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

Click on headers to go to that section

Top News - Oil

China 2023 oil demand growth seen slower on strong EV sales

China's 2023 crude oil demand is expected to grow less than previously expected, as strong demand for electric vehicles weighs on gasoline demand, an expert at China National Petroleum Corporation's (CNPC) research arm said on Tuesday.
The state oil company's Economic & Technology Research Institute (ETRI) in March forecast oil demand reaching 743 million metric tons this year for the world's top crude importer. This is equivalent to around 14.86 million barrels per day (bpd).
But speaking at an event in Beijing, Wang Lining, head of markets at ETRI, said growth would come in below original forecasts this year, with oil demand reaching 740 million tons, or about 14.80 million bpd.
"The main reason, I think, is that the replacement of cars this year is relatively large," Wang told Reuters on the sidelines of the event.
China is the world's largest market for electric vehicles. Sales rose 10.5% in May versus the month before, accounting for a third of total car sales, according to the China Passenger Car Association (CPCA).
Demand is set to grow further, with Beijing issuing new measures to promote EV purchases.
The International Energy Agency also said earlier this month that strong demand for EVs would curb oil demand growth.
China's gasoline demand will grow by 0.8% this year from 2019 levels before peaking in 2025, according to ETRI forecasts.
Disappointing economic data also contributed to the smaller growth forecast, added Wang.
Several major banks have cut their 2023 economic growth forecasts for China this month amid concerns its post-COVID recovery is faltering.
Wang also said demand for both diesel and kerosene would not reach 2019 levels this year.

Abu Dhabi's ADNOC in almost $11 bln approach for Covestro -sources

Abu Dhabi National Oil Company (ADNOC) has approached German plastics and chemicals maker Covestro AG with a takeover proposal worth more than 10 billion euros ($10.9 billion), two people familiar with the matter said on Tuesday.
The energy giant has made an informal offer for a per share price in the mid-50 euros, which compares with a Monday closing price of 40.31 euros, said the sources, asking not to be named because the matter is confidential.
ADNOC and Covestro declined to comment.
Covestro, a maker of transparent polycarbonate plastics, as well as chemicals for insulation and upholstery foams, in April issued earnings guidance that reassured markets about its growth prospects. It also resumed a share buyback programme.
Earlier on Tuesday it confirmed its outlook for 2023.
Shares in Covestro were up 14% at 46 euros at 1400 GMT, trading at their highest in more than a year.
A combination would give energy giant ADNOC, also a maker of refined products and petrochemicals, access to more advanced materials that go into electric vehicles, thermal insulation for buildings as well as coatings, adhesives and engineering plastics.
It would also support Abu Dhabi's plans to diversify the economy away from energy.
As part of that transformation strategy, which also invited foreign investment, ADNOC began floating units in late 2017.
Over the past two years, it has separately listed businesses offering investors exposure to its petrochemicals, fertilisers, drilling services, gas as well as logistics businesses.
ADNOC Chief Executive Sultan al-Jaber is leading the company's push into new energy, low carbon fuels, such as ammonia and hydrogen, as well as liquefied natural gas and chemicals.
ADNOC has expanded in Europe previously, agreeing to buy 24.9% of Austrian oil and gas group OMV last December.
The OMV deal would indirectly also increase ADNOC's holding in both European petrochemicals maker Borealis and Abu Dhabi-listed petrochemicals company Borouge.
A move for Covestro would mirror the expansion of other Middle Eastern energy and petrochemical players into European materials and plastics businesses.
Saudi Aramco in 2018 acquired the shares it did not already own in synthetic-rubber maker Arlanxeo from German co-owner Lanxess for 1.4 billion euros.
SABIC, also of Saudi Arabia, in the same year purchased a stake of almost 25% in Swiss chemicals maker Clariant.
Thanks to a 2007 deal to buy GE's plastics unit, SABIC competes with Covestro in polycarbonate plastics.

Top News - Agriculture

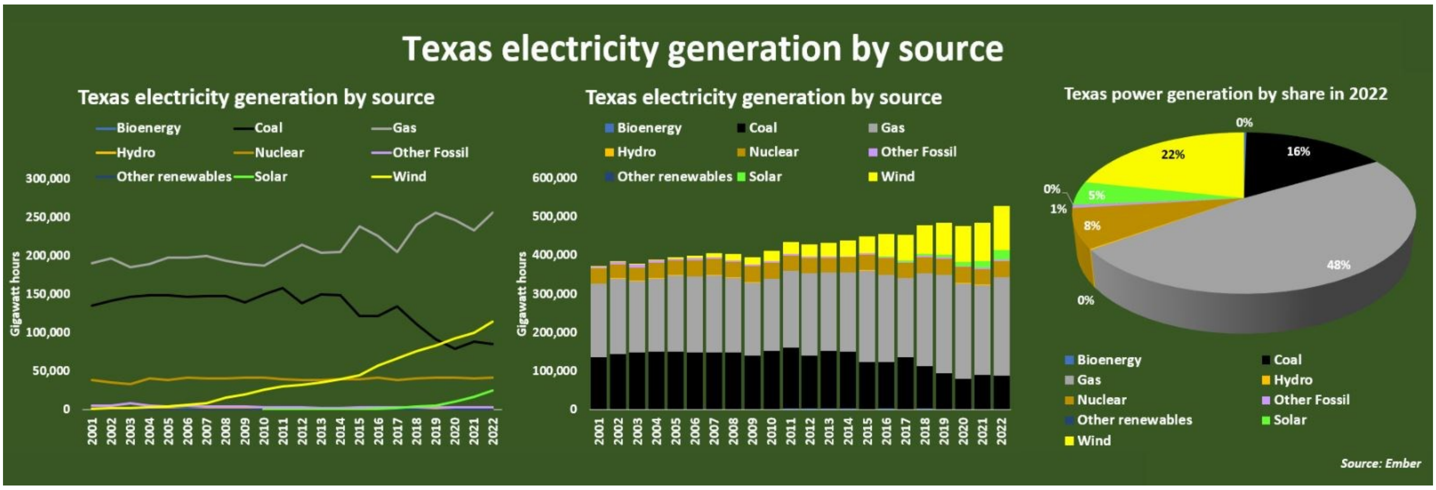
UN chief calls for acceleration of Black Sea grain deal exports

United Nations Secretary-General Antonio Guterres called for an acceleration of Black Sea grain shipments from Ukrainian ports under a deal allowing safe wartime exports, a U.N. spokesperson said on Tuesday as Russia threatens to quit the pact next month. The United Nations and Turkey brokered the Black Sea Grain Initiative with Russia and Ukraine in July 2022 to help tackle a global food crisis worsened by Moscow's invasion of its neighbor and blockade of Ukrainian Black Sea ports. But food exports "have dropped significantly from a peak of 4.2 million metric tonnes in October 2022 to 1.3 million metric tonnes in May, the lowest volume since the Initiative began last year," said deputy U.N. spokesperson Farhan Haq. Guterres was disappointed by a slowing pace of ship inspections and the exclusion of Pivdennyi (Yuzhny) port - one of three Ukrainian ports covered by the Black Sea export deal. "The Secretary-General calls on the parties to accelerate operations and urges them to do their utmost to ensure the continuation of this vital agreement, which is up for renewal on 17 July," Haq said in a statement. Russia's President Vladimir Putin said last week that Russia was considering withdrawing from the Black Sea grain deal. The Black Sea deal also allows for ammonia shipments, but none have happened. Russia used to pump up to 2.5 million tonnes of ammonia annually to Pivdennyi port for global export. But the pipeline was shut down by the war and earlier this month Moscow accused Ukrainian forces of blowing up part of the pipeline. Restarting the pipeline was one of several Russian demands made in talks to extend the Black Sea grain deal. Last month it began stopping vessels traveling to Pivdennyi port under the Black Sea grain deal until the ammonia pipeline was restarted. To convince Russia to agree to the initiative, a three-year pact was also struck in July 2022 in which the United Nations agreed to help Moscow overcome any obstacles to its own food and fertilizer shipments. While Russian exports of food and fertilizer are not subject to Western sanctions imposed after the invasion of Ukraine, Moscow says restrictions on payments, logistics and insurance have amounted to a barrier to shipments. The U.N. has confirmed that it cannot do anything to address some of Russia's central grievances, the state TASS news agency cited Russia's Foreign Ministry as saying on Tuesday. Haq said the United Nations was "fully committed" to supporting the implementation of the Black Sea Grain Initiative and the pact to facilitate Russia food and fertilizer exports. "This is especially critical now as the new grain harvest begins in both Ukraine and the Russian Federation," he said.

India approves wheat, broken rice exports requests from 4 countries

India has decided to approve wheat and broken rice exports to few selected countries following their requests to allow the shipments of the grains, the government said in two separate notifications issued late on Tuesday. The South Asian country banned exports of wheat and broken rice in 2022 to lower local prices. But following requests, India would allow broken rice exports to Indonesia, Senegal and Gambia in 2023/24 financial year started on April 1. New Delhi also approved request from Nepal and allowed wheat exports in the current financial year. Indian exporters, which were exporting grains to these countries, need to bid for the allocated quota of wheat and broken rice, the government said in notifications. Indonesia has signed an agreement with the Indian government to potentially import 1 million tonnes of rice if the El Nino weather pattern hits domestic supply, media quoted the trade minister as saying on Friday.

Chart of the Day



Top News - Metals

LME cancelled nickel trades to 'save' Tsingshan, London court told

The London Metal Exchange cancelled $12 billion worth of trades when nickel prices went haywire in March 2022 to "save" China's Tsingshan, lawyers for two financial firms suing the exchange told London's High Court on Tuesday.

U.S.-based hedge fund Elliott Associates and market maker Jane Street Global Trading say the LME unlawfully cancelled trades made on March 8, 2022, after the nickel price doubled in a matter of hours.

The 146-year-old exchange argues it was justified in closing the market and cancelling trades because $19.7 billion of margin calls would otherwise have led to the defaults of multiple clearing members and created systemic risk.

Elliott and Jane Street, which are seeking a combined $472 million in damages, accept the LME has the power to cancel trades in "exceptional cases".

But their lawyers argued at London's High Court that the LME had no power to unwind transactions to prevent defaults or tackle systemic risks.

Jane Street's lawyer James Segan said the LSE had provided a "multi-billion-dollar bailout" to Tsingshan, owned by Chinese tycoon Xiang Guangda, which held large short positions that helped spur the explosive rise in nickel prices.

He said the LME's actions meant Jane Street was forced to give up profitable trades "to save one person (Xiang) ... from enormous losses". Segan also said that Tsingshan's "short squeeze" was the main cause of nickel price volatility, a fact he said was "staring the LME in the face".

LME Chief Executive Matthew Chamberlain, in his witness statement, rejected the suggestion trades were cancelled "in the interests of particular market participants, in particular entities within the Tsingshan Holding Group".

'UNPRECENDENTED'

Elliott's lawyer Monica Carss-Frisk told the court that the decision to cancel trades was "wholly unprecedented". Chamberlain had spent just 20 minutes on his mobile phone scrolling for news and watching nickel prices lurch higher before deciding the market was disorderly, according to court filings.

Elliott and Jane Street say surging prices were fuelled by an LME operations team removing nickel price bands during Asian trading, but the LME says this was not significant. The two firms also say the LME considered there were rational market forces, such as the impact of potential sanctions on Russia as a result of its invasion of Ukraine, explaining significant price rises on March 7. However, they argue, it failed to investigate whether increases the following day were also rational.

OTHER OPTIONS

Elliott argued the LME's clearing house, LME Clear, could have used a lower closing price of a day earlier to set margins for trades on March 8, which would have resulted in additional margin calls of $570 million instead of $19.7 billion.

Another option was to let the trades stand but adjust the prices, Elliott said, which "would have avoided or adequately mitigated the perceived detrimental effects".

"The reality is that there were many other tools available to the LME to respond to the events of March 8," Elliott commodities portfolio manager Thomas Houlbrook said in a witness statement.

The hedge fund said it had executed trades to sell 9,660 metric tons of nickel through Goldman Sachs, JP Morgan and Sigma Broking on March 8.

Houlbrook suggested that "the LME’s own financial exposure" was the reason the exchange decided to cancel trades rather than use its default fund. The exchange denies this, saying its motivation was possible default of LME members and systemic risk for the market as a whole.

The exchange - which is also facing a probe from Britain's markets regulator over its conduct in the lead-up to the March 8 decision - said the lawsuit raises questions about the viability of regulated exchanges, which have a duty to maintain market order and the power to cancel trades in exceptional situations.

"It is almost inevitable that any exercise of those powers will be controversial," a filing by the LME said.

"This is territory ripe for opportunistic recrimination and the application of wisdom after the fact."

The three-day hearing, which is expected to finish on Thursday, is to determine whether the LME lawfully cancelled the trades.

China's nickel imports surge in May with jump in Russian supplies

China's refined nickel imports in May more than tripled from the previous month, customs data showed on Tuesday, as Russia increased shipments after concluding prolonged contract negotiations with Chinese buyers.

In a move to escape the higher pricing of deals using London Metal Exchange (LME) contracts as a benchmark, China's nickel buyers had asked Russian producers to switch to Shanghai Futures Exchange (SHFE) contracts to price their 2023 supplies. Russia is the world's biggest producer of refined nickel while China is the biggest purchaser of the metal used in the stainless steel and renewable energy sectors, but discussions on the change in pricing had slowed imports.

Only 4,961 metric tons of Russian nickel were shipped to China between January and April, less than half the 11,328 tons in the same period a year earlier.

Russian supplies in May jumped to 7,026 tons, customs data showed.
The jump was a result of buyers reaching agreement on 2023 supply contracts, said three people with direct knowledge of the trade.
The sources declined to be identified because of the sensitivity of discussing trade with Russia, which has faced widespread Western sanctions over the war in Ukraine.
Two of the sources said Russia's Nornickel, the world's biggest producer of refined nickel, is now selling some nickel priced against SHFE contracts to Chinese buyers in yuan.
Nornickel declined to comment, citing the "commercially sensitive" nature of the subject.
Nickel stocks in SHFE warehouses sank to a historic low of 560 tons on May 26. Stocks then rebounded to 4,221 tons by last Friday, thanks to the higher shipments from Russia.
Overall imports in May were 10,428 tons, up 59% from the same month last year, with market participants expecting imports to remain at a high level in the next few months.

Top News - Carbon & Power

China's May coal imports from Australia recover to pre-ban levels
Australian coal sales to China increased in May, as trade resumed between them even as overall coal demand weakened against an uncertain macroeconomic backdrop and record high stocks at ports and power plants.
China imported 5.42 million metric tons of Australian coal last month, data from its General Administration of Customs showed on Tuesday.
The figure represents a 39.5% increase on April and was above the 4.47 million metric tons in September 2020, just before China implemented an unofficial ban on Australian coal imports.
Russia's coal trade with China also strengthened last month. May imports from Russia were 8.96 million metric tons, up 10.7% from 8.10 million metric tons in April.
China's weaker-than-expected economic recovery and malaise in the property and manufacturing sectors have weighed on overall demand, however, leading total coal imports to slip 2.7% month-on-month in May.
China's state planner, the National Reform and Development Commission (NDRC), said in June that coal stocks at power plants were the highest on record, with inventories totalling 187 million metric tons.
Falling domestic coal prices have also dragged down import prices. Domestic thermal coal with energy content

MARKET MONITOR as of 06:30 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$69.62 / bbl	-1.25%	-11.01%
NYMEX RBOB Gasoline	$2.47 / gallon	-2.07%	1.52%
ICE Gas Oil	$701.00 / tonne	-1.48%	-22.34%
NYMEX Natural Gas	$2.32 / mmBtu	-6.86%	-44.67%
Spot Gold	$1,945.79 / ounce	0.51%	6.03%
TRPC coal API 2 / Dec, 23	$107 / tonne	-5.93%	-41.00%
Carbon ECX EUA / Dec, 23	€90.24 / tonne	-4.86%	7.47%
Dutch gas day-ahead (Pre. close)	€35.75 / Mwh	-1.24%	-49.91%
CBOT Corn	$5.42 / bushel	-8.60%	-10.95%
CBOT Wheat	$6.45 / bushel	-9.07%	-11.27%
Malaysia Palm Oil (3M)	RM3,523 / tonne	-5.47%	-13.97%
Index (Total Return)	**Close 20 Jun**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	289.34	-1.23%	-1.45%
Rogers International	26.14	-1.19%	-7.40%
U.S. Stocks - Dow	34,212.12	-0.72%	2.74%
U.S. Dollar Index	102.54	0.02%	-0.95%
U.S. Bond Index (DJ)	404.58	0.33%	3.96%

of 5,500 kilocalories (kcal) at Chinese northern ports was traded at about 770 yuan ($108.14) per metric ton at the end of May, versus $99 per metric ton for imported coal of similar quality at southern Chinese ports on a cost-and-freight (CFR) basis. Downward pricing pressure and high inventories capped coal imports from Indonesia and Mongolia.

Customs data on Tuesday showed Indonesian coal arrivals last month were 18.31 million metric tons, down 12.8% from April's 21.0 million metric tons.

Mongolian coal arrivals in May were 4.54 million metric tons, down 16.4% on April's 5.43 million metric tons.

German coal ready to plug the gap in wait for more gas-fired power

German importers of coal for power generation and steelmaking are ready to provide supplies until the completion of new gas-fired plants, plugging a gap left by the country's nuclear exit.

Though the electricity system in Europe's biggest economy is making the transition to cleaner energy, coal helped it to avoid energy shortfalls last winter when Russia turned off most of its gas exports. Operators and regulators say that despite high European gas inventories and low prices, further Russian supply cuts, a cold winter and increased Asian buying of liquefied natural gas (LNG) could again leave Europe short of gas.

The German coal industry, however, is ready to step into the breach ojnce again, said Alexander Bethe, chairman of the VDKi coal importers' association.

If there is another gas shortage in the coming winter, hard coal stocks are well filled, Bethe said in a statement issued during the VDKi's summer meeting. "We will there be if we are needed," said Bethe.

Looking further ahead, Bethe said that Germany will need 50 new units at gas-fired power plants by 2030 to provide stable power that compensate for intermittent renewables.

The economy ministry is due by the end of the year to issue its strategy to tender for new gas turbines providing 25 GW of power capacity by 2030. Bethe said the government plan will not be achievable, given long-winded planning and permitting procedures, lengthy construction periods and a lack of investment appetite while gas prices are high.

Hard coal imports into Germany last year totalled 44.4 million tonnes, up 8% from the previous year.

Top News - Dry Freight

Algerian wheat purchase seen at around 630,000 metric tons

Algeria's state grains agency OAIC is believed to have bought around 630,000 metric tons of milling wheat largely expected to be sourced from Russia in an international tender on Monday, European traders said on Tuesday.

This was above trader estimates of around 400,000 metric tons on Monday night.

Technically the wheat is optional origin but low prices reported means traders expect Russian grain to be largely supplied. Traders said around 300,000 metric tons was bought at around $261.50 a metric ton cost and freight (c&f) included, they said. Traders also reported other purchases at higher prices in a range up to $264.50 a metric ton.

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

The wheat was sought for shipment in two periods from the main supply regions including Europe: Aug. 1-15 and Aug. 16-31. If sourced from South America or Australia, shipment is one month earlier.

Algeria does not release results of its tenders and reports are based on trade estimates. Algeria is a vital customer for EU wheat, especially from France, but Russian grain has been aggressively expanding its presence in the Algerian market recently.

Iran's SLAL delays tender for 120,000 metric tons soymeal – traders

Iranian state-owned animal feed importer SLAL has delayed the deadline for submission of price offers in an international tender to purchase up to 120,000 metric tons of soymeal to Wednesday, June 21, European traders said on Tuesday.

The deadline for submission of price offers in the tender seeking soymeal to be sourced from Brazil or Argentina was previously Tuesday, June 20, they said. Shipment was sought in July and August.

No reason was given for the change, traders said.

Picture of the Day

A barley field is seen behind poppies during sunset in Blecourt, France, June 19, 2023. REUTERS/Pascal Rossignol

(Inside Commodities is compiled by Sreshtha Uniyal in Bengaluru)

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

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