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Top News - Oil

Saudi crude oil supply to China to rebound in August, regain market share

Saudi crude oil exports to China will rebound in August to at least 44 million barrels after deep price cuts by state energy firm Saudi Aramco supported demand, several trade sources said on Tuesday.

August exports to China will rise for the first time in four months, from about 36 million barrels in July, the sources said.

The rebound will help the biggest oil exporter regain its share in the largest import market.

Saudi exports to China tumbled in June to 1.12 million barrels per day, the lowest since March 2020, showed data from analytics firm Kpler.

Chinese buyers of Saudi oil include Zhejiang Petrochemical, Sinopec, Sinochem and PetroChina.

Separately, Saudi Aramco will supply full contractual volume to at least three other North Asian refiners in August, the sources said.

The allocation comes just days after Saudi Aramco cut prices for August-loading crude to Asia for a second month, with its flagship Arab Light crude price at its lowest since March.

One of the sources said August official selling prices (OSPs) for Saudi crude were more reasonable than in previous months when Saudi term supply was priced higher than other grades sold on the spot market.

Record US summer heat, hurricanes could roil fuel prices as oil refiners sweat

A double whammy of record heat and hurricanes should test U.S. refiners' resilience in coming weeks, raising the risk of extremely volatile fuel prices in the middle of the peak travel season, analysts said.

The Atlantic hurricane season from June through November is an annual threat for U.S. refineries. Half of the country's over 18-million-barrel-per-day refining capacity is located along the Gulf Coast, highly susceptible to tropical storms. The U.S. is the largest fuel market in the world.

Refiners this year may have to brace for more storms than usual. Government forecasters expect up to seven major hurricanes in coming months, double the annual average of three major Atlantic hurricanes with wind speeds over 111 miles per hour.

Citgo Petroleum Corp was cutting output at its 165,000 barrel-per-day Corpus Christi refinery on Saturday and plans to run the facility at minimum during Tropical Storm Beryl's passage over the Texas Coast, sources said.

The largest ports in Texas also closed operations and vessel traffic in preparation for Beryl, which is expected to strengthen back to a hurricane before hitting the area early on Monday.

The intensity and timing of Beryl, which at one point became the earliest Category 5 hurricane on record, signals an active and disruptive season ahead, said Neil Crosby, crude market analyst at Sparta Commodities.

"Hurricanes remain the biggest wild card for gasoline prices," said GasBuddy analyst Patrick De Haan. "No better reminder of that than Beryl," he said.

Evacuation orders ahead of storms can lift stockpiling and boost fuel demand, causing prices for gasoline, diesel and other refined products to move higher, De Haan said.

If a major storm hits the Gulf Coast's refining system, it could remove as much as a million barrels a day of fuel supply and lead to extended outages or even permanent closures, according to the U.S. Energy Information Administration (EIA).

Hurricanes heading for the Gulf Coast could also knock out a similar amount of crude supply, with the offshore Gulf of Mexico region housing around 14% of U.S. crude output.

In 2021, U.S. oil and gas companies suspended more than 1.7 million barrels oil output in the aftermath of Hurricane Ida.

Outages of around 1.5 million bpd of crude production and refining capacity can cause gasoline prices to jump by 25 cents to 30 cents, according to EIA.

WARMER TEMPS

In addition to hurricanes, refineries this year must contend with more problems related to scorching heat.

The latest U.S. monthly temperature outlook foresees above average temperatures in large parts of the U.S. in July, typically the hottest month.

Excessive temperatures have supersized effects on commodity supply chains, including oil and fuel, JPMorgan analysts wrote last month.

Most refineries are designed to operate between 32 and 95 degrees Fahrenheit. Triple-digit temperatures could lead to equipment malfunctions and reduction in refining capacity.

Extreme heat last year led to a 500,000 bpd reduction in Gulf Coast refined products output, the JPM analysts wrote.

Similar effects are being felt this year. Unit upsets reported by Phillips 66 at its Wood River refinery in Illinois last month were likely due to heatwaves, according to Kloza and other industry experts.

SILVER LINING

A robust maintenance season earlier this year allowed U.S. refineries to undertake major upgrades and perform detailed upkeep which had been repeatedly postponed due to surging post-pandemic demand and supply disruptions.

That should, in theory, make refineries better prepared for the hurricane season, said Alex Hodes, oil analyst at brokerage StoneX.

Slow demand in recent months has also helped refineries build fuel stockpiles, which should act as a buffer in case of outages.

U.S. gasoline inventories have risen by about 4 million barrels since the beginning of April to near 231.7 million barrels by June 28, in line with the seasonal average of the past five years excluding 2020.

Inventories of distillates including diesel and heating oil have grown by 3.7 million barrels from the start of April and were at 119.7 million barrels by June 28, slightly below the historical average excluding 2020, when inventories were sharply elevated by COVID-related demand destruction.

"There's not much margin for error," said Tom Kloza, head of energy analysis at Oil Price Information Service. "I'm waiting to see what happens."

Top News - Agriculture

US corn, soy, wheat ratings top expectations despite flooding

The U.S. Department of Agriculture (USDA) increased the percentage of corn and soy crops in good-to-excellent condition on Monday, topping analyst expectations despite heavy storms in the western Midwest.

With both at 68% good-to-excellent, the ratings for both crops are the highest for this time of year since 2020. The USDA reported 67% of the U.S. soy and corn crop were in good to excellent condition the previous week.

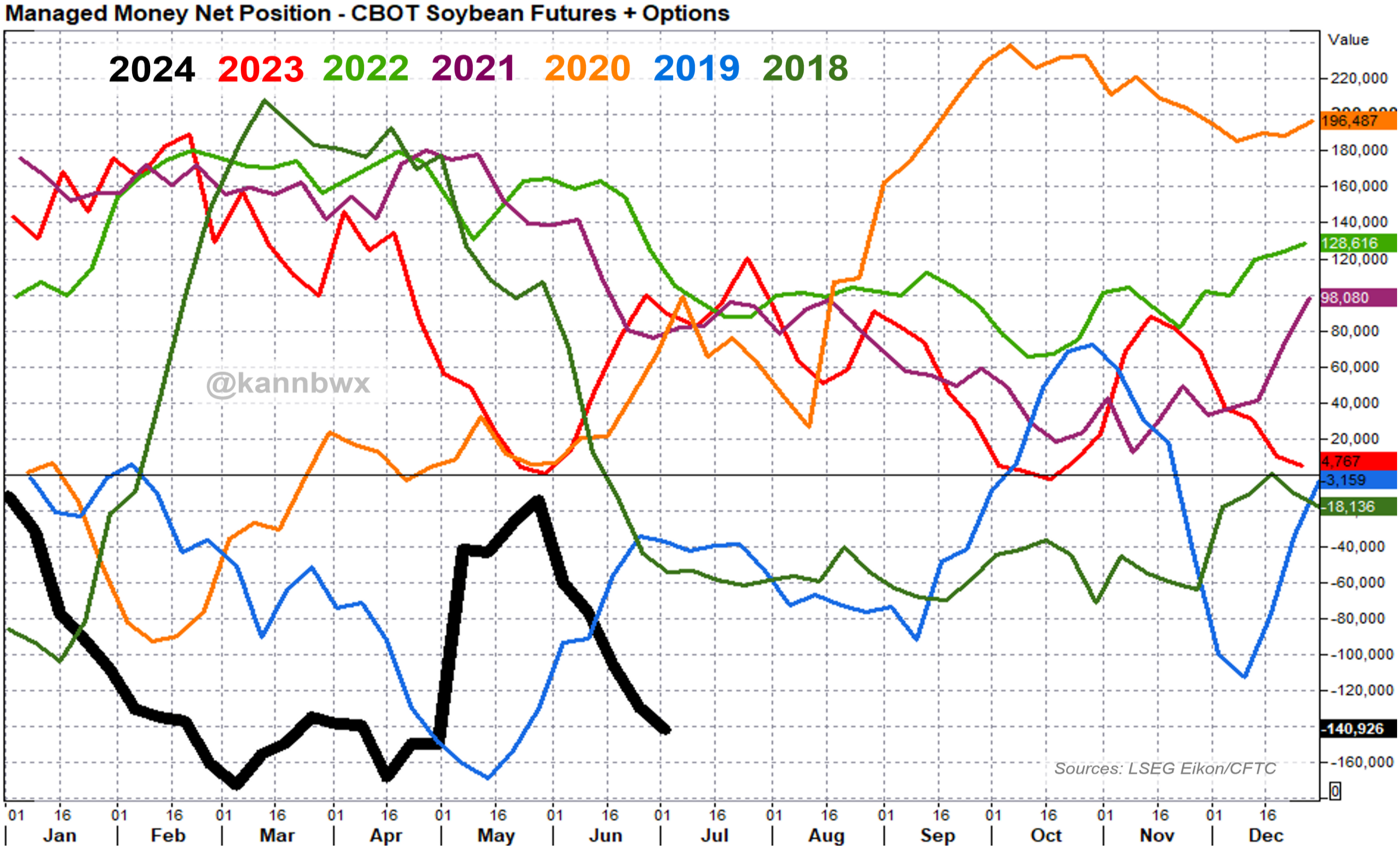
Large swathes of the U.S. Midwest have been buffeted by flooding, forcing some farmers to replant their corn and soy crops and snarling supply chains in some areas.

The U.S. is the world's top exporter of corn, used primarily for animal feed and ethanol fuel, and the No. 2 global soybean exporter, after Brazil.

Strong ratings of U.S. crops this spring despite some weather issues have helped push future prices of corn and soy to four-year lows, as supplies are thought to be ample.

Chart of the Day

Managed Money Net Position - CBOT Soybean Futures + Options



Meanwhile, the U.S. winter wheat harvest is quickly advancing. The USDA reported the harvest at 63% complete, in line with analyst estimates and up from 54% last week.
For spring wheat, grown in the northern Plains, the USDA rated 75% of the crop in good to excellent condition, above 72% the previous week. Analyst estimates ranged from 70% to 74% good to excellent.

Worse than expected French barley crop raises concern over wheat
The ongoing winter barley harvest in France, the European Union's largest grain grower, is showing worse than expected yields after poor weather hurt crops, raising additional concerns for the upcoming wheat crop.
Wet weather and soggy fields in France since the autumn delayed plantings, hurt plant development and increased crop disease, prompting observers to regularly cut their grain crop estimates.
The French farm ministry, which is due to update its forecasts on Tuesday, last month put the winter barley crop at 8.6 million tonnes, down 11% on the previous year. This was due to a fall both in area and in yield, with the latter projected at 6.73 metric tons per hectare (t/ha).
But the winter barley harvest now at about 50% of the expected area in France, has shown yields well below that level, farmers and analysts said.
French consultancy Agritel expects winter barley yields at levels between the poor harvests of 2016 and 2020 when they stood at 5.57 t/ha and 5.46 t/ha respectively. This would put the crop at around 7 million tons, down about 27% from 9.66 million in 2023.
"As the harvest advances people are progressively cutting their forecasts," said Arthur Portier, senior consultant at Agritel and a farmer himself.
Winter barley is the third largest grain crop in France after soft wheat and maize.
The poor barley results are raising concerns for the soft wheat harvest that is just kicking off, due to a strong correlation between winter barley and soft wheat yields.
"It's not looking good for wheat yields either and there are also major concerns about wheat quality," a French trader said, pointing to frequent rainfall in several parts of the country that could generate quality problems.
Crop institute Arvalis and grain industry group Intercereales on Friday forecast that this year's soft wheat harvest in France would show a yield at an eight-year low.
Meanwhile farm office FranceAgriMer said soft wheat ratings had deteriorated in the last week of June with only 58% of the crop in good or excellent condition.

Top News - Metals

China issues draft rules to allow more recycled copper, aluminium imports
China has issued draft rules to allow more imports of recycled copper and aluminium to improve supply and industry competitiveness, the Ministry of Ecology and Environment (MEE) said on Monday.
The world's top metals producer and consumer has been looking to raise the usage of recycled metals as part of an efforts to lower carbon emission by the energy-intensive industry while avoiding becoming a dumping ground for waste materials from other countries.
Recycled copper, copper alloy raw materials, recycled aluminium and aluminium alloy raw materials are no longer categorized as solid waste, and can be imported without restrictions, MEE said in a notice asking for market opinions.

India to get coking coal from Mongolia on trial basis in July, sources say
India will import coking coal from Mongolia on a trial basis from later this month, two sources familiar with the matter said, as New Delhi seeks to diversify imports of the key steelmaking raw material to cut over-reliance on Australia.
Steelmakers including JSW Steel and the state-owned Steel Authority of India (SAIL) are poised to receive coking coal shipments from Mongolia after months of negotiations, said the sources, who did not wish to be named in line with official rules.
India's Ministry of Steel, JSW Steel, and SAIL did not immediately respond to Reuters emails seeking comments.
JSW Steel is expected to receive around 30,000 metric tons of coking coal from Mongolia and SAIL is likely to get 3,000 to 5,000 metric tons, the sources said.
For JSW Steel, this would be the second such shipment after 2021, when India's biggest steel maker bought 8,000 metric tons of coking coal from Mongolia, the sources said.
The supplies would come to India via Chinese ports, but Indian authorities do not think New Delhi should entirely rely on China for steady supplies of coking coal from Mongolia, the sources said.
Relations between India and China have been tense since the biggest military confrontation in decades on their disputed Himalayan border killed 20 Indian and at least four Chinese soldiers in June 2020. Thousands of troops remain mobilised on each side.
India is trying to figure out alternate routes for the supplies of Mongolian coking coal to India, the sources said, without giving details.
Indian mills have asked the government to step in and help work out the routes that would ensure regular supplies of coking coal from Mongolia, which offers superior grades, they added.
Without a viable and dependable route, Mongolia, rich in mineral resources, struggles to sell raw materials to countries such as India.
Some Indian companies are also looking at either acquiring or leasing coal and copper assets in Mongolia.
Indian steel companies consume around 70 million metric tons of coking coal annually, and imports constitute around 85% of the country's total requirements.
Steel mills in India, the world's second-biggest crude steel producer, have struggled with volatile supplies of coking coal from Australia, which normally accounts for more than half of India's annual imports.
Indian steelmakers have stepped up coking coal imports

from Russia in recent months to take advantage of cheaper prices - a result of Western sanctions targeting Moscow for the war in Ukraine.
During the first half of 2024, Russia emerged as India's third-biggest supplier of coking coal by selling it 3.3 million metric tons, data from commodities consultancy BigMint showed.

Top News - Carbon & Power

US LNG output dips in June on shorter month, plant maintenance
U.S exports of liquefied natural gas (LNG) fell slightly in June to 7.11 million metric tons (MT) from 7.60 MT in May, as several plants embarked on maintenance activity, preliminary data from LSEG showed.
U.S exporters boosted exports to Asia, where prices were higher, putting shipments of the super-chilled gas to that continent at parity with Europe.
The U.S. is the world's largest exporter of LNG and a key supplier to Europe since Russia's invasion of Ukraine, but overall exports declined for four consecutive months this year, according to LSEG data.
They rebounded in May before falling again in June, the LSEG data showed.
Several U.S. LNG plants, including Freeport LNG and Cheniere Energy's Corpus Christi facility, as well as pipelines, underwent maintenance in June, prompting a drop in supplies.
Cameron LNG, Cheniere's Sabine Pass and Venture Global's Calcasieu Pass in Louisiana were also undergoing work.
The outages hit demand for natural gas to feed LNG plants, with June gas flows at 12.3 billion cubic feet per day (bcfpd), or 84% of estimated utilization capacity, analysts for financial firm Tudor, Pickering, Holt & Co wrote in a note last week.
"Multiple LNG projects saw decreases in flows with notable ones being Calcasieu Pass (-150mmcf), Sabine Pass (-160mmcf) and Cameron (-100mmcf)," TPH analysts wrote.
A slightly larger share of US LNG exports went to Asia in June compared to May. Some 2.98 MT, or 42% of June exports, went to Asia, compared to 41% of total US exports in May, the LSEG data showed.
"Asia remains the preferred destination for US free-on-board (FOB) LNG cargoes as the arbitrage remains open in June for August and September delivery," said Rystad Energy's senior analyst, Masanori Odaka in an update to client late last month.
Most of the US exports to Asia continued to take the longer route past the Cape of Good Hope. Yet there was least one shipment that went to Asia via the Suez Canal, LSEG ship tracking data showed.

MARKET MONITOR as of 06:41 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$82.37 / bbl	0.05%	14.96%
NYMEX RBOB Gasoline	$2.51 / gallon	0.20%	19.22%
ICE Gas Oil	$786.75 / tonne	-0.35%	4.80%
NYMEX Natural Gas	$2.37 / mmBtu	0.25%	-5.65%
Spot Gold	$2,363.09 / ounce	0.18%	14.57%
TRPC coal API 2 / Dec, 24	$113.5 / tonne	-1.94%	17.01%
Carbon ECX EUA	€68.86 / tonne	-0.19%	-14.32%
Dutch gas day-ahead (Pre. close)	€31.67 / Mwh	-3.24%	-0.57%
CBOT Corn	$3.94 / bushel	0.13%	-18.65%
CBOT Wheat	$5.73 / bushel	0.35%	-99.10%
Malaysia Palm Oil (3M)	RM3,956 / tonne	-2.13%	6.32%
Index	**Last**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	341.82	-0.81%	13.41%
Rogers International	28.74	-1.30%	9.17%
U.S. Stocks - Dow	39,344.79	-0.08%	4.39%
U.S. Dollar Index	105.00	0.00%	3.61%
U.S. Bond Index (DJ)	430.74	0.19%	0.01%

Europe, a top destination for US LNG exports, took 2.99 MT, or 42%, of total June exports, in line with levels from the previous month, according to LSEG data.
US exports to Latin America held steady at 870,000 MT, or just over 12% of total exports. The Middle East took three cargoes carrying 210,000 tons of LNG in total, LSEG data showed.

COLUMN-Global hydro rebound will curb fossil fuel growth in 2024: Kemp
Global hydroelectric generation slumped to a five-year low last year as a result of lower-than-average rainfall across China, North America and India, contributing to record fossil fuel combustion and emissions in 2023.
Global hydro generation amounted to 4,240 billion kilowatt-hours (kWh) in 2023 down from a record 4,359 billion kWh in 2020, according to the Statistical Review of World Energy published by the UK Energy Institute.
The slump over the last three years has been the largest on record, forcing the world's biggest producers to revert to coal and gas-fired power plants to replace lost generation, amplifying the upward trend in fossil fuel burning.
But hydro is set to rebound this year thanks to higher rainfall and snow melt in key areas, which will combine with rapid deployment of wind and solar power to curb growth in fossil fuel use in 2024.
Global hydro generation is highly concentrated, with two-thirds occurring in just seven countries - China (30%), Brazil (9%), Canada (9%), the United States (6%), Russia (5%), India (4%) and Norway (3%).
China's generation fell by a massive 96 billion kWh in 2023 compared with three years earlier, accounting for 80% of the generation lost worldwide, according to the Statistical Review.
Prolonged drought across south and central China cut water volumes down the Yangtze and other river systems, slashing power output even though the country brought new hydro dams and turbines into service.
But there were also sharp downturns compared with three years earlier in the United States (-46 billion kWh), Canada (-22 billion kWh), India (-15 billion kWh) and Russia (-15 billion kWh).
In the United States, hydro output fell to the lowest for 22 years, mostly as a result of an extended drought across the western part of the country, according to data from the U.S. Energy Information Administration.
HYDRO REBOUND
The outlook for hydro generators is looking more promising this year, with heavier rain and snowfall in most key producing areas, likely to drive a record one-year increase in output.
China's generation had already climbed by 57 billion kWh (16%) in the first five months of 2024 compared with 2023, according to data from the National Bureau of Statistics.
Since then, southern and central regions have been inundated with heavier than normal monsoon rains, triggering multiple flood alerts on the Yangtze and other river systems.
With most of the main flood season still ahead in July and August, China's generation is on course to set new records as heavy river flows enable the country to make full use of newly installed turbines.
By May 2024, China had installed 423 million kilowatts (kW) of generating capacity, up from 370 million kW when generation last peaked in 2020, so there is potential to increase output significant if river volumes are high enough.
In Brazil, hydro has already set a new record of 206 billion kWh in the first five months of the year, surpassing the previous high of 199 billion kWh.
Reservoirs connected to the main Southeast and Midwest electricity transmission system, which account for most of the country's hydro potential, were storing enough water to generate 101 billion kWh at the end of June.
Storage was down from 129 billion kWh at this point last year but was otherwise the highest since 2012, according to data from the country's transmission operator.
U.S. hydro generation has also started to recover from last year's low, with the government forecasting it will be 6% higher in 2024.
In China the main substitute for hydro is coal, while in Brazil and the United States it is gas, so the rebound in hydro is likely to trim fossil fuel combustion and emissions.
If the hydro rebound is sufficiently large, and accompanied by continued rapid deployment of wind and solar farms, both of which seem likely, it could be enough to create a peak in coal burning and fossil fuel emissions, at least temporarily.

Top News - Dry Freight

Jordan tenders to buy up to 120,000 metric tons feed barley, traders say
Jordan's state grains buyer has issued an international tender to purchase up to 120,000 metric tons of animal feed barley, European traders said on Monday.
The deadline for submission of price offers in the tender is July 10.
Shipment in the tender is sought in a series of possible combinations in 50,000 to 60,000 ton consignments.
Possible combinations are between Sept. 1-15, Sept. 16-30, Oct. 1-15 and Oct. 16-31.
Jordan has also issued a separate tender to buy 120,000 tons of wheat.

Panama Canal expects new water reservoir for ship crossings in 6 years
The Panama Canal expects to complete a billion-dollar construction of a new water reservoir within six years that will help ensure the passage of 36 ships a day, the administrator of the global waterway said on Monday.
The Indio River reservoir project would become part of the network of existing artificial lakes that allow for safe passage through the canal and provide water for human consumption.
"We are looking at six years," canal administrator Ricaurte Vasquez said.
Vasquez said the project "would provide a little more

certainty to maintain 36 transits per day, a higher level of reliability for the route."
Last month, the Panama Canal said after recent rains boosted water levels, it would increase the total number of available slots in both Neopanamax and Panamax locks to 35 slots after Aug. 5.
Increased rainfall in recent months has allowed the canal, the world's second-largest, to replenish its watershed, leading to an increase in transits that had been severely restricted last year amid a drought.
Ricuarte estimated the project would cost around $1.2 billion, plus an additional $400 million in investments in neighboring communities.

Picture of the Day

Standing water between rows of corn is pictured after Hurricane Beryl moved through the area near Palacios, Texas, U.S. July 8. REUTERS/Kaylee Greenlee Beal

(Inside Commodities is compiled by Mohammed Nihaal T S in Bengaluru)

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

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