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

Top News - Oil

Saudi crude oil exports to China to fall for 3rd straight month in July, sources say
Saudi crude oil exports to China will fall in July for a third straight month to about 36 million barrels amid plant maintenance and as some refiners opted for other sources of cheaper oil, several trade sources said. July exports are down from about 39 million barrels in June, possibly the lowest levels for the year, the sources said. One state refiner and a private refiner cut nominations for Saudi crude in July versus June, they added. State oil firm Saudi Aramco could not be immediately reached for comment. Chinese refiners are cutting imports from Saudi Arabia, the world's top exporter and China's No. 2 supplier, due to high term prices for Saudi crude and weak refining margins, the sources said. This was despite Saudi Aramco cutting official selling prices for its crude exports in Asia in July for the first time in five months. Sinopec, Asia's largest refiner and Saudi's biggest customer in China, is keeping the volume little changed in July from the previous month but the volume is the lowest this year, the sources said.

COLUMN-OPEC+ surprise triggered record hedge fund oil sales: Kemp
Portfolio investors sold record volumes of petroleum last week after OPEC+ surprised the market by announcing plans to increase production starting from the fourth quarter of 2024. Hedge funds and other money managers sold the equivalent of 194 million barrels in the six most important futures and options contracts over the seven days ending on June 4.
Fund sales were the fastest for any week since at least 2013 when the U.S. Commodity Futures Trading Commission and ICE Futures Europe began publishing data in the current format.
Sales were more than three standard deviations away from the average weekly change, indicating how surprised investors were by the announcement to raise production.
Investors sold Brent (-102 million barrels), NYMEX and ICE WTI (-53 million), European gas oil (-17 million), U.S. diesel (-15 million) and U.S. gasoline (-6 million).
Sales of crude in general and Brent in particular were also the fastest on record as traders concluded the crude market would be comfortably through the rest of the year and into 2025. But heavy selling of refined fuel contracts indicates investors were also reacting to signs of tepid consumption and swelling inventories of gasoline and diesel. Investors had become bearish or very bearish about all elements of the petroleum complex.
Total petroleum positions were slashed to 208 million barrels (1st percentile for all weeks since 2013) the lowest since a single week in December 2023 and before that January 2016.
Brent positions were cut to their third-lowest level on record at just 46 million barrels, down from 335 million just seven weeks earlier.
Intense hedge fund selling helped push front-month Brent futures prices down to their lowest level for four months on June 4. In subsequent speeches as well as an online briefing to oil analysts, OPEC+ officials have reiterated that the scheduled increase can be "paused or reversed subject to market conditions".
The re-emphasis on the contingent nature of the planned boost seems to have steadied the market with prices rising slightly. But the group's recent meeting will go on record as a major "OPEC+ surprise" – even if it did not turn out as ministers intended.

U.S. NATURAL GAS
Hedge funds turned a little more cautious about the outlook for U.S. gas prices last week after inventories remained stubbornly high and took some of the recent bullishness out of the market.
Funds sold the equivalent of 90 billion cubic feet (bcf) in the two major futures and options contracts linked to gas prices at Henry Hub in Louisiana over the seven days ending on June 4. It was the first net sale for five weeks as funds added more bearish short positions (114 bcf) than new longs (24 bcf).
Nonetheless, the resulting net long position of 791 bcf (52nd percentile for all weeks since 2010) remained well above the recent net short of 1,675 bcf (3rd percentile) in mid-February.
Working inventories were the second-highest on record for the time of year on May 31 and 612 bcf (+27% or 1.45 standard deviations) above the prior 10-year seasonal average. After swelling through much of the winter of 2023/24, the surplus has not increased since mid-March, hearting bullish investors, but it has not yet narrowed either, injecting an element of caution.

Top News - Agriculture

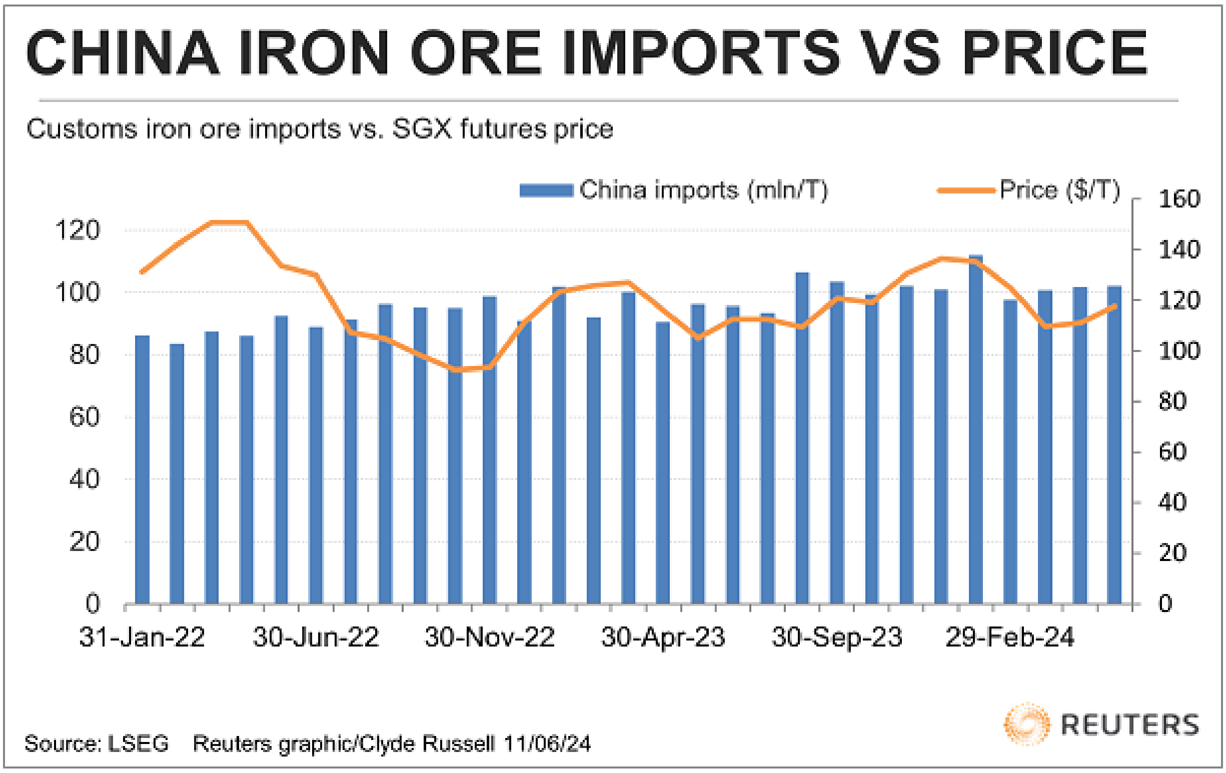
Brazil's second-corn harvest at fastest pace in more than a decade, says AgRural
Brazil's second-corn harvest for the 2024 cycle had reached 10.4% of the planted area in the key center-south region as of last Thursday, agribusiness consultancy AgRural said on Monday, its fastest pace in more than a decade. The figure is the highest for the period since at least 2013, when AgRural started its weekly surveys on Brazil's second-corn crop, which represents about 75% of the national production each year.
The so-called "safrinha" is planted after soybeans are harvested on the same fields. Harvesting was up from 4.7% the previous week, according to AgRural, while at the same time last year 2.2% of the fields had been reaped. Mato Grosso, Brazil's top grain producing state,

has been leading the way and reporting "very good yields" after favorable climate conditions for much of this cycle, said AgRural. Yields have also been good in Goias state, the consultancy added. On the other hand, Parana state suffered losses due to hot, dry weather, while Mato Grosso do Sul, Sao Paulo and Minas Gerais have also reported low yields so far.

COLUMN-US corn and soybean crop in best shape since 2018 -Braun

The U.S. corn and soybean crops are in great shape early in the growing season, and although there is plenty of time for fortune to turn, this year's harvest is already in good company. The U.S. Department of Agriculture on Monday pegged 72% of U.S. soybeans as being in good or excellent health, in the agency's first assessment of the season. That was in line with trade expectations and is above the 10-year average for initial soy ratings of 68%.
That came a week after initial U.S. corn conditions landed at 75% good-to-excellent (GE), well above the trade guess of 70% and the 10-year average of 71%.
Only two other years in the last two decades featured a better combination of initial corn and soy health. Corn was 76% GE and soybeans were 74% to start in 2014, and 2018 began with corn at 79% GE and soybeans at 75%.
Since 2005, initial corn and soybean conditions were both above average levels in seven years. Final corn and soybean yields both came in above USDA's baselines in all but one year, 2022. The 2022 harvest was marred by severe drought in the Plains with Nebraska, South Dakota and Kansas notching their worst corn and soybean yields since 2012. However, production was respectable as top growers Iowa, Illinois and surrounding states achieved strong results. The good health of this year's crops may not guarantee a yield above USDA's trendline since that mark has been unbeatable for corn since 2018. USDA's corn trend yield has been particularly debatable in the latest two years with trend set several bushels above the previous record. The 2023 U.S. corn harvest notched a record 177.3 bushels per acre (bpa), though that was 2.3% below USDA's trendline, the biggest such shortfall since 2020.
U.S. soybean yield fell below trend in the last two seasons but landed above in the two prior seasons, and both USDA's 2023 and 2024 soybean trend yields of 52 bpa are extremely close to 2016's record of 51.9.
Aside from the trendline controversy, USDA's condition scores suggest that both crops are poised for success barring any extreme weather events, including prolonged heat, dryness or a prominent derecho as was seen in 2020. Linear regression modeling is common in yield forecasting since it directly evaluates how much a dependent variable like yield may be explained by one or more independent variables - in this case, conditions.
Using corn conditions for week 23 to predict final yield deviation from trend results in an R-square of 0.11, meaning only 11% of the yield variation can be explained by this week's conditions. R-square tops out at 0.73 in weeks 29 and 30 (late July), suggesting corn conditions have max correlation with actual yield deviations in late July, though including other factors like July or August weather would enhance model reliability.
The same analysis for soybean yield deviations from trend results in a much worse R-square, which stays below 0.5 until the end of August. It is not uncommon for strong soybean yields to be associated with mid-season conditions close to 60% GE.

Chart of the Day



Top News - Metals

Half of available LME aluminium stocks are now of Indian origin, Russian share drops

The share of available aluminium stocks of Russian origin in warehouses approved by the London Metal Exchange (LME) fell to 42% in May from 89% in April, while the share of Indian origin jumped to 50% from 9%, LME data showed on Monday. The shift follows a decision by the LME to ban from its system all Russian aluminium, copper and nickel produced from April 13 to comply with U.S. and UK sanctions imposed over Russia's 2022 invasion of Ukraine.

On-warrant aluminium stocks in LME-registered warehouses of all origins rose fourfold in May and the data on Monday showed that the majority of that inflow was of Indian origin. Russian primary aluminium stocks on LME warrant - a title document conferring ownership - rose to 246,950 metric tons last month from 116,325 in April, the data showed. Stocks of Indian origin rose to 293,325 tons from 12,275. Most of the May inflow in aluminium inventories was seen in the LME-registered warehouses in Port Klang, Malaysia. The activity, according to sources, was largely linked to lucrative financial deals arranged by trading houses and warehouse operators.

The LME's May data showed that almost all Russian aluminium and all Russian copper and nickel were stored in its system on a Type 1 warrant - issued on or before April 12. The share of Russian-origin copper stocks fell to 40% in May from 50% the previous month, the LME said, as the amount of Russian copper in inventories declined to 44,525 tons from 47,350 tons. The share of Russian nickel slid to 31% from 33%, falling to 24,204 tons in May from 24,810 tons in April.

EXCLUSIVE-Vietnam to let companies import gold for first time in years, industry official says

Vietnam is expected to allow companies to import gold for the first time in over a decade, as it aims to bridge the widening gap between local prices and international benchmarks, an industry official told Reuters. The Vietnam Gold Traders Association (VGTA) has been in protracted talks with the government over measures to correct the imbalance in supply and demand of gold, Huynh Trung Khanh, the association's vice chair said.

Vietnam's government virtually took full control of imports and local bullion sales in 2012, with certain large companies allowed to import provided they repurposed it as jewellery for exports.

"The government said they will start official gold imports by July or August. We hope that by July they will allow gold companies to import directly," Khanh said on the sidelines of the Asia Pacific Precious Metals conference.

VGTA expects the proposed change to kick in as early as next month. It would mark a significant departure from the current policy, under which the central bank tightly controls imports.

The State Bank of Vietnam did not immediately respond to a request seeking comment.

Attempts to narrow the gap with international benchmarks by holding auctions and allowing four local banks to sell gold in a bid to increase liquidity have largely failed to have a sustained impact, with domestic prices still trading at stubbornly high premiums to global prices.

Immediately reducing premiums on domestic prices is crucial, as VGTA estimates Vietnam's gold demand to surge this year. The southeast nation is among the top 10 consumers of gold.

Gold purchases are set to rise 10% on a yearly basis to 33 million metric tons during the first six months of this year, Khanh said in his presentation at the conference.

Retail buyers, who view gold as a wealth preservation tool used to guard against economic uncertainty, account for a lion's share of the purchases in the south east Asian economy, home to about 100 million people.

"The key reasons for this strong retail investment demand were the sharp decrease in saving interest rates, the frozen real estate and the constant devaluation of the national currency versus the U.S. dollar," Khanh said.

"We have had people queuing in the streets, in the sun and rain to buy more gold."

A sharp surge in demand for gold has also lead to higher smuggling, especially from neighbouring Cambodia, Khanh said, adding that it made immediate policy action critical. "It is a very big underground system network. With such a big price hike, the rate of smuggling is still high." The VGTA and the World Gold Council are currently working with the Vietnamese central bank and other government agencies to set-up a national gold exchange, a move it believes would provide more market stability.

Top News - Carbon & Power

ANALYSIS-Vietnam eyes greener power but banks on coal to avert blackouts

Lights are off and air conditioning is down at the headquarters of Vietnam's state-run electricity provider EVN as the country's top power utility tries to "lead by example" to avoid a repeat of last year's crippling blackouts, an official tells visitors.

But many businesses around Vietnam's capital Hanoi appear to be ignoring the call to conserve power, keeping decorative but otherwise purposeless neon lights on the outside of high-rise buildings on all night.

The difficulties in curtailing consumption illustrate the challenges facing Vietnam a year after sudden outages caused losses of hundreds of millions of dollars to multinational manufacturers with investments in the Southeast Asian country.

Vietnam is pursuing a patchwork agenda of energy-saving measures, grid upgrades, regulatory reforms and a massive increase of coal power as it seeks to avert electricity shortfalls, according to government data and interviews with officials and experts. But Trinh Mai Phuong, EVN's communications director, explains during

a media visit that even the biggest infrastructure upgrade underway, a new $1 billion transmission line connecting the centre of the country to the highly industrialised north that was hard hit by blackouts last year, may not be enough.
"I would not say it is a game changer," he said of the line that could be completed as early as this month, noting power consumption is expected to hit record highs in the coming weeks as the country braces for more heatwaves.
The soaring power demand is making it increasingly difficult for Vietnam to meet climate change commitments while providing enough power to satisfy large investors such as Samsung Electronics, Foxconn and Canon.
Broader sector-wide reforms are needed over the longer term, foreign investors and analysts said.

EMERGENCY MEASURES
In the short term, Vietnam is banking mostly on coal to provide enough reliable electricity. It may be just enough - or not - but either way it may signal a blow to the country's commitments to reduce reliance on fossil fuels.
Coal use rose massively in the first five months of 2024, with coal-fired power plants accounting on average for 59% of electricity output, exceeding 70% some days, according to EVN data.
That was up from nearly 45% in the same period last year and 41% in 2021, when Vietnam began drafting plans to cut coal that persuaded international donors to commit $15.5 billion to help phase out the fuel.
Thanks to a new coal-fired power plant that came online in 2023, coal accounted for 33% of total installed capacity last year, up from 30.8% in 2020, taking Vietnam further away from the goal of lowering that to 20% by 2030.
Energy conservation is another key pillar of the plan. EVN and its local units have encouraged energy-hungry clients, including foreign manufacturers, to save power with tailored measures, especially in peak hours.
But that risks Vietnam's reputation as a reliable place for investment and could affect future manufacturing expansion plans, according to foreign investors who declined to be named because they were not authorised to talk to media.
The matter should be addressed by solving generation and distribution issues, and not from the consumption side, two foreign investors said.
Vietnam's industry ministry did not reply to a request for comment.

CLEANER OPTIONS
Vietnam is using only a fraction of its installed solar and onshore wind capacity due largely to administrative hurdles. It has not approved regulations to kick-start offshore wind projects and delays dog projects to build power plants fuelled by imported liquefied natural gas, which is cleaner than coal. The four energy sources together should account for more than 40% of installed capacity by 2030, according to the government's plans, though analysts are sceptical. Hydropower is projected to fall to less than 20% of installed power generation by the end of decade from more than 30% in 2020.
But some capacity is being added in the north where needs are higher.
One of Vietnam's largest hydropower plants at Hoa Binh is adding two General Electric turbines to its existing eight, which will boost its total capacity to 2.4 gigawatts from less than 2 GW now by the second half of 2025, said Dao Trong Sang, EVN's manager of the expansion project, during a visit to the dam.
The Hoa Binh plant, combined with the new transmission line that brings electricity to the north from separate plants, may add 8% capacity to the power-hungry north.

REFORMS NEEDED
The power crisis cannot be solved without long-awaited reforms, experts say, though progress to date has been slow. In April, the industry ministry issued an updated methodology for determining electricity prices, a step towards possibly reviving projects stuck for years because of a lack of clarity about tariffs.
However, the methodology could force developers to shoulder excessive risk, complicating their access to finance, said a Vietnam-based official who declined to be named because they were not authorised to talk to media. A separate draft decree enabling manufacturers to buy electricity directly from producers is seen as close to approval after years of internal debate, according to several analysts. The use of direct power purchase agreements (DPPAs) could make it easier for multinational companies to avoid higher tariffs on exports and boost the use of renewables to help them meet environmental, social and governance requirements.
But the DPPA rules need to be combined with other reforms, such as clearer provisions to directly connect factories to power-generation projects, the official said.

Russia's Gazprom reduced gas output to all-time annual low in 2023
Russian energy giant Gazprom Group cut natural gas production by 13% to an all-time annual low of 359 billion cubic metres (bcm) in loss-making 2023 from 412.94 bcm in 2022, the company said in its annual report on Monday. Its natural gas output dwindled by almost a third from 515 bcm in 2021 to the lowest level since the company was set up in the dying days of the Soviet Union in 1989 from the Ministry of Gas Industry.
Kremlin-owned gas giant Gazprom plunged to a net loss of 629 billion roubles ($7 billion) in 2023, its first annual loss since 1999, amid dwindling gas trade with Europe, once its main sales market. Gazprom Group combines company's gas, oil and electric power businesses.
Company's oil and gas output in Russia increased last year by 6.6% to 72.38 million metric tons.
Gazprom, unlike oil companies, failed to diversify its sales away from Europe following a major crisis in relations with the West over the conflict in Ukraine.
It has been in painstaking talks with China over more gas sales. However the negotiations have not borne fruit over number of issues, mainly prices.
Gazprom has instead turned to the low-cost domestic market, as well neighbouring ex-Soviet countries, such as Kazakhstan, Uzbekistan and Kyrgyzstan, which, according to analysts, would be be able to replace high-cost European markets.

MARKET MONITOR as of 06:45 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$77.81 / bbl	3.02%	8.60%
NYMEX RBOB Gasoline	$2.40 / gallon	1.44%	13.95%
ICE Gas Oil	$741.50 / tonne	2.67%	-1.23%
NYMEX Natural Gas	$3.03 / mmBtu	3.77%	20.45%
Spot Gold	$2,302.98 / ounce	0.45%	11.65%
TRPC coal API 2 / Dec, 24	$116.63 / tonne	-0.53%	20.24%
Carbon ECX EUA	€70.80 / tonne	-0.83%	-11.91%
Dutch gas day-ahead (Pre. close)	€34.65 / Mwh	5.00%	8.79%
CBOT Corn	$4.58 / bushel	0.71%	-5.37%
CBOT Wheat	$6.34 / bushel	-2.35%	-0.86%
Malaysia Palm Oil (3M)	RM3,899 / tonne	-1.91%	4.78%
Index	**Close 10 Jun**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	340.98	0.57%	13.13%
Rogers International	28.97	1.65%	10.05%
U.S. Stocks - Dow	38,868.04	0.18%	3.13%
U.S. Dollar Index	105.14	-0.01%	3.76%
U.S. Bond Index (DJ)	425.68	-0.24%	-1.17%

Top News - Dry Freight

South Korean mills buy 50,000 T wheat from the US, pass on Canada

A group of South Korean flour mills bought an estimated 50,000 metric tons of milling wheat to be sourced from the United States in an international tender, European traders said. No purchase was made of 40,000 tons of Canadian what also sought in the tender as prices were regarded as too high, they said.

The U.S. purchase involved several different wheat types and was all bought on an FOB basis for shipment between Aug. 16 and Sept. 15.

The wheat was said to have been purchased from trading house United Grain Corporation. The purchase involved soft white wheat of between 9.5% to 11% protein content bought in the mid-$240s a ton FOB, hard red winter wheat of 11.5% protein bought in the low $260s a ton FOB and dark northern spring wheat of 14% protein bought in the early $280s a ton, traders said.

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

Egypt's GASC seeks wheat in tender, deadline June 11

Egypt's state grains buyer the General Authority for Supply Commodities is seeking wheat in an international tender. The deadline for offers is June 11. Offers should be submitted on a free-on-board basis for shipment between Aug 1-10 and/or Aug 11-20. Suppliers were asked to submit offers for at-sight payment funded by the International Islamic Trade Finance Corporation.

Picture of the Day

An Egyptian vendor waits for customers next to his livestock at a livestock market, ahead of the Muslim festival of sacrifice Eid al-Adha, in Al Qalyubia Governorate, Egypt, June 10. REUTERS/Mohamed Abd El Ghany

(Inside Commodities is compiled by Lactus Fernandes in Bengaluru)

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

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

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

Please visit: **LSEG** for more information

Privacy statement