Oil | Agriculture | Metals | Carbon & Power | Dry Freight

Click on headers to go to that section

Top News - Oil

EIA forecasts larger records for 2024 US oil output, global demand

U.S. oil output and global oil demand will likely post bigger records this year than previously expected, the U.S. Energy Information Administration said on Tuesday.
The agency now expects U.S. oil output to grow by around 310,000 barrels per day (bpd) to 13.24 million bpd this year, about 40,000 bpd higher than its previous forecast in May. It expects U.S output to be around 13.71 million bpd next year, slightly below the previous 13.73 million bpd forecast. Global oil demand this year is also expected to be above estimates, which were already forecast to hit record highs, according to the June edition of the EIA's short-term energy outlook. World crude oil and liquid fuels consumption is expected to rise by 1.1 million bpd to 103 million bpd this year, the EIA said. That compares with a previous forecast of around 102.8 million bpd. Global oil demand will likely rise to 104.5 million bpd next year, the EIA said, slightly higher than its previous forecast of 104.3 million bpd.
The upward revisions to demand growth despite recent concerns of slowing consumption made the report modestly positive for oil markets, UBS analyst Giovanni Staunovo said. Staunovo also noted the agency's lowered world oil output forecasts for this year.
EIA now expects global oil output of around 102.6 million bpd, compared with its 102.8 million bpd forecast in May. The adjustment was made because the OPEC+ producer group announced plans to raise output from the fourth quarter onwards, while the EIA had expected the producer group to move sooner. The slower increase in OPEC+ supplies should lead to a decline in global oil inventories through the first quarter next year and put upward pressure on oil prices, the EIA said.

OPEC sticks to 2024 oil demand growth forecast but trims Q1 view

OPEC on Tuesday stuck to its forecast for relatively strong growth in global oil demand in 2024, despite lower-than-expected use in the first quarter, saying travel and tourism would support consumption in the second half of the year. The Organization of the Petroleum Exporting Countries, in a monthly report, said world oil demand will rise by 2.25 million barrels per day (bpd) in 2024 and by 1.85 million bpd in 2025. Both forecasts were unchanged from last month. OPEC's report is the latest to flag robust oil market conditions heading into the second half of the year. Oil rose 3% on Monday after Goldman Sachs said transport demand would push the market into a third-quarter deficit.
OPEC said steady global economic growth has continued in the first half of 2024 and forecast that world oil demand would rise by 2.3 million bpd in the second half.
"Globally, the services sector maintains a stable momentum," OPEC said.
"It is projected to be the main contributor to the economic growth dynamic in the second half of 2024, particularly supported by travel and tourism, with a consequent positive impact on oil demand."
OPEC+, which groups OPEC and allies such as Russia, has implemented a series of output cuts since late 2022 to support the market. The group agreed on June 2 to extend the latest cut of 2.2 million bpd until the end of September and gradually phase it out from October.
Oil was steady after the OPEC report was released with Brent crude edging down towards $81 a barrel.

DEMAND VIEW SPLIT

There is a wider than usual split between forecasters on the strength of oil demand growth in 2024, partly due to differences over the pace of the world's transition to cleaner fuels. The report showed that OPEC, at the high end of forecasts, is sticking to its guns. Although OPEC lowered its estimate of total demand in the first quarter of this year by 50,000 bpd to 103.51 million bpd, it increased its second-quarter forecast by the same increment and made no change to its full-year figure. The International Energy Agency, which represents industrialised countries, expects much lower demand growth than OPEC of 1.1 million bpd and is scheduled to provide an update on its view on Wednesday. Goldman Sachs said on Monday solid summer transport demand will push the oil market into a third-quarter deficit of 1.3 million bpd. Figures in OPEC's report imply an even larger gap between supply and demand.
OPEC projects demand for OPEC+ crude, or crude from OPEC plus the allied countries working with it, at 43.6 million bpd in the third quarter, much more than the group is currently pumping, according to the report.
The OPEC+ group pumped 40.92 million bpd in May, the report said, citing figures from secondary sources. That marked a drop of 123,000 bpd from April with declines in Russia and Kazakhstan offsetting increases in Nigeria and smaller African producers.

Top News - Agriculture

EXCLUSIVE-Paraguay soy exports pick up pace as prices bounce, data show

Paraguay's exports of its soybean crop, delayed by low river levels and weak prices earlier in the year, are gaining momentum, shipment data shared with Reuters show, as farmers speed up sales on stronger global demand and rosier values. The landlocked South American nation's shipments of the oilseed hit 1.13 million metric tons in May, up around 34% versus the previous month, the previously unreported data show, making it by far the strongest month of the year so far.

Paraguay, which overtook drought-hit neighbor Argentina as the No. 3 exporter of soy beans last year, is expected to harvest a record soy crop of over 10 million tons for the 2023/24 season. However, shipments had been stalled by low river levels, key for the barges that take the grain down river. "Now the situation is improving for the Paraguayan farmer who still has grains," Manuel Ferreira, a local consultant and former finance minister said. July soy futures in Rosario have also hit around $325 after dipping below $280 in February.

The country hosts key global grains traders, with major exporters including Cargill, Viterra, and Bunge.

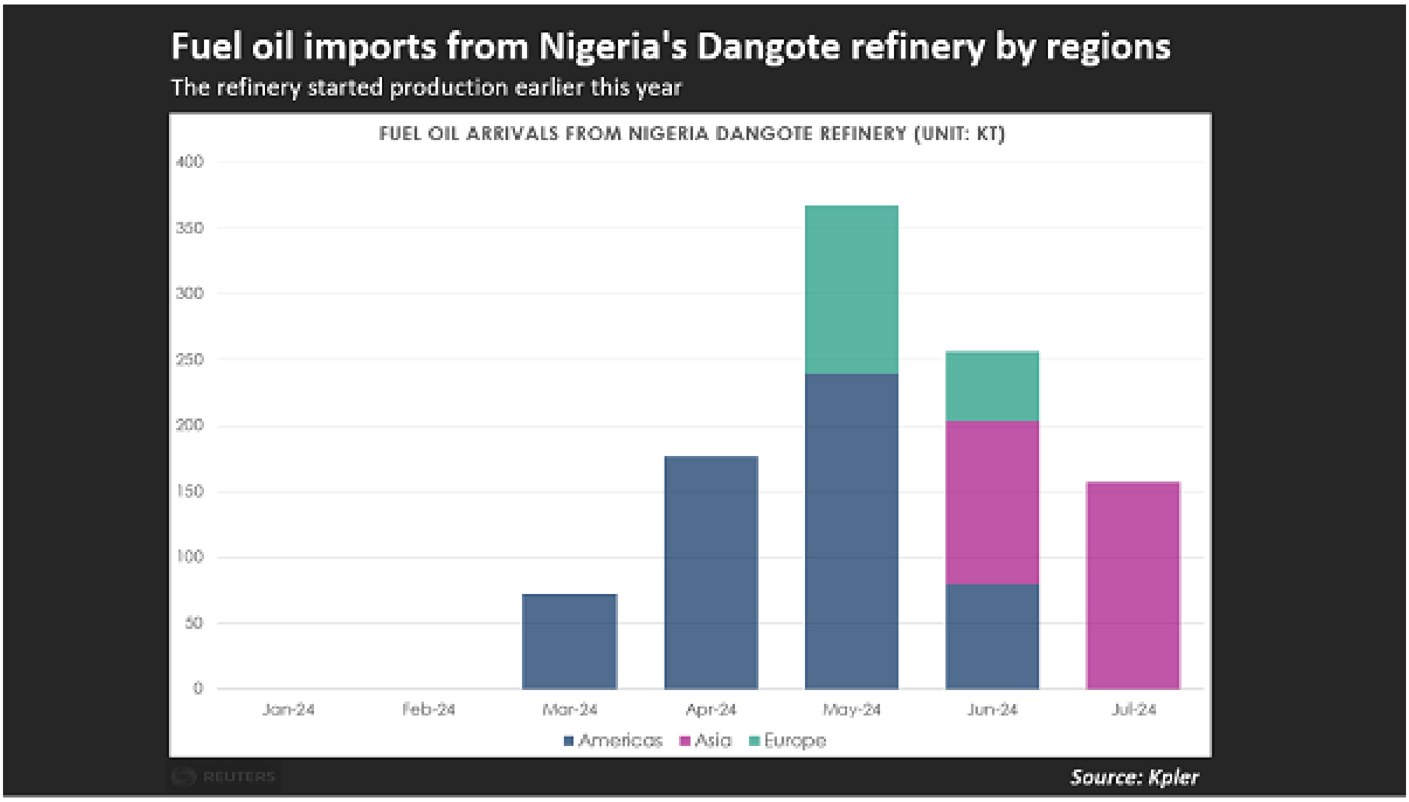
The data shared with Reuters by Paraguay's national tax revenue directorate shows that until the end of May, the country had exported almost 4.6 million tons of soybeans. Sales started the year well but stalled in February and March. Hector Cristaldo, president of the Paraguayan grains production union, said soy farmers had been "waiting for a rebound" in prices after holding on to their crop amid the disruption to barges brought on by shallower rivers.

Ferreira added that demand was also picking up from neighboring Argentina, one of the biggest global exporters of crushed soyoil and meal that are processed from soybeans in massive plants along the Parana River before being exported. "(They need) greater volume for the strong crushing cycle between July and August," Ferreira said, adding global prices could get a further boost as the U.S. crop is used up in the months ahead.

Paraguay's rivers, however, remain low with a severe drought in the Pantanal wetlands in western Brazil impacting water levels, meaning barges cannot take complete loads. "Barges are not being loaded to their full capacity and that generates delays in shipments," said Sonia Tomassone, foreign trade adviser at the Paraguayan Chamber of Oilseed and Cereal Exporters (CAPECO). The level of the Paraguay River near the key grains port of Villeta stood at 0.85 meters on Monday, official data show, well down from 3.5 meters a year ago, though better than in March when it was near zero. More dry weather is expected.

Waterways that move barges to seaports down river in Argentina and Uruguay are essential for Paraguay. Almost all of the remaining 4 million tons of soy destined for export this season must travel along rivers.

Chart of the Day



Coceral raises 2024 EU plus UK wheat crop forecast, cuts barley and rapeseed projections

Grain trade association Coceral on Tuesday raised its forecast for this year's soft wheat output in the European Union and Britain by 400,000 metric tons to 134.5 million metric tons, but still expected it to come in 4% below 2023 due to rain damage. In its third forecast for the next harvest, Coceral cut its view for the barley harvest in the bloc + UK in 2024 to 59.9 million tons, down from 61.2 previously but still 10% above last year.

"Record rainfall late last year had a major impact on winter cereal sowing (wheat/barley) in northwestern Europe (France, Germany, UK, Baltics, Poland), while Spain's production will substantially increase vs 2023," Coceral said in a note. Spain is set to more than double its soft wheat and barley output this year after a severe drought ravaged crops last year.

Denmark and Finland would also have better barley crops than in 2023, Coceral said. For maize, Coceral put EU + UK production at 64.8 million tonnes, up from 64.3 million in March and 63.8 million last year. In oilseeds, Coceral cut its rapeseed crop forecast to 19.4 million tons from 20.2 million in its previous forecast and 21.4 million in 2023.

Top News - Metals

Tsingshan plans another 50,000 T nickel LME listing this year, company says

China's Tsingshan, the world's biggest nickel producer, is planning to register 50,000 metric tons capacity of nickel cathode on the London Metal Exchange (LME) in the second half of 2024, a company official said.

The company listed nickel cathode from its Dingxing plant on the LME in the second quarter, and will likely apply to list 50,000 metric tons from another smelter this year, Morgan Xue, vice president of Eternal Tsingshan Group, told a conference organised by Shanghai Metals Market.

Tsingshan's move is part of efforts by Chinese producers, which traditionally make lower-grade product such as ferronickel, to produce more high-grade cathodes in Indonesia and China that are deliverable on the LME.

In March 2022, the turbulent nickel market saw many participants losing money over a sudden surge in price that forced the LME to halt nickel trading, partly due to a shortage of deliverable nickel cathode.

Sources said Tsingshan was front and centre in the crisis due to its large short positions on nickel at the time.

Edric Koh, Head of Corporate Sales in Asia at the LME, said at the same conference on Tuesday that he saw more listing potentially from Indonesia, the world's biggest nickel producer. To attract more listings and restore market confidence after the nickel crisis, the LME last year launched a fast-track process to allow more nickel producers to list brands quicker.

The first application since the fast-track process was launched was from Huayou in June 2023. Since then, a few other Chinese producers such as GEM, CNGR and Tsingshan have applied.

LME nickel inventories surged 127% in a year to 85,650 tons on Monday, partly due to the increasing availability

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$78.53 / bbl	1.02%	9.60%
NYMEX RBOB Gasoline	$2.42 / gallon	0.93%	14.92%
ICE Gas Oil	$754.75 / tonne	2.37%	0.53%
NYMEX Natural Gas	$3.10 / mmBtu	6.57%	23.19%
Spot Gold	$2,316.18 / ounce	0.24%	12.29%
TRPC coal API 2 / Dec, 24	$118.5 / tonne	1.60%	22.16%
Carbon ECX EUA	€70.63 / tonne	-0.24%	-12.12%
Dutch gas day-ahead (Pre. close)	€33.93 / Mwh	-2.08%	6.53%
CBOT Corn	$4.54 / bushel	-0.49%	-6.20%
CBOT Wheat	$6.43 / bushel	1.86%	0.47%
Malaysia Palm Oil (3M)	RM3,972 / tonne	1.35%	6.75%
Index	**Close 11 Jun**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	342.62	0.48%	13.68%
Rogers International	29.06	0.31%	10.39%
U.S. Stocks - Dow	38,747.42	-0.31%	2.81%
U.S. Dollar Index	105.24	0.00%	3.85%
U.S. Bond Index (DJ)	426.48	0.42%	-0.98%

of nickel cathode brands from China and Indonesia, contributing to a growing surplus and pressuring prices.

Deep contango in LME base metals signals weak nearby buying interest

Spot prices for copper and aluminium in London have moved to sharply deeper discounts to the three-month contract this week, signalling healthy supplies and weak buying interest from consumers for immediate deals, analysts and traders said.

The discount, known as a contango, for copper on the London Metal Exchange (LME) is hovering near the highest on record, while the discount for aluminium hit the largest in 17 years.

"Usually when demand is weak we see a big contango as consumers are not worried about the shortage of nearby supply. And on the other side, a deep contango encourages people to do the cash-and-carry trade," said Dan Smith, head of research at Amalgamated Metal Trading. The cash-and-carry trade involves financiers earning the difference between spot and forward prices on the LME curve.

"However, there is still a large share of Russian metals in LME stocks, and people don't want to do cash-and-carry with that origin," Smith said. "The cost of storage is also currently quite high for aluminium, zinc and lead compared to other metals whose price per tonne is higher."

The LME banned 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.

This decision and the subsequent inflows of Indian metal to the LME-registered warehouses for lucrative financial deals in May boosted the total aluminium stocks and reduced the share of Russian material in available LME stocks.

However, the share of Russian origin still remains relatively high in the stocks: as of the end of May, it was at 42% for aluminium, 40% for copper and 31% for nickel, the LME monthly data showed on Monday.

The LME cash copper contract closed at a $133-a-ton discount to the three-month contract on Monday, the biggest contango since May 8 when it reached a record high of $136.7. It was last at $129 on Tuesday.

For aluminium spot vs the three-month contract, the discount was at $61 on Tuesday vs $62 a ton on Monday, its biggest since 2007.

Top News - Carbon & Power

US EIA deepens forecast for drop in US natgas output in 2024

U.S. natural gas production will drop more this year than earlier estimates and demand will hit a record, the U.S. Energy Information Administration said in its Short Term Energy Outlook on Tuesday.

EIA projected dry gas production will ease from a record 103.8 billion cubic feet per day (bcfd) in 2023 to 102.1 bcfd in 2024 as several producers reduce drilling activities after gas prices fell to more than three-year lows in February, March and April.

In the May edition of its STEO report, EIA had forecast this year's output to decline to around 103 bcfd.

For next year, the agency now projects output would rise to 104.4 bcfd, also a cut from its prior forecast of 104.8 bcfd.

"This report is bullish for natural gas," Rabobank strategist Joe DeLaura said, noting that lower output forecasts should ease oversupply concerns in the long-term.

Declining output will put upward pressure on gas prices this year, EIA said. The agency raised its forecast for 2024 average Henry Hub spot gas prices to $2.46 per million British thermal units (Btu), 13% higher than its previous forecast. Prices are expected to average $3.24 next year.

Higher prices will support the return to growth in output next year, EIA said.

"(It) will incentivize more drilling in the natural gas-producing Appalachia and Haynesville regions, and more associated natural gas production in the Permian region," the agency added.

EIA expects domestic gas consumption to rise from last year's record of 89.1 bcfd to 89.4 bcfd this year and 89.9 bcfd in 2025. Its earlier forecasts had put demand at around 89.3 bcfd this year and 89.6 bcfd next year.

China solar panel manufacturers seek government action to halt freefall in prices

Chinese solar panel manufacturers said they are seeking immediate government intervention to curb investment and industry collaboration to arrest a plunge in prices of solar cells and modules, as the industry faces overcapacity. Financial incentives and a government push have helped China become the solar panel factory of the world, accounting for about 80% of global module capacity. Analysts expect Chinese manufacturers to add up to 600 gigawatts (GW) this year, enough to meet global demand through 2032.

However, with no end in sight for the plunge in prices, industry officials and analysts said intense competition was threatening to drive smaller producers into bankruptcy. Rapid capacity additions drove down prices of China's finished solar panels by 42% last year.

"Survive - that's the goal," Li Gang, chairman of Seraphim Energy Group said at the International Solar Photovoltaic and Smart Energy conference on Tuesday.

Between June 2023 and February 2024, at least eight companies cancelled or suspended more than 59 GW of new production capacity, equivalent to 6.9% of China's total finished panel production capacity in 2023, according to the China Photovoltaic Industry Association (CPIA). "We need to join our forces together to avoid overinvestment," Gao Jifan, chairman and CEO of Trina Solar and honorary president of CPIA told the conference. Gao sought government regulation of new investment in the sector to plug further losses, while SiNeng Electric's president Duan Yuhe asked the Chinese state planner to intervene. Gongshan Zhu, chair of the Asian Photovoltaic Industry Association, warned new companies against rushing into the sector, saying industry profits had plunged 70% due to overcapacity and falling prices, while exports were curbed by trade barriers imposed by the United States. "If you're just a copycat, it will not be sustainable for you," Zhu said, adding that the situation has been exacerbated by local governments investing for the sake of boosting employment. Industry executives speaking at the conference also called for an end to race-to-the-bottom price competition, and suggested bidding processes take into account levels of research and development, instead of just pricing. Some company officials, such as Wuxi Suntech Power Chairman Fei Wu, said consolidation had already begun. The industry's prospects were expected to worsen this year and more small companies were likely to go out of business, he added.

Top News - Dry Freight

Egypt's GASC buys 400,000 metric tons of wheat in tender

Egypt's state grains buyer, the General Authority for Supply Commodities, said on Tuesday it had bought 400,000 metric tons of wheat in an international tender. The purchase comprised 100,000 tons of Bulgarian wheat, 180,000 metric tonnes of Romanian wheat and 120,000 metric tons of Ukrainian wheat, GASC said. GASC negotiated lower prices for some offers, with more than $10 cuts per ton for some cargoes, traders said. "Ukrainian wheat is very cheap, even cheaper than Russian. It is mainly sold in small shipments. If there is confidence in the ability to ship without Russian attacks, as the GASC tender showed, there is potential in the Ukrainian market to squeeze out very low prices," one German trader said.

Jordan buys estimated 60,000 metric tons of wheat in tender

Jordan's state grains buyer purchased about 60,000 metric tons of hard milling wheat to be sourced from optional origins in an international tender on Tuesday, traders said. The wheat was believed to have been bought from trading house CHS at an estimated $271.95 a ton cost and freight (c&f) for shipment in the second half of July. Reports reflect assessments from traders and further estimates of prices and volumes are possible later. Traders reported the following estimated offers from other trading houses (all per ton c&f): Cargill $281, Viterra $293, Cerealcom Dolj $300, Al Dahra $296, Grain Star $293, Ameropa $285, Buildcom $281.77, The Andersons $279 and Agro Chirnogi $300. Agro Chirnogi's participation had not been reported earlier. Traders said they had received indications that Jordan planned to issue a new tender for 120,000 tons of wheat in in the coming days, closing on June 25.

A new tender for 120,000 tons of animal feed barley is also expected, closing on June 26. Both new tenders are expected to seek shipment in the full month of August and full month of September. Jordan has rejected offers repeatedly and made no purchases in wheat tenders in April, May and June, with its last reported wheat purchase of 60,000 tons on March 5. "Lower prices are starting to generate more buying," one German trader said.

Traders said that Jordan is among importers suffering from a sharp rise in wheat prices since late April on fears of weather damage to Russia's crop.

Wheat prices have eased in June, falling sharply after major buyer Turkey on Friday announced a temporary import ban.

Picture of the Day

A worker demonstrates to media the process of picking tea leaves at the Lizhen Mengding Mountain tea garden, during an organised media tour in Ya'an, Sichuan province, China, June 11. REUTERS/Tingshu Wang

(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