied natural gas (LNG) fell in May to 7.66 million tonnes from a record 8.01 million tonnes in April as plant maintenance curbed some output and weaker prices in Europe cut flows to the region, shipping data showed.

U.S. LNG exporters reduced cargoes to Europe last month while more LNG was delivered to Asia and Latin America, partially offsetting the European weakness, according to Refinitiv Eikon preliminary vessel tracking data.

Asia LNG prices for July delivery have rebounded from earlier declines, making U.S. LNG more attractive for traders and oil majors with access to spot cargoes, according to consulting firm Rystad Energy.
But in Europe, the primary market for U.S. LNG, front-month prices at the Dutch Title Transfer Facility have slid, Rystad noted, creating an opportunity for buyers from other regions to purchase spot U.S. LNG cargoes.
U.S. LNG exports to Europe fell from 71% of total exports in April to 60.5% in May, while exports to Asia rose to 14% of total shipments last month from 12% in April. Latin American imports of U.S. LNG grew to 11% in May, from 6% in April, the data showed.
The increase in exports to Latin America comes as there is greater seasonal demand for natural gas for power generation and air conditioning, and in some parts of Latin America for heating as countries enter the winter period.
The decline in total U.S. LNG output came as planned maintenance affected some large facilities, according to Rystad Energy.
Scheduled maintenance at Sempra's Cameron LNG train 2 at the end of April affected some 300,000 tonnes of supply, with the plant restarting on May 22. Maintenance at Cheniere Energy's Corpus Christi LNG facility was expected to be completed on May 18, but its utilization of feed gas remained at 1.3 billion cubic feet per day (bcfd) as of May 20, compared to typical levels of some 2 bcfd, Rystad noted.

## MARKET MONITOR as of 06:24 GMT

| Contract | Last | Change | YTD |
|---|---|---|---|
| NYMEX Light Crude | $72.66 / bbl | 1.28% | -9.47% |
| NYMEX RBOB Gasoline | $2.46 / gallon | 1.04% | -0.60% |
| ICE Gas Oil | $702.75 / tonne | 1.08% | -23.70% |
| NYMEX Natural Gas | $2.22 / mmBtu | 2.26% | -50.37% |
| Spot Gold | $1,942.49 / ounce | -0.26% | 6.47% |
| TRPC coal API 2 / Dec, 23 | $96 / tonne | 4.63% | -48.04% |
| Carbon ECX EUA / Dec, 23 | €79.58 / tonne | 0.75% | -5.23% |
| Dutch gas day-ahead (Pre. close) | €23.30 / Mwh | -2.51% | -69.17% |
| CBOT Corn | $5.42 / bushel | 1.17% | -20.10% |
| CBOT Wheat | $6.40 / bushel | 1.19% | -20.85% |
| **Index (Total Return)** | **Close 02 Jun** | **Change** | **YTD Change** |
| Thomson Reuters/Jefferies CRB | 287.63 | 0.92% | -4.55% |
| Rogers International | 25.97 | 0.70% | -9.40% |
| U.S. Stocks - Dow | 33,762.76 | 2.12% | 1.86% |
| U.S. Dollar Index | 104.02 | 0.44% | 0.48% |
| U.S. Bond Index (DJ) | 406.36 | -0.33% | 3.88% |

# Top News - Dry Freight

**Ukraine has 'plan B' to continue exports if grain deal collapses – minister**

Ukraine would be ready to continue exporting grain across the Black Sea as part of a "plan B" without Russian backing if Moscow pulls the plug on the current grain export deal and it collapses, Ukraine's farm minister said on Friday.

The United Nations and Turkey brokered the Black Sea Grain Initiative between Moscow and Kyiv last July to help tackle a global food crisis aggravated by Russia's February 2022 invasion of Ukraine, a leading global grain exporter.

Agriculture Minister Mykola Solsky told Reuters that Russia had already blocked the use of Ukraine's major Black Sea port of Pivdennyi despite the deal and was allowing only one ship a day to deliver Ukrainian food to certain countries.

Russia has said it will allow more ships through if all parties to the grain deal agree to unblock the transit of Russian ammonia via a pipeline through Ukrainian territory to Pivdennyi for export.

"The latest actions that are taking place there during yesterday, the day before yesterday, today, it says more about the fact that in fact only legally it looks like this corridor works, but in reality nothing much is happening there," Solsky said.

He said in an interview in Kyiv: "That's not how it works and then we will be ready for a plan B, which depends on us, depends on the U.N. I don't think we will stand by if it continues like this in the near future."

He proposed his government could offer insurance guarantees for companies to continue shipping without Russia's involvement in a new deal.

"Plan B... excludes the fourth party (Russia) in this relationship," he said.

Solsky said the government had already created a special insurance fund of around $547 million for companies whose ships would come to Ukrainian Black Sea ports under a new arrangement.

"If we are completely blocked, which has almost happened (already) in fact, then the carriers can go (via) this corridor with guaranteed insurance from our government," Solsky said.

He said that ship owners could have "strong enough" confidence that the Ukrainian military and its air defences "can do their job".

He said Ukraine still hoped the current Black Sea grain initiative would work despite the current difficulties while any new option would need a new agreement or format.

"Since in legal terms the first format is working and we have hope for it, we will try to make it work and already if we have nothing to lose, then obviously we will discuss the details of plan "B", Solsky said.

A U.N. spokesman said on Thursday that Russia had informed officials overseeing the initiative that Moscow would limit registrations to the port of Pivdennyi until all parties agree to unblock the transit of Russian ammonia.

**Costa Rica coffee exports jump in May, logistics problems persist**

Costa Rican coffee farmers exported 39% more beans in May than in the same month a year ago, the coffee institute ICAFE said on Friday.

The Central American country exported 140,142 60-kg bags in May, a bump of 39,488 more bags than in May 2022, according to official data, making up ground after logistics problems early in the year dragged down shipments.

May's numbers bring total exports during the first eight months of the current coffee season to 624,271 bags, or about even with exports at the same point in the previous season.

The coffee harvest in mostly-arabica growing Central America and Mexico starts in October and ends the following September.

Costa Rican coffee producers expect exports to keep growing this season, saying that last season's 14.4% bigger harvest compared to the previous one.

But continued growth in coffee exports will require a solution to a boat and container shortage that has limited shipments, according to an ICAFE official.

Costa Rica's high-quality arabica coffee beans are generally priced at a premium, and currently show positive differentials in relation to international averages. ICAFE said it expects a $334 premium per 60-kg bag this year.

## Picture of the Day

*A view of the SEAVIGOUR oil tanker after it was successfully refloated to the waiting area in the Suez Canal, next to Ismailia, Egypt, June 4. The Suez Canal Authority/Handout via REUTERS*

(Inside Commodities is compiled by Indrishka Bose in Bengaluru)

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