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Top News - Oil

Strong imports drive surprise crude stock build, fuel inventories also rise, EIA says

U.S. crude stockpiles rose unexpectedly last week, driven largely by a jump in imports, while fuel inventories also increased, the Energy Information Administration (EIA) said on Wednesday. Crude inventories rose by 3.7 million barrels to 459.7 million barrels in the week ended June 7, the EIA said, compared with analysts' expectations in a Reuters poll for a 1 million-barrel draw. The surprise build came as U.S. crude imports rose by 2.56 million barrels per day (bpd), EIA said, hitting the highest level since August 2019. Commercial crude imports were the most since August 2018, with West Coast imports at their strongest level since 2022. Both Brent and West Texas Intermediate (WTI) crude futures pared gains following the report. Brent was trading at $82.03 a barrel, up about 15 cents, at 1518 GMT, while WTI was trading at $77.97, up about 6 cents. Both contracts had been up more than a dollar earlier in the day.

U.S. crude exports declined by 1.31 million bpd to 3.19 million bpd last week, the EIA said. "There is a larger picture here where the US tends to import heavier crude oil and export the more lighter crude. So that's part of the story here," said Tim Evans, an independent energy analyst. The jump in imports came as shipments of heavy crude from Mexico rose by 449,000 barrels per day to 987,000 bpd, the highest in seven months. Imports from Canada climbed 206,000 bpd to nearly 4 million bpd as the expanded Trans Mountain pipeline boosted volumes of crude to the West Coast following its startup in May. Meanwhile, refinery crude runs fell by 97,000 bpd in the week ended June 7, while refinery utilization rates fell by 0.4 percentage points in the week to 95%.

U.S. gasoline stocks rose by 2.6 million barrels in the week to 233.5 million barrels, the EIA said, compared with analysts' expectations in a Reuters poll for a 0.9 million-barrel build.

Distillate stockpiles, which include diesel and heating oil, rose by 0.9 million barrels in the week to 123.4 million barrels, versus expectations for a 1.6 million-barrel rise, the EIA data showed. Fuel exports rose by 1.4 million barrels last week to 7.5 million bpd, the highest on record, according to the EIA. Crude stocks at the Cushing, Oklahoma, delivery hub fell by 1.6 million barrels last week, the EIA said.

Oil demand set to peak by 2029, major supply glut looms, IEA says

Global oil demand will peak by 2029 and begin to contract the following year while the U.S. and other non-OPEC countries add to supply, the International Energy Agency said on Wednesday, resulting in a major surplus this decade. The IEA, which advises industrialised countries, moved forward the date for peak oil demand after having said in October that it would occur by 2030.

Its view contrasts with the outlook of oil producer group the Organization of the Petroleum Exporting Countries (OPEC), which sees demand rising long after 2029 in part due to a slower shift to cleaner fuels and has not predicted a peak.

Oil demand growth will plateau at 105.6 million barrels per day (bpd) by 2029, the Paris-based IEA said in an annual report, before contracting slightly in 2030 as electric car use rises, efficiency improves and power generation moves away from oil. The IEA also sees supply capacity hitting nearly 114 million bpd by 2030, or a full 8 million bpd above projected demand, with non-OPEC+ producers led by the U.S. making up three-quarters of the capacity increase.

"This report's projections, based on the latest data, show a major supply surplus emerging this decade, suggesting that oil companies may want to make sure their business strategies and plans are prepared for the changes taking place," IEA Executive Director Fatih Birol said. Demand growth will be driven mostly by emerging economies in Asia, especially by road transportation in India, as well as jet fuel and petrochemicals in China.

The projection of a supply glut will have wider reverberations, not least for OPEC nations that depend on oil for a major part of government income, the IEA said. "Spare capacity at such levels could have significant consequences for oil markets – including for producer economies in OPEC and beyond, as well as for the U.S. shale industry."

GAP WITH OPEC

In a separate report on Wednesday the IEA trimmed its oil demand growth forecast for 2024 by 100,000 bpd to 960,000 bpd, citing sluggish consumption in developed countries. A muted economy and uptake of green energy should bring 1 million bpd growth next year, it added. Those projections fall far below those of OPEC, which on Tuesday kept its outlook for 2024 demand growth at 2.25 million bpd and 1.85 million bpd for 2025. The gap between the IEA and OPEC on 2024 growth is now even wider than it was earlier this year, when a Reuters analysis found that the 1.03 million-bpd difference in February was the biggest since at least 2008. Birol, speaking to reporters in a webinar after the report's release, called the divergence with Vienna-based OPEC on demand projections "something noteworthy". "Of course we will see at the end of the year," he said. "We look at the data, every amount, every day, to give the best information for decision makers and the public."

Top News - Agriculture

Argentina's upcoming wheat harvest could near record, Rosario exchange says

Argentina's upcoming wheat harvest could near the record set in the 2021/22 season, the Rosario grains exchange said on Wednesday, pegging its estimate for 2024/25 at 21 million metric tons. The exchange said that planting of the crop itself could be a record, with an estimated area of 6.92 million hectares. "Loaded soil profiles, good margins and the need to rotate (crops) in the central and northern parts of the country after the impact of the leafhopper give a boost to wheat planting," the exchange said in a report. Crops have been devastated in recent months by the leafhopper insect, which carries a bacteria that stunts plants. "With half the corn crop harvested, late-season leafhopper damage will begin to show itself," the report added. The exchange on Wednesday maintained its estimate for the ongoing corn harvest at 47.5 million tons, but warned that a cut could be on the horizon.

Meanwhile, as the soy harvest wraps up, a lower planting area than expected was compensated by improved output, leading the exchange to hold its estimate for the crop at 50 million tons.

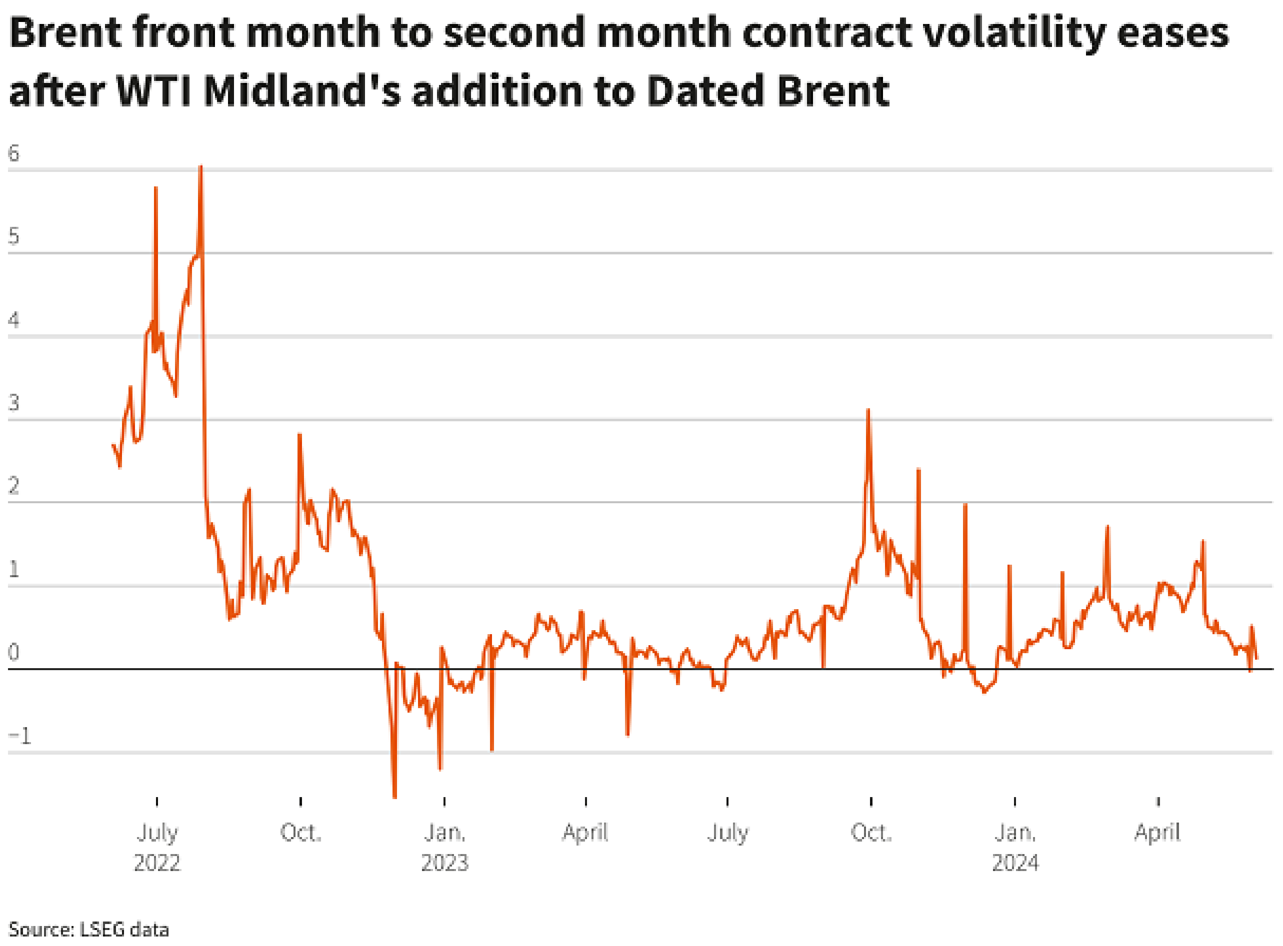
Drought to hammer Mexico's 2024 corn harvest, government says

A prolonged drought in Mexico is set to again hammer harvests this year, according to government estimates, as adverse weather conditions could push the country to rely on more corn imports from the United States.

Mexico's 18-month season should produce some 25.15 million metric tons of corn, according to a report presented by the agricultural ministry on Tuesday, including 21.89 million tons of white corn, used to make key staples such as tortillas. While overall production should fall 9%, white corn is expected down 10% on last season.

Mexico mainly produces white corn, for which it is self-sufficient, but imports large quantities of yellow corn mainly to feed livestock. Local production of yellow corn, however, should rise 0.7% after a 4.5% decline last year. Last year's season was battered by drought, disease and pests that affected both crops and livestock, as well as volatile prices for energy and raw materials. More than three-quarters of the country faced moderate to exceptional drought conditions, according to the national water commission Conagua, which at the severe end of

Chart of the Day



the scale means risk of fires, crop losses, and water shortages across reservoirs, streams and wells. U.S. forecaster AccuWeather's chief agricultural meteorologist, Dale Mohler, has predicted that rain may come too late for a successful harvest for corn and other crops in Mexico, which could cause it to seek supplies from the U.S.Mexico is a key buyer of U.S. yellow corn, purchasing nearly $6 billion-worth each year. However, the two countries are in a dispute over exports of genetically modified U.S. crops currently being settled at a panel under the North American trade agreement. A resolution is expected by the end of this year. Sinaloa and Jalisco states, which together grow almost two-fifths of Mexico's corn, "have been greatly affected by the drought," Mohler said.
Sinaloa, which borders the Pacific on the northwest coast, is Mexico's largest white corn producer, but the agriculture ministry forecast that it will produce 31% less grain this year, while the more southern Jalisco state should produce 0.7% less.

Top News - Metals

Gold rush to endure through 2024 though $3,000 mark may prove elusive

Gold's lightning rally to successive record highs shows every sign of continuing in the second half of 2024 as the fundamental case for bullion remains firmly in place, though $3,000 per ounce looks just out of reach, traders and industry experts said.
Investors have flocked in droves towards the precious metal, driven by expectations for monetary easing, geopolitical tension in Europe and the Middle East and - most notably - central bank purchases led by China.
Spot gold is trading around $2,300 per ounce after hitting a record $2,449.89 on May 20, gaining more than 11% so far this year. "There are lots of reasons driving gold right now..., but one of the major factors is China," Ruth Crowell, CEO of the London Bullion Market Association, told Reuters on the sidelines of the Asia Pacific Precious Metals conference in Singapore.
"Usually China and Japan have been budget shoppers, but given the state of the economy, real estate challenges and equity markets, gold is a safe choice... I think gold is going to be of interest for some time."
Central banks across the globe, especially China, have been ramping up reserves held in gold due to currency depreciation and geopolitical and economic risks.
Bullion is traditionally known as a favoured hedge against geopolitical and economic risks, thriving in a low-interest rate environment. "Physical demand for gold is strong, but we have not seen retail investment demand coming in yet like exchange-traded funds, demand from the United States...I see prices reaching $2,600 - $2,700 very easily this year," said Amar Singh, Head of Metals - Asia Pacific and Middle East at StoneX. As investors seek clarity on the timing of interest rate cuts from the Federal Reserve, the November U.S. elections are likely to add more volatility to the market, analysts said. While most of the analysts and traders remain bullish on gold, the possibility of the precious metal surpassing $3,000 per ounce looks remote at this point, they said. "It's not a case of some particular factor holding back gold but rather that $3,000 would mean another 30% from here, which is quite a lot given we have already had some hefty gains," said Nikos Kavalis, managing director, Metals Focus.

SILVER PERFORMS
Silver, both an investment asset and an industrial metal used in electronics and solar panels, has performed well on the back of gold's strength and firm physical demand. The metal was trading at $29.20 per ounce on Tuesday, close to a more than 11-year peak scaled in May.
"The future is bright for silver with respect to its use in green energy transition.
Also there is further room for gold prices to go higher and silver prices will follow as well," said Michael DiRienzo, president & CEO of The Silver Institute. India's silver imports in the first four months of the year have already surpassed the total for all of 2023, on rising demand from the solar panel industry and as investors bet on an outperformance versus gold, government and industry officials told Reuters last month.
The silver market is currently in the fourth year of a structural market deficit due to expectations of higher industrial demand, Metals Focus said in research produced for industry body the Silver Institute.

A fifth of copper smelting capacity suspended in May, data shows

About a fifth of global copper smelting capacity was suspended in May, mostly for maintenance, data from satellite surveillance of metal processing plants showed. Earth-i, which specialises in observational data, tracks smelters representing up to 90% of global production for its SAVANT service and sells data to fund managers, traders and miners.
The company said that an average of 20.8% of global copper smelter capacity monitored was inactive in May compared with 17.4% in the same month last year.
"Global inactivity reached 25.4% on 8th May... with seasonal maintenance closures remaining a key feature," Earth-i said in a statement.
In China, three smelters that were closed for maintenance at the end of April have resumed activities while Xingguang Copper, Shandong Fangyuan and Hunchun are now shut, it added.
The Chinese-owned Lualaba smelter in the Democratic Republic of Congo also appeared to be closed for maintenance, Earth-i said.

Top News - Carbon & Power

French renewable energy sector says far-right victory risks trouble for industry

The French renewable energy sector is bracing for a sharp slowdown in wind and solar projects if the far-right wins a majority in upcoming elections, just as new legislation was expected to boost the industry in nuclear-dominant France.

President Emmanuel Macron's shock decision on Sunday to call a snap election could hand political power to Marine Le Pen's far-right National Rally (RN) party, leaving it in charge of domestic policies including energy.

The RN has pledged to end subsidies for renewables and wants to halt expansion of wind power, including pulling down already installed turbines. The party would instead invest in nuclear, hydropower and hydrogen, according to its website.

"It is clear that an RN-dominant parliament would facilitate the implementation of legislation that would at least slow down the development of renewable energy projects," said a spokesperson at Velocita Energies, a unit of China's Envision Energy, which operates wind farms in France.

Shares in Engie, France's largest wind farm operator, have dropped 6.1% since Monday, wiping 2.1 billion off its market value.

France lags its neighbours on renewable energy with about 45 gigawatts (GW) of installed wind and solar power capacity, and has fallen behind targets set by the European Commission. Around 65% of its power supplies came from nuclear in 2023.

But the government was due to introduce legislation on Thursday outlining plans for a rapid expansion of solar and wind farms, with a formal consultation expected to start on June 27.

The plans included targets to double the annual pace of solar installations to reach 75-100 GW in 2035, with 40-45 GW of onshore wind installations and 18 GW of offshore wind capacity planned over the same period.

The legislation, already delayed for almost a year, will now be shelved ahead of elections to kick off on June 30.

The RN would likely not dismantle existing wind turbines due to the threat of legal action, but new permitting could stop if the RN holds power, said a manager at a European utility with wind farms in the country, who declined to be named.

Government support for solar panels was expected to cost around 590 million euros in 2024. Onshore wind power however would generate nearly 3 billion euros for the state, according to an assessment by the French Energy Regulatory Commission.

A slower renewables rollout could also impact France's ability to cover its energy demand over the next 15 years before it builds new nuclear reactors, added Rana Adib, executive director at renewable energy lobby group REN21. "France must contribute to the European energy system by developing, alongside nuclear power,

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$78.18 / bbl	0.36%	9.11%
NYMEX RBOB Gasoline	$2.37 / gallon	-1.08%	12.51%
ICE Gas Oil	$749.50 / tonne	0.47%	-0.17%
NYMEX Natural Gas	$3.03 / mmBtu	-3.23%	20.45%
Spot Gold	$2,313.98 / ounce	-0.10%	12.19%
TRPC coal API 2 / Dec, 24	$120.5 / tonne	1.69%	24.23%
Carbon ECX EUA	€70.74 / tonne	0.16%	-11.98%
Dutch gas day-ahead (Pre. close)	€35.03 / Mwh	3.24%	9.98%
CBOT Corn	$4.58 / bushel	0.88%	-5.42%
CBOT Wheat	$6.37 / bushel	-1.51%	-0.39%
Malaysia Palm Oil (3M)	RM3,963 / tonne	0.81%	6.50%
Index	**Close 12 Jun**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	345.47	0.83%	14.62%
Rogers International	28.91	-0.53%	9.80%
U.S. Stocks - Dow	38,712.21	-0.09%	2.71%
U.S. Dollar Index	104.85	0.19%	3.47%
U.S. Bond Index (DJ)	426.48	0.61%	-0.98%

renewable energy sources which have demonstrated their strengths and competitiveness and will be essential, taking into account the cost and timetable for deploying new nuclear power," Engie said in a statement.

COLUMN-BRICS nations lift power emissions to new highs over rest of world: Maguire

The BRICS group of major emerging economies - Brazil, Russia, India, China and South Africa - emitted a record 1.98 billion metric tons of carbon dioxide from power generation during the first quarter of 2024, data from energy think tank Ember shows. That emissions toll was roughly 500 million tons greater than the entire emissions load generated by the rest of the world combined and highlights the diverging pollution trends between key fast-growing economies and most developed countries.

A compounding concern for emissions trackers is a potential deterioration in trade relations between BRICS members and the United States and its allies, and the possibility that BRICS members prioritize economic growth over decarbonization efforts.

Together, the BRICS countries account for more than 40% of the world's population and around a quarter of the global economy, and so hold significant clout when banded together.

The bloc was founded as an informal club in 2009 to challenge a world order dominated by western economies, and over 40 other countries including Indonesia, Saudi Arabia, Egypt and Kazakhstan have expressed interest in joining the forum. If the current BRICS group opts to incorporate aspiring members, the new club could have the means to largely ignore western economic pressure to reduce pollution, as growing trade and investment within the new BRICS bloc could provide a shield against blowback by western-affiliated trade partners.

HEAVY HITTERS

China and India alone accounted for over 90% of the BRICS emissions total during the first quarter, highlighting how concentrated power pollution is within the BRICS bloc due to high coal use by Asian nations. China and India are also arguably the most influential members of the BRICS, with the power to deliver on trade pacts and to undertake significant foreign investment campaigns that could lure new members.

As the world's largest power producer and renewable energy developer, China is also a key player on the global stage in terms of current fossil fuel emissions as well as renewable energy generation potential. The country discharged roughly 5.4 billion tons of CO_2 from fossil fuel power generation in 2023, or roughly 40% of the global total, which has made China a key target for international pressure to reduce global pollution. China is also by far the world's top clean energy developer and exporter, and aims to dominate the production and export of clean energy products over the coming decades.

However, Beijing has faced accusations of unfair trade practices involving the dumping solar panels, electric vehicles and other products onto world markets at prices that undercut rival producers.

This has led to trade spats with the United States and Europe in recent years and protracted disputes at the World Trade Organisation (WTO). Over the same period, China has emerged as the top destination for exports from nations that face western sanctions, including Russia and Iran, providing those countries with critical earnings that further strain China's relations with western powers. India, the world's second largest coal user behind China, has also frustrated western sanctions efforts by emerging as a key buyer of Russian commodity exports, including crude oil, coal and natural gas. India is also under growing international pressure to cut power emissions, but like China is struggling to balance the energy needs of its fast-growing economy with pledges to rein in pollution. India also faces the challenge of generating sufficient jobs for its 1.4 billion population - the world's largest - which entails a rapid and sustained expansion to its cost-sensitive manufacturing sector. Power firms have committed to sharply increasing energy supplies from clean sources but still rely on low-cost coal to produce over 75% of the country's electricity. India has pledged to reach net zero carbon emissions by 2070 but is deemed highly unlikely to reach that target, given the enduring reliance on coal and planned further expansions in use of the fuel, according to Climate Action Tracker.

EXPANSION DRIVE

In addition to China and India, Russia also recorded sharp growth in power emissions during the first quarter, while Brazil and South Africa kept emissions largely flat. These emissions trends put BRICS members at odds with many western nations. But the fact that each BRICS nation is a key producer of several critical items that aid economic growth makes BRICS membership attractive to other emerging economies. In addition to surging volumes of low-cost manufactured and semi-finished goods, BRICS nations produce and export coal, gas, crude oil, soybeans, corn, rice, metals and rare earth minerals. Many BRICS nations are also committed to consuming growing volumes of most fossil fuels for the coming decades, which makes the bloc an attractive trade partner for the likes of Saudi Arabia and Indonesia which have abundant fuel supplies but face diminishing demand for them in western markets. At present, the still-limited degree of BRICS forum engagement with other countries means that western policymakers still play a key role in major decisions by most emerging market governments. And that means that western values about the environment may still prevail and spark a power sector clean-up in some countries. But if BRICS nations opt to find new club members that seek economic growth above all else, the reduction of emissions may take a back seat to further emissions-laden industrial expansion.

Top News - Dry Freight

Ukraine exports 48.4 mln T grain so far 2023/24, ministry says

Ukraine's grain exports in the 2023/24 July-June marketing season had risen to 48.4 million metric tons by June 12 from 46.7 million tons as of the same date in 2023, agriculture ministry data showed on Wednesday.
The total volume included 1.45 million tons sent abroad since the start of June. Overall exports included 17.8 million tons of wheat, 27.6 million tons of corn and about 2.4 million tons of barley. Ukraine typically sends about 95% of its grain exports via its Black Sea ports. The government said the country had harvested around 81 million tons of grain and oilseeds this season, with a 2023/24 exportable surplus of about 50 million tons.
The ministry has said that the 2024 combined grain and oilseed crop could fall to 74 million tons, including 52.4 million tons of grain. Ukrainian APK-Inform consultancy said this week the export of grain may total 49 million tons and could decrease to around 36 million tons in 2024/25 due to a smaller harvest. The ministry and analysts have said the 2024 grain crop could fall to around 52 to 53 million tons.

FranceAgriMer raises 2023/24 non-EU wheat export forecast

Farm office FranceAgriMer on Wednesday increased its forecast for French soft wheat exports outside the European Union in 2023/24, leading to lower projected stocks, although these remained at a 19-year high. In its supply and demand outlook, the office pegged French non-EU soft wheat exports at 10.20 million metric tons, up from 10.05 million projected last month, while it trimmed its forecast for exports within the EU to 6.18 million tons from 6.25 million expected in May.
Soft wheat stocks at the end of the 2023/24 season were projected at 3.83 million tons, down from 3.90 million forecast last month, but still 51% above the previous year after a larger harvest, and the highest since 2004/05.
This comes as France is expected to see a sharp drop in soft wheat output this year after torrential rainfall disturbed sowings and flooded fields.
In addition, some crops were suffering from large quantities of weeds this year because wet Spring weather hampered weeding, said Benoit Pietrement, a farmer and head of FranceAgriMer's grain committee, adding that farmers were "very worried". The total area hit has yet to be determined.
FranceAgriMer also lowered its forecast for end-2023/24 barley stocks to 1.50 million tons from 1.58 million, due mainly to a 100,000 ton rise in projected exports outside the EU. The projected stocks are now 48% above last year's. FranceAgriMer forecast end-2023/24 maize stocks at 2.24 million tons, down from 2.27 million last month, as it raised estimated demand from animal feed makers and nudged up its outlook for exports to non-EU countries. Stocks would still be 35% above last year's.

Picture of the Day

A drone view of fishermen unloading fish caught in a net during the sardine run in Scottburgh, South Africa, June 12. REUTERS/Rogan Ward

(Inside Commodities is compiled by Lactus Fernandes in Bengaluru)

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

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

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