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Top News - Oil

EXCLUSIVE-OPEC upbeat over 2024 oil demand outlook despite slowdown

OPEC will likely maintain an upbeat view on oil demand growth for next year when it publishes its first outlook later this month, predicting a slowdown from this year but still an above-average increase, sources close to OPEC said.
OPEC's forecast for 2024 will likely be lower than the growth it expects for this year of 2.35 million barrels per day, or 2.4%, an abnormally high rate as the world moves out of the coronavirus pandemic.
Even so, it would still be well above the annual average of the past decade with the exception of the pandemic years and above predictions by the International Energy Agency, which sees a major slowdown in demand growth next year to 860,000 bpd. OPEC and the IEA have repeatedly clashed in recent years, with OPEC criticising the IEA, which advises industrialised countries, for what it sees as irresponsible predictions and subsequent data revisions.
Oil demand growth is an indication of likely oil market strength and forms part of the backdrop for policy decisions by OPEC and its allies, known as OPEC+. The group in June extended supply curbs into 2024 to support the market as concern over weakening demand pressured prices.
For 2024, three OPEC sources said that while demand growth was likely to show a slowdown, it would not be as severe as the IEA predicts, and growth will likely be above 1 million bpd and below 2 million bpd. A fourth source close to OPEC said demand will likely rise by at least 1.5 million bpd.
"It can be expected that the increase in oil demand in 2024 will be much lower than 2023," one of the OPEC sources said, adding that it could be between 1.5 million and 1.7 million bpd. OPEC is expected to publish its first demand forecast for 2024 in its monthly report on July 13.
OPEC did not immediately respond on Thursday to an emailed request for comment.
"It will be more bullish than the IEA," another source said of OPEC's 2024 demand view. Top officials from OPEC countries at a conference this week such as Amin Nasser, CEO of state-owned oil producer Saudi Aramco, expressed optimism over the oil demand outlook despite economic headwinds weighing on prices.
"Asia is growing. China alone between 2019 and 2023, three million bpd growth, India one million bpd growth, so there is a pick-up in demand," he said. Oil demand forecasters often have to make sizeable revisions given changes in the economic outlook and geopolitical uncertainties, which this year included China's lifting of coronavirus lockdowns and rising interest rates.
OPEC originally predicted demand growth in 2023 of 2.7 million bpd in its first forecast published in July 2022, later revising it down to 2.35 million bpd.

Saudi Arabia hikes most August oil prices to Asia after supply cuts

Top oil exporter Saudi Arabia has raised the prices for most its crude oil to Asian customers in August for a second month, after its announcement of prolonging an extra output cut on top of a broader OPEC+ deal.
Saudi Aramco hiked the official selling prices (OSP) for August-loading Arab Light to Asia by 20 cents a barrel from July to $3.20 a barrel over Oman/Dubai quotes, the state oil giant said in a statement.
The price increase was largely anticipated by the market, although some Asian refiners surveyed by Reuters before Saudi Arabia's pledge to extend the production cut were expecting a price cut of about 50 cents amidst poor refining margins and competition with crude from other regions.
Saudi Arabia on Monday announced it would draw out its 1 million barrels-per-day (bpd) voluntary cut to oil production to August and left the door open to extend the trim further.
The de facto leader of the OPEC+ group raised its July OSPs to Asia last month shortly after it unexpectedly vowed a 1 million bpd voluntary in July. The more expensive Saudi oil would further weigh on the thin refining margins in Asia and prompt refiners to seek alternatives from other Middle Eastern suppliers or from regions such as the U.S. and West Africa, considering the spread between Brent- and Dubai-pegged oil has narrowed.
Arab Light has so far proved to be the least competitive grade for Asian refiners, according to a report from Renaissance Energy Advisors published on Tuesday, referring to the refining margins in Singapore.
Saudi Arabia kept the price for Extra Light crude to Asia unchanged in August at $2.55 a barrel over Oman/Dubai quotes, but raised the OSPs for Arab Medium and Arab Heavy by 20 cents, mirroring more robust refining margins for fuel oil, the statement showed.
For other regions, the top oil exporter increased its August Arab Light OSP to northwest Europe by 80 cents to $3.80 a barrel above ICE Brent. Meanwhile, the OSP to the United States was also raised by 10 cents in August from the prior month at $7.25 versus ASCI.

Top News - Agriculture

Romanian port key for Ukraine grain faces overflow as Black Sea deal on edge

Ukraine's on-off Black Sea grain deal has made the nearest port of Constanta in neighbouring Romania a key alternative that is set for volumes doubling its record years and months of delays with a domestic crop looming, industry experts and traders said.

Ukraine, one of the world's leading grain and oilseed exporters, saw its Black Sea ports blocked after Russia's invasion in February 2022. It regained limited access to three of its ports under a deal brokered last July by the United Nations and Turkey, which has been extended three times but is due to expire this month.

With no new ships registered under the deal since June 26, and a further extension uncertain, Ukrainian officials have said transit via Romania's Black Sea port of Constanta will be critically important.

Since the start of the war, Constanta has handled a third of Ukraine's total grain exports of just under 49 million tonnes.

Romanian port operators shipped 8.6 million tonnes last year, and 6.3 million tonnes in the first five months of 2023, the Constanta Port authority told Reuters. The port handled 12.17 million tonnes of grains overall in the first five months, a 21% jump on the year.

"There are premises that Constanta Port will see a new traffic record," the authority said.

FROM RUSTY WAGONS TO OVERFLOW

At the start of the war, around 700 rusty wagons were blocking the tracks in the port in Constanta, and rail works were stalled. Only last year, Romania reopened or rehabilitated 47 cargo and passenger rail links with Ukraine and neighbouring Moldova and works are ongoing. Transit routes by rail and barge from Ukraine's

Chart of the Day

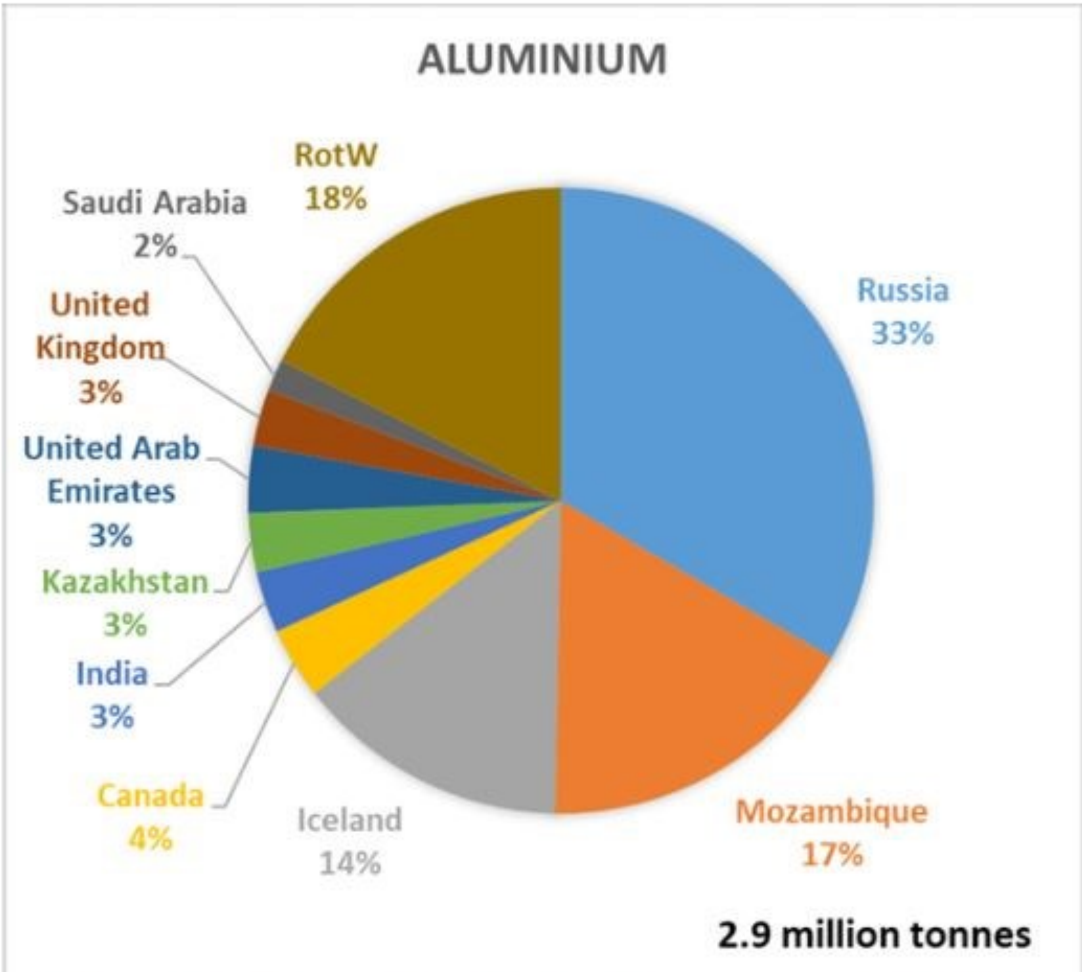

Figure 5. EU sourcing of aluminium (Eurostat 2022)

Danube ports have matured over 16 months of the war, port operators said.
Logistical improvements pushed costs down, making the Danube critical to Kyiv's agricultural exports.
Meanwhile, the insurance premium for ships leaving Odessa and the cost of waiting times in Istanbul for the Russian-Turkish-U.N. inspection stretching to $1 million for a medium-sized ship, make the sea leg of the route to Suez four times cheaper for the Constanta alternative.
The combination made the Romanian trail a substantially cheaper alternative not just for Western Ukraine grain but keeps it competitive even for shipments from the central parts of the country, a Ukrainian trading source said.
As a result, the port could be overwhelmed, even if Black Sea grain initiative is extended, according to Cezar Gheorghe of Romanian grain market consultancy AGRIColumn.
"We are off harvesting season now and still Constanta is suffocating," Gheorghe, who has decades of experience in trading and has advised the Romanian farm ministry, told Reuters.
Gheorghe estimated up to 27 million tonnes of Ukrainian grains and oilseeds could be sent through Constanta in the 2023/2024 season even if the corridor is extended, competing with 20-21 million tonnes from a promising Romanian harvest.

DELAYS

Combined, the two flows would almost double the 25 million tonnes of grain that Constanta handled annually at its peak, leading to congestion and delays.
"Exporters are already no longer signing contracts with Constanta delivery for July-August, there is no more room, a lot of grain is expected to arrive," Gheorghe said. "Contracts are being signed with delivery in September."
Delays also stem from bottlenecks in connecting infrastructure and a lack of integrated digital system, operators said. The port authority said it is working on a connected system that automates the flow of information at the port, but did not specify when it would be operational.

CHALLENGE OF TWO FLOWS

Further complicating things, Constanta's storage capacity could be strained, a Ukrainian commodities analyst said. The port has a storage capacity of 2 million tonnes, but flows need to be stringently separated for origin certification.
Meanwhile, Bucharest is considering measures to give Romanian farmers more access to Constanta during the harvest season, which would restrict the flow of Ukrainian grain.
Romania is one of five eastern European Union countries that saw an influx of Ukrainian grain since Russia's invasion, leading the EU to approve temporary trade restrictions.
Regardless, a Ukrainian commodities analyst said grain exports would find homes this year, particularly as crops would be lower as a result of the war.
"As we have much lower crops this year I think we can manage it without any problem for stocks," the analyst said.
"Some of it will go through Constanta, the Danube and the corridor, something will go by rail or truck directly to Europe."

Rains in Argentina's agricultural south delay wheat planting

Fresh rains in the south of Argentina's agricultural region have delayed wheat sowing in the last week, the Buenos Aires grains exchange said on Thursday.
Argentina, a key wheat exporter, is expected to plant six million hectares of the grain for the 2023/24 season, the exchange said, as producers are looking to recover from a harsh drought which halved production.
Rains are expected to continue into the Southern Hemisphere spring due to the El Nino phenomenon, which is caused by the warming of the surface of the central and eastern Pacific Ocean.
Last year, Argentina was hit by the reverse phenomenon, La Nina, which caused a historic drought.
"Persistent rainfall in the south of the agricultural region (the south and southeast of Buenos Aires province) has caused an accumulation of water, resulting, at the national level, in a year-on-year (planting) delay of 3.8 percentage points," the exchange said in its weekly crop report.
As of Wednesday, farmers had planted 81.4% of the estimated area for wheat, nine percentage points behind the average pace of the past five seasons, the report noted.
Rainfall is also delaying the harvest of corn from the 2022/23 season, the exchange added, which could cause a hit to the 34 million metric tons currently expected to come in.
Farmers have harvested 51.6% of the corn planting area, though yields were severely limited by the drought.
The estimated harvest is nearly 35% lower than the previous season's 52 million metric tons.
Harvesting for the 2022/23 soybean season ended last week, the exchange added, with production more than halving from the previous cycle to 21 million metric tons due to the drought.

Top News - Metals

VW ready to deal with China metal curbs; chipmakers play down fallout

Volkswagen is monitoring metals markets after China imposed export restrictions on two minor metals used in semiconductors and electric vehicles, it said on Thursday, while some chipmakers played down fears of shortages.

Fears are growing that more curbs on strategic exports including rare earths could be coming after a top Chinese trade adviser said on Wednesday that the limits on gallium and germanium, effective Aug. 1, were "just a start".

China's abrupt announcement on Monday of controls from Aug. 1 on exports of some gallium and germanium products, also used in electric vehicles (EVs) and fibre optic cables, has sent companies scrambling to secure supplies and bumped up prices.

The move, which came just days before U.S. Treasury Secretary Janet Yellen arrived in Beijing on Thursday for a visit, has also prompted more companies to re-think their reliance on the world's No. 2 economy.

VW, which relies on gallium and germanium for automotive products, said it was "ready to take measures together with its partners if necessary" but did not elaborate. The metals will play a role in future autonomous driving functions, a spokesperson for the German automaker said.

Alternative sources of gallium cannot be brought on stream before the restrictions take effect next month and existing supplies will only last for a period of months, experts said.

"Inventories outside of China are nothing more than maybe six months at best, so this will bite fairly quickly," said Alastair Neill, director at the Critical Minerals Institute.

Setting up a facility would take a couple of years and require investment which might not be rewarded if China changes its stance in the meantime, he added.

"The challenge is if you go down that road and then China brings off the ban, you may be stuck with a white elephant."

The U.S. Defense Department holds a strategic stockpile for germanium but currently has no inventory reserves for gallium, a spokesperson said on Thursday.

The export curbs are likely to further strain U.S.-China relations as the two countries vie for dominance in semiconductor and defence technologies. Both sides are sceptical that Yellen's four-day visit will ease the situation, with officials accepting that both countries have placed safeguarding national security above economic ties.

MARKET MONITOR as of 06:31 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$72.21 / bbl	0.57%	-10.03%
NYMEX RBOB Gasoline	$2.48 / gallon	0.80%	0.08%
ICE Gas Oil	$738.75 / tonne	2.53%	-19.79%
NYMEX Natural Gas	$2.64 / mmBtu	1.11%	-41.05%
Spot Gold	$1,914.79 / ounce	0.21%	4.95%
TRPC coal API 2 / Dec, 23	$122 / tonne	-2.79%	-33.96%
Carbon ECX EUA / Dec, 23	€86.71 / tonne	1.05%	3.26%
Dutch gas day-ahead (Pre. close)	€32.10 / Mwh	-8.02%	-57.52%
CBOT Corn	$4.99 / bushel	-0.05%	-26.44%
CBOT Wheat	$6.51 / bushel	-1.03%	-17.62%
Malaysia Palm Oil (3M)	RM3,861 / tonne	-1.28%	-7.50%
Index (Total Return)	**Close 06 Jul**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	291.53	-0.32%	-3.25%
Rogers International	26.07	-0.84%	-9.05%
U.S. Stocks - Dow	33,922.26	-1.07%	2.34%
U.S. Dollar Index	103.17	-0.20%	-0.34%
U.S. Bond Index (DJ)	403.66	-0.88%	3.77%

"If the talks between the two sides go well, many restrictions could be loosened, but if the talks go badly, both sides may put up more sanctions after Yellen goes home," said Capital Securities Corp analyst Liao Chien-yu.
Some industry players said the restrictions could leave China with a glut of the two metals, weighing on domestic prices even as costs overseas jumped this week.
Germanium is used in high-speed computer chips, plastics, and in military applications such as night-vision devices, as well as satellite imagery sensors.
Gallium is used in radar and radio communication devices, satellites and LEDs.
Some larger chip manufacturers view China's export controls on gallium as more of a warning shot about what economic pain the country could inflict.
But if prices rise as restrictions take hold companies would have another reason to shift supply chains.
Taiwan's WIN Semiconductors, which uses gallium for optoelectronic devices, told Reuters only a "small number" of substrates are purchased from China, with most of its supplies coming from Germany and Japan.
Taiwan's TSMC, the world's largest contract chipmaker, said it does not expect any direct impact on its production from the moves.
Taiwan is a major producer of chips used in everything from smartphones and cars to fighter jets, supplying companies like Apple and Nvidia.
Chipmaker NXP Semiconductors sees no material impact on its business.
NXP makes some chips for the auto and communications sectors using gallium or germanium.

Deep-sea metal rush in doubt as regulatory body meets

Plans to extract minerals from the ocean floor are expected to be put on hold next week at a meeting of the U.N. body regulating the sector, with environmental and economic risks threatening to scupper the industry before it begins.
Environmental groups expect next week's meeting of the International Seabed Authority (ISA) in Kingston, Jamaica, to rule out any immediate permission for mining to begin.
Countries will also discuss a moratorium later in the month to ensure projects do not go ahead without safeguards. Mining companies say the ocean floor is potentially rich in metals like nickel and cobalt used in batteries for electric vehicles, so their extraction will support the global energy transition.
Any permitting delay will hurt the prospects of Canada's The Metals Company (TMC), which has led efforts to exploit seabed minerals in the Pacific.
The company was not immediately available to comment.
Environmental groups warn that the use of heavy machinery to extract "polymetallic nodules" from ocean floors could cause irreparable damage to marine ecosystems, destroying habitats, churning up sediment and disrupting migratory routes.
TMC says that while deep-sea mining will have some ecological impact, it would be less damaging than land-based extraction.
At the heart of the discussions is a loophole known as the "two-year rule", which says the ISA council must "consider and provisionally approve" applications two years after they are submitted, even though it has yet to finalise related regulations.
The Pacific island of Nauru, TMC's sponsoring state, triggered the loophole in July 2021.
Nauru has indicated it would submit a "plan of work" to the ISA's technical committee this year but the committee is not expected to formally recommend approval, said Sian Owen of the Deep Sea Conservation Coalition, a non-government environmental group.
"This is a reflection of the growing momentum, globally and also within the ISA Council, of a move towards a pause," she told a briefing.
Germany, New Zealand and Switzerland have called for a moratorium, while France supports an outright ban.
ISA is responsible for exploration in sea areas beyond national jurisdictions, and its decisions will not prevent countries from digging for minerals in their own territorial waters.
Norway recently announced plans to open up 280,000 square kilometres (108,000 square miles) to exploration.
Beyond the environmental impact, soaring costs and uncertain economic returns could also turn off investors.
"The fact is no one has ever mined the sea floor in any major commercial capacity," said Victor Vescovo, an investor and deep-sea explorer who will attend the meeting.
"I think they would end up being stopped not by environmental concerns, not even by political pressure, but by the weight of the financial risk and poor performance that would happen at those incredibly difficult operating depths."

Top News - Carbon & Power

China miners seek coal import curbs to ease glut
China's coal inventories are so bloated and coal prices so depressed that some of the country's miners have cut production and called for a halt to imports, despite a scorching heatwave stoking power demand for cooling.
Scarred by a coal supply crunch and power crisis in 2021 and wary of energy insecurity risks triggered by the Ukraine war, Beijing urged miners to boost production, approved new mines and encouraged imports, which has led to record stockpiles. That has driven benchmark prices for thermal coal with energy content of 5,500 kilocalories at northern Chinese ports down 30% so far this year to about 850 yuan ($117) a metric ton.
In some regions, spot prices have fallen below the prices agreed by miners and utilities for long-term contracts, prompting power generators to default on coal purchases even as electricity demand soars amid a heatwave.
Coal-fired power plants generate two-thirds of China's electricity. Thinning profit margins and mounting inventories are forcing miners to scale down production, according to coal traders and China Coal Transportation and Distribution Association (CCTD) data.
At an industry seminar in late June attended by more than 30 big mining firms, participants called for authorities to let them adjust output based on market conditions and to restrict imports, according to two people familiar with the matter and a central government-backed newspaper.
However, their calls are unlikely to be heeded, as energy security remains a top priority, analysts and traders said.
"The amount of coal imports in the coming months will be decided by market prices," Li Xuegang, a CCTD analyst, said at a market briefing on Wednesday.
He predicted total imports this year would climb to around 400 million metric tons, up about 22% from 2013's record high.
China's General Administration of Customs and National Development and Reform Commission, which is in charge of industrial production planning, did not respond to Reuters inquiries on Thursday seeking comment.

OUTPUT CUTS
Average operation rates at 442 major mines in provincial coal hubs Shanxi, Shaanxi and Inner Mongolia dropped to 82% in June from 84% in May, CCTD data showed.
In May, China's daily coal output fell to the lowest level since October 2022, according to official data, however output over the first five months of 2023 hit a record 1.9 billion metric tons of coal. Inventories at power plants reached 200 million metric tons by end-June, 16% higher than in the same period last year, and are sufficient for 30 days of use, double the government requirement, CCTD data showed.
Stockpiles at ports grew 17% year-on-year to 74.8 million metric tons, according to information site Meitan Jianghu.
The increase was driven by a 90% jump in imports in the January to May period to 182.06 million metric tons of coal, after the country resumed purchases from Australia and snapped up cheap Russian coal.

COLUMN-Europe’s gas storage is filling too fast: Kemp
Europe’s gas storage is filling more slowly after prices fell sharply in the first half of the year, but a further slowdown will be needed to prevent space running out before the start of winter 2023/24. Stocks were already relatively high and the rate of accumulation ahead of winter is likely to keep nearby gas futures prices under pressure over the rest of this northern hemisphere summer. Gas inventories across the European Union and the United Kingdom amounted to 889 terawatt-hours (TWh) on July 4, according to data from Gas Infrastructure Europe (“Aggregated gas storage inventory”, GIE, July 6). Stocks were +246 TWh (+38% or +1.80 standard deviations) above the 10-year seasonal average although the surplus had narrowed from +280 TWh (+81% or +2.43 standard deviations) on March 31. Stocks have accumulated more slowly than usual by a total of +255 TWh (+2.68 TWh per day), the slowest increase since 2021 and before that 2014, compared with a 10-year average increase of +291 TWh (+3.06 TWh per day). Even so, because inventories were so high at the end of winter 2022/23, storage sites were already almost 79% full on July 4, compared with a prior 10-year average fill of just 60%. Based on inventory movements in the last decade, inventories are on course to peak at 1,211 TWh before next winter’s drawdown begins, with a probable range from 1,053 TWh to 1,259 TWh. As a result of slower injections, the projected storage has fallen from 1,246 TWh (with a range from 1,102 TWh to 1,413) at the start of the refill season on April 1. But the technical capacity of the storage system is only 1,130 TWh so space is on track to run out well before the start of winter 2023/24 on October 1. Front-month futures prices have already fallen by 85% in real terms since August 2022 to encourage more consumption by electricity generators and industrial users as well as re-route liquefied natural gas (LNG) cargoes to Asia. But after adjusting for inflation, prices are still in the 76th percentile for all months since 2010 so there is further scope to fall. Nearby futures prices are under persistent pressure, pushing calendar spreads into a steep contango to boost consumption this summer while conserving it in the middle of winter 2023/24.
Futures for gas delivered in October 2023 are trading at a discount of almost 12 euros per megawatt-hour to prices for April 2024, having been at a premium of more than 5 euros at the start of the year and 38 euros a year ago. Prices and spreads will continue to come under pressure until storage accumulation slows much further to avoid space becoming full before October.

Top News - Dry Freight

Canada port strike may add to inflation concerns ahead of rate decision

The Canadian dock workers strike is another factor for the Bank of Canada (BoC) to consider ahead of its policy announcement next week because the longer it drags on, the greater the risk of supply-chain disruptions that fuel inflation, economists said. Some 7,500 dock workers went on strike on Saturday for higher wages, upending operations at two of Canada's three busiest ports, the Port of Vancouver and Port of Prince Rupert. The two ports are key gateways for exporting the country's natural resources and commodities, and for bringing in raw materials. The walkout impacting C$500 million ($374 million) in trade per day, now in its sixth day, could also hurt economic activity, though that is less of a concern for the central bank, especially if overtime work later clears backlogs.

"The supply-chain impact and any kind of inflationary pressure is the bigger risk," said Andrew Grantham, senior economist at CIBC Capital Markets.

"If there's a near-term volatility in the trade figures or even the GDP figures based on this, the Bank of Canada always looks through that volatility no matter where it comes from."

The BoC came off the sidelines in June after a five-month pause, raising interest rates to a 22-year high of 4.75%, blaming stronger-than-expected growth and a tight labour market for stubbornly high inflation. Inflation was 3.4% in May, the latest data show, down from a peak of 8.1% last year, but the BoC has said it will take until the end of next year to get it all the way down to its 2% target. Money markets expect the central bank to tighten further, possibly as soon as at a policy decision next Wednesday. Most economists surveyed by Reuters are convinced there will be another rate hike next week. Canada's federal and provincial governments have been urging the parties to restart talks after they broke down on Tuesday.

"Industry, labour, and all levels of government want to see goods moving through our BC ports," Canada's minister of labour, Seamus O'Regan, said in a statement posted on Twitter on Thursday.

O'Regan said he spoke with Acting U.S. Secretary of Labor Julie Su on Thursday afternoon. Around two-thirds of Canada's total global trade is with the U.S., according to the federal government website.

The Canadian Manufacturers & Exporters (CM&E) industry body said the strike is disrupting C$500 million in trade every day.

"This is a serious disruption that will have some noticeable consequences if it drags on," Robert Kavcic, senior economist at BMO Capital Markets, said in a note.

Japan buys 115,717 metric tons of food wheat via tender

Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) bought a total of 115,717 metric tons of food-quality wheat from United States and Canada in a regular tender that closed on Thursday.

Japan, the world's sixth-biggest wheat importer, keeps a tight grip on imports of its second-most important staple behind rice, buying the majority of the grain for milling via tenders typically issued three times a month.

Picture of the Day

A file photo shows trees stand in a yellow rapeseed field in Ramillies near Cambrai, France, May 3, 2023. REUTERS/Pascal Rossignol

(Inside Commodities is compiled by Sreshtha Uniyal in Bengaluru)

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