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Top News - Oil

Global oil market will be in supply deficit next year, EIA says

Global oil demand will outpace supply next year, the U.S. Energy Information Administration said on Tuesday, reversing a prior forecast for a surplus.

The change came after OPEC and its allies, collectively known as OPEC+, extended most of their deep oil output cuts into next year at a meeting last month. The producer group has been restricting output since late 2022 to shore up oil markets in the face of weakening demand growth, high interest rates and record U.S. output.

If the market goes into a deficit, refiners will need to drain oil from inventories to meet demand.

The deficit will be smaller next year than this year, the EIA said. Global oil demand will average about 104.7 million barrels per day (bpd) next year, while supply will be around 104.6 million bpd, the EIA said in its monthly short-term energy outlook.

The EIA pegged global demand at around 104.5 million bpd and supply at 104.7 million bpd and in its previous forecast.

Lower OPEC+ output is also deepening the supply deficit through the rest of this year, EIA projections showed.

World oil demand will exceed output by around 750,000 barrels per day in the second half of 2024, based on EIA's outlook.

Its earlier forecasts showed a smaller deficit of about 550,000 bpd in the second half this year.

Withdrawals from global inventories will push oil prices higher, EIA said. Global benchmark Brent crude prices will average $89 a barrel in the second half this year, up from $84 a barrel in the first half, it said.

The market could flip to a surplus again from the third quarter of next year if OPEC+ unwinds production cuts, the EIA said. The producer group said last month that it would slowly unwind some voluntary cuts from October.

"We anticipate that the market will gradually return to moderate inventory builds in 2025 after the expiration of voluntary OPEC+ supply cuts in 4Q24 and after forecast supply growth from countries outside of OPEC+ begins to offset growth in global oil demand," EIA said.

U.S. oil output will grow by 320,000 barrels per day this year to a record of 13.25 million bpd, slightly more than its previous forecast of 13.24 million bpd, EIA said.

COLUMN-Oil investors regain poise after post-OPEC swoon: Kemp

Portfolio investors had reverted to a broadly neutral position in petroleum last week after heavy selling triggered by the OPEC+ meeting at the start of June waned and buying took over.

Hedge funds and other money managers purchased the equivalent of 56 million barrels in the six most important futures and options and contracts over the seven days ending on July 2.

Fund managers have been net buyers in each of the last four weeks, purchasing a total of 316 million barrels since June 4, according to exchange and regulatory records.

The wave of buying has more than reversed the 194 million barrels sold in the aftermath of the OPEC+ meeting at the beginning of June.

The resulting position of 524 million barrels was in the 40th percentile for all weeks since 2013 and broadly neutral or slightly bearish.

In the most recent week, buying was led by Brent (+37 million barrels), NYMEX and ICE WTI (+13 million) and U.S. diesel (+12 million).

There were minor sales of both U.S. gasoline (-3 million barrels) and European gas oil (-3 million).

Fund managers were still moderately bearish about most parts of the petroleum complex, a transformation from being extremely bearish just a few weeks earlier.

But they were also broadly neutral about WTI and extremely bullish about European gas oil.

Bearish short positions in the NYMEX WTI contract had been reduced to 27 million barrels, the lowest for 15 weeks since the middle of March.

With so few short positions remaining, short-covering is unlikely to provide much more upside momentum to crude prices.

US NATURAL GAS

Portfolio managers sold futures and options linked to U.S. gas prices for the second week running as concerns grew about the persistent storage surplus despite heatwaves across much of the country.

Hedge funds and other money managers sold the equivalent of 270 billion cubic feet (bcf) in the two major contracts linked to prices at Henry Hub in Louisiana over the week ending on July 2.

Fund managers have sold a total of 349 bcf since June 18, making a small dent in the 2,845 bcf accumulated over the previous 17 weeks since the middle of February.

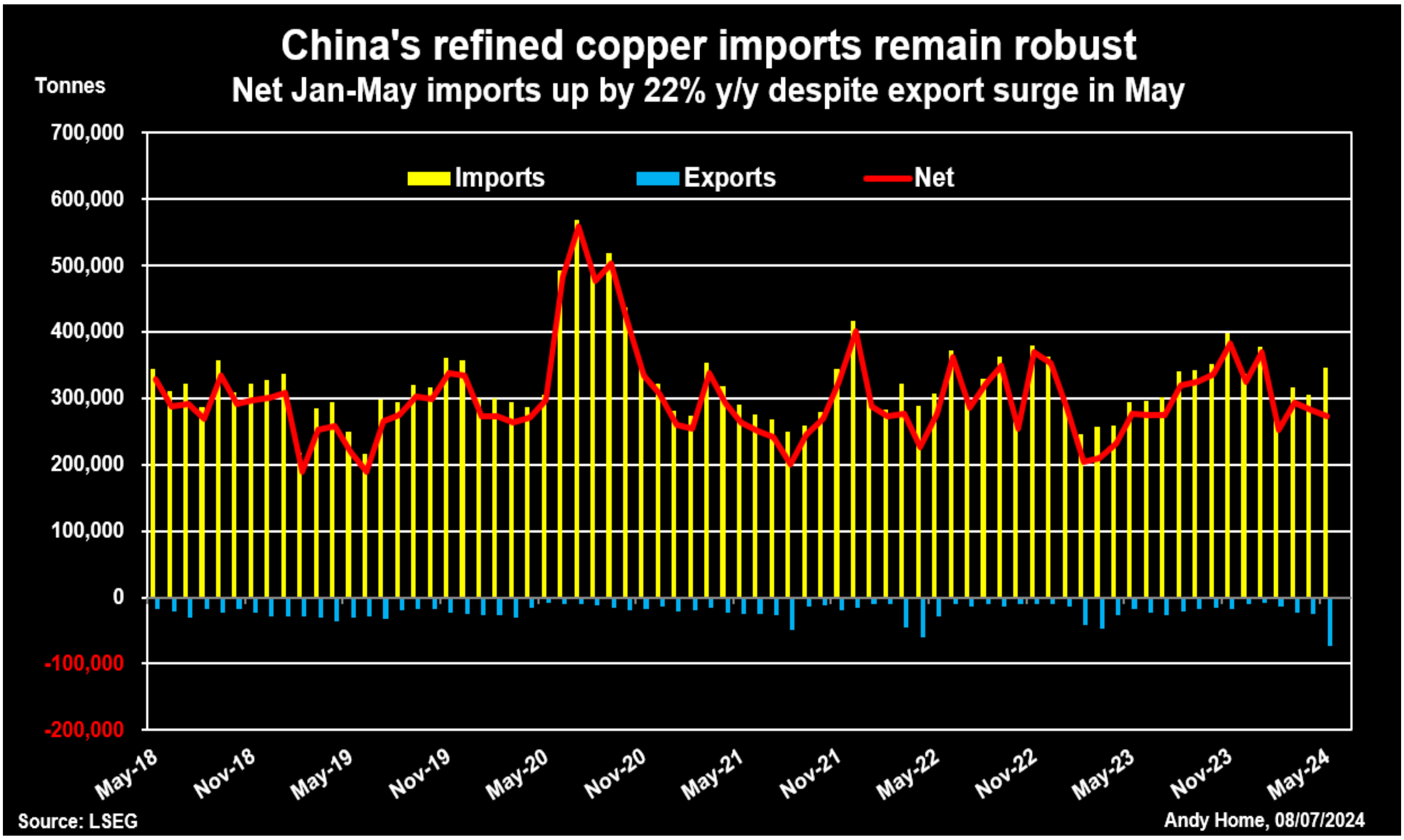
The net long position of 821 bcf was in the 52nd percentile for all weeks since 2010, down from 1,170 bcf (59th percentile) on June 18 but still up from a net short of 1,675 bcf (3rd percentile) on February 20.
Inflation-adjusted futures prices have been stuck near multi-decade lows, encouraging many fund managers to build bullish long positions anticipating they must rise towards something more like the long-term average.
Ultra-low prices forced major gas producers to announce cutbacks to drilling and production programmes back in February.
Low prices were also expected to encourage maximum consumption by power generators during the summer of 2024, hastening the erosion of surplus inventories carried over from a very mild winter in 2023/24.
Despite several heatwaves, however, the storage surplus has narrowed very slowly, forcing fund managers to temper some of their previous bullishness.
Working gas stocks in underground storage amounted to 3,134 bcf on June 28, the second-highest level on record for the time of year.
Inventories were still 536 bcf (+21% or +1.40 standard deviations) above the prior 10-year seasonal average, down from a maximum late-winter surplus of 664 bcf (+40% or +1.47 standard deviations) on March 15.
Such high inventories have pushed back the rebalancing of the market and will ensure prices remain lower for longer.
Reflecting the slow adjustment, prices for gas delivered in January 2025, the middle of next winter, have slumped to an average of $3.71 per million British thermal units so far in July - no higher than they were in February.

Top News - Agriculture

India boosts Russian grain imports as Modi thanks Putin for fertilizer supply

India increased its imports of Russian grain and grain products 22 fold, well above other major importers, in the 2023/24 agricultural season, according to data released during Prime Minister Narendra Modi's visit to Moscow.
Economic cooperation between the two BRICS members and major agricultural powers is high on the agenda of the visit.
Modi thanked Russian President Vladimir Putin for supporting Indian farmers with stable supplies of fertilizers. At the start of the year, Russia was supplying a third of India's fertilizer imports.
"Thanks to our friendship, we managed to resolve difficulties for Indian farmers. We met all their needs for fertilizers. This is a special role of our friendship," Modi

Chart of the Day



told Putin during a meeting in the Kremlin.
Russia and India have set a bilateral trade target of $100 billion across a "broad base" by 2030, up from the current $65 billion, Indian Foreign Secretary Vinay Mohan Kwatra said on Tuesday.
In a joint statement issued after the talks, Russia and India said they aim to boost bilateral agriculture and fertilizer trade further, pledging to ease the existing phytosanitary and veterinary barriers.
Data released by the Russian agricultural watchdog showed that Russia exported up to 89.3 million tons of grain and grain products in the 2023/24 agricultural season, 21% more than in the previous season.
ndia, with its 22-fold increase, was well ahead of Indonesia with an eight-fold increase and Tunisia with a three-fold increase. According to the Russian agriculture ministry data, Russia was the fourth-largest agricultural products exporter to India in the first quarter of 2024.
In a separate comment to Reuters, the agricultural watchdog said that the 22-fold increase was mainly due to exports of peas, which only started in the 2023/24 agricultural season, and a three-fold increase in exports of lentils.
The watchdog noted that India's decision to allow imports of Russian grains disinfected with substances based on aluminium phosphide, far more easily available in Russia than an initial substance India had requested, also played a role in the export growth.
The watchdog added that in the latest agricultural season, overall exports of barley rose by 67% and corn by 31%.
Russia does not currently export wheat to India, which has imposed a prohibitive 40% tax on wheat imports.
However, wheat prices in India, the world's second-biggest producer of the grain, have been rising in recent weeks due to concerns over supplies.
In light of these concerns, there is speculation that the Indian government may abolish or reduce the current import tax to keep prices low, potentially opening the way for wheat from Russia, the world's leading wheat exporter, to enter the local market for the first time in six years.

Robusta coffee prices surge to record high as supplies tighten
Robusta coffee prices surged to a record high on Tuesday with the global market tightened by a slowdown in shipments from top producer Vietnam.
The price of robusta beans has risen 63% this year, peaking on Tuesday at $4,667 a metric ton on the London -based ICE Futures Europe market.
The market has been rising for about 18 months as global producers such as Vietnam struggle to keep pace with steadily rising demand. Prices climbed by 58% in 2023.
Demand for robusta has been growing as roasters switch out of arabica into the cheaper bean. Robusta is typically used to make instant coffee but it has also been increasingly added to roast coffee blends dominated by arabica.
Vietnam's coffee exports in June were just 70,202 tons, taking the cumulative total for the first half of this year to 893,820 tons, down 11.4% from a year earlier, customs data showed on Tuesday.
"This lower export performance for Vietnam during the month of June continues to reflect the tight internal market conditions within this largest robusta-producing nation," coffee trader I & M Smith said in a daily update.
Coffee production in Vietnam almost tripled during the first two decades of this century, peaking at 31.58 million 60-kg bags in the 2021/22 season, according to U.S. Department of Agriculture data.
The last couple of seasons, however, have produced smaller crops with the most recent harvest estimated by the USDA at 29 million bags. A further decline is widely forecast for the upcoming 2024/25 season.
Vietnamese coffee growers have been hit this year by the worst drought in nearly a decade, denting the outlook for the next harvest which gets under way around November.
GROWING DEMAND
Demand for coffee has continued to grow globally despite rising prices.
The International Coffee Organization this month estimated a rise of 2.2% in global coffee consumption in the 2023/24 season.
Trader I & M Smith said on Tuesday that many independent forecasts saw demand continuing to grow in 2024/25, albeit at a slightly slower pace of 1.25%.
"This growth is primarily driven by relatively new coffee consumer markets and producer countries such as China, India, Indonesia, the Middle East and Vietnam who have registered increased internal coffee consumption," the trader said.
The challenges faced by Vietnamese robusta producers have created an opportunity for Brazil, which grows mostly arabica beans but has been expanding production of robusta, a variety more resistant to dry weather.
"Brazil now is planting a lot and probably in a couple of years will became the most important country as regarding the production of robusta, more important than Vietnam," Giuseppe Lavazza, chairman of coffee company Lavazza told Reuters.
Brazil produced around 21.5 million bags of robusta coffee last year, a near record, and is harvesting what is expected by most analysts to be a larger crop, despite some early complaints by farmers about yields.
"I know that with these kind of prices they (Brazilian farmers) are running like crazy to produce more and more robusta," Lavazza said.

Top News - Metals

China smelters sets Q3 copper TC/RC guidance of $30 per ton/3.0 cents per lb, sources say
China's top copper smelters agreed on third-quarter guidance for copper concentrate processing treatment and refining charges (TC/RCs) at $30 per metric ton and 3.0 cents per pound, two sources with knowledge of the matter said on Wednesday.
The decision was made at a meeting of the China Smelters Purchase Team (CSPT) held on Wednesday, the sources said. This guidance marks a sharp drop from the first-quarter guidance of $80 per ton and 8.0 cents per pound.

In March, the group decided not to set any guidance prices for the second quarter, following a dramatic fall in spot TCs on tightening supplies.
CSPT, consisting of over 10 top copper smelters, holds quarterly meetings to discuss market conditions and give guidance prices for the near-term spot market.
TC/RCs, a key source of revenue for smelters, are paid by miners when they sell concentrate, or semi-processed ore, to be refined into metal.
They are a gauge of availability for copper concentrates used in the production of refined copper.
A lower charge signals less supply, which started with the December closure of First Quantum's Cobre mine in Panama.
Meanwhile, demand in China increased as smelters ramped up their capacity.
China's refined copper output grew 8.2% in the first five months to 5.54 million tons this year, according to data by National Bureau of Statistics.
China imported 11.59 million tons of copper ore and concentrate in the first five months this year, up 2.7% from the same period last year, customs data showed.

COLUMN-China's refined copper imports remain surprisingly strong: Andy Home

China once again holds the key to copper's fortunes as the market waits for the world's largest buyer to shake off its property woes and join the bull party.
The signs are mixed to say the least.
China's manufacturing sector contracted for the second consecutive month in June, albeit with some offset from a more positive Caixin survey, which captures smaller, export-oriented manufacturers.
Shanghai Futures Exchange (ShFE) copper stocks remain elevated at 321,642 metric tons, breaking the seasonal pattern of strong draws after the lunar new year holidays.The Yangshan copper premium, a closely-watched indicator of China's spot import appetite, turned negative in May and is currently zero, according to local data provider Shanghai Metal Market.
Chinese smelters, meanwhile, have been exporting copper to London Metal Exchange (LME) warehouses, driving stocks up above 190,000 metric tons for the first time since October.
Amid the negative optics, however, shines one divergent bull signal. China's imports of refined copper have been surprisingly strong this year. Even though exports hit an eight-year high in May, outbound volumes were still dwarfed by arrivals.
AFRICAN IMPORT BOOSTER
China imported 1.61 million tons of refined copper in the first five months of the year, a year-on-year increase of 19.2%.
The comparison is somewhat flattered by a low base in early 2023, when imports were relatively weak. But imports over the last 12 months have been a robust 3.98 million tons, a level exceeded only once on an annual basis in 2020. Exports jumped to 73,860 tons in May, the highest monthly volume since May 2016, as smelters exported into a profitable arbitrage window with the

MARKET MONITOR as of 07:10 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$80.91 / bbl	-0.61%	12.92%
NYMEX RBOB Gasoline	$2.47 / gallon	-0.86%	17.22%
ICE Gas Oil	$766.50 / tonne	-1.19%	2.10%
NYMEX Natural Gas	$2.32 / mmBtu	-0.90%	-7.60%
Spot Gold	$2,372.18 / ounce	0.36%	15.01%
TRPC coal API 2 / Dec, 24	$110.95 / tonne	-2.25%	14.38%
Carbon ECX EUA	€68.70 / tonne	0.20%	-14.52%
Dutch gas day-ahead (Pre. close)	€30.84 / Mwh	-2.62%	-3.17%
CBOT Corn	$3.94 / bushel	0.00%	-18.60%
CBOT Wheat	$5.69 / bushel	-0.48%	-99.11%
Malaysia Palm Oil (3M)	RM3,886 / tonne	-1.84%	4.43%
Index	**Last**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	340.78	-0.30%	13.07%
Rogers International	28.61	-0.45%	8.68%
U.S. Stocks - Dow	39,291.97	-0.13%	4.25%
U.S. Dollar Index	105.07	-0.05%	3.69%
U.S. Bond Index (DJ)	431.56	-0.20%	0.20%

London market.
Yet exports of 144,300 tons over the January-May period were still 1.7% below the same period of 2023, meaning China's net draw on metal from the rest of the world was 262,000 tons higher.
The core driver of rising imports has been the Democratic Republic of Congo, which last year overtook Chile as China's top supplier of refined copper.
Imports from the Congo grew from 480,000 tons in 2020 to 870,000 in 2023. Volumes so far this year have jumped by another 78% to 548,000 tons.
The accelerating trade flows between the two countries reflect fast-rising production in the Congo, which has grown to be the world's second largest producer after Chile in 2023.
Chinese entities own and operate a large part of Congo's copper and cobalt sector, controlling a supply chain that ends up in mainland China.
The Congo is emerging as a strategic component of China's overall copper import strategy. As such, it remains to be seen how sensitive trade is to either price or market conditions.
TOO MUCH COPPER?
China's higher imports of refined metal are being complemented by rising volumes of recyclable copper. Arrivals of 982,000 tons in the first five months of 2024 were up by 22.2% on the same period last year.
Some copper scrap is used as feed for secondary producers of refined metal and some is used as direct melt feed in the product manufacturing process.
Whichever processing path taken, higher scrap imports should translate into less demand for refined metal.
Which makes this year's strong refined metal imports all the more intriguing. China seems awash with copper to the point that domestic smelters are comfortable shipping metal to the rest of the world.
Some of the glut is visible on the ShFE but it's a moot point as to whether some of what has arrived has been heading to more strategic stock reserves.
The state stockpiler is looking to buy up to 15,000 tons of cobalt in expectation that prices will rise. Why not copper, given much of the world expects copper prices to hit new super-cycle highs over the coming years? Just don't expect any answers from the secretive National Food and Strategic Reserves Administration.
SLOWDOWN
Everything points to a slowdown in China's refined copper import appetite in the period ahead.
But the irony is that while the copper market has been waiting on China to confirm its bullish expectations of manufacturing recovery overlaid with green energy demand booster, China has not stopped buying copper.
This also means that if the country can escape the property drag on growth, it may not need as much imported copper as the market might expect.
Right now, China's robust import appetite is a bull stand-out in an otherwise weak demand picture. It could equally turn into a bear indicator if and when Chinese demand does regain momentum.

Top News - Carbon & Power

US power use forecast to reach record highs in 2024 and 2025, EIA says
U.S. power consumption will rise to record highs in 2024 and 2025, the U.S. Energy Information Administration (EIA) said in its Short Term Energy Outlook (STEO) on Tuesday. EIA projected power demand will rise to 4,123 billion kilowatt-hours (kWh) in 2024 and 4,198 billion kWh in 2025. That compares with 4,000 billion kWh in 2023 and a record 4,067 billion kWh in 2022.
With growing demand from artificial intelligence and data centers and as homes and businesses use more electricity for heat and transportation, EIA forecast 2024 power sales would rise to 1,504 billion kWh for residential consumers, 1,418 billion kWh for commercial customers and 1,052 billion kWh for industrial customers.
That compares with all-time highs of 1,509 billion kWh for residential consumers in 2022, 1,391 billion kWh in 2022 for commercial customers and 1,064 billion kWh in 2000 for industrial customers.
EIA said natural gas' share of power generation would ease from 42% in 2023 to 41% in 2024 and 40% in 2025. Coal's share will hold at 17% in 2024, the same as 2023, before easing to 16% in 2025 as renewable output rises.
The percentage of renewable generation will rise from 21% in 2023 to 23% in 2024 and 25% in 2025, while nuclear power's share will hold at 19% in 2024 and 2025, the same as 2023.
Although the use of coal to generate power has been falling for years versus gas primarily because gas produces less carbon dioxide and other emissions than coal, EIA projected higher gas prices would boost the amount of coal used to generate power in the second half of 2024.
"Utilities will look for a more economical alternative as natural gas prices go up," EIA Administrator Joe DeCarolis said in a statement.
"We expect renewables, especially solar, to fill most of the gap in the power mix. We expect utilities will also look to coal as a less expensive fuel source the rest of the year." EIA projected 2024 gas sales would hold at 12.3 billion cubic feet per day (bcfd) for residential consumers, rise to 9.30 bcfd for commercial customers and 35.7 bcfd for power generation, and slide to 23.1 bcfd for industrial customers.
That compares with all-time highs of 14.3 bcfd in 1996 for residential consumers, 9.6 bcfd in 2019 for commercial customers, 23.8 bcfd in 1973 for industrial customers and 35.4 bcfd in 2023 for power generation.

EXCLUSIVE-India races to build power plants in region claimed by China, sources say
India plans to spend $1 billion to expedite the construction of 12 hydropower stations in the northeastern Himalayan state of Arunachal Pradesh, two government sources said, a move that could raise tensions with China that lays claims to the region.
The federal finance ministry under Nirmala Sitharaman recently approved up to 7.5 billion rupees ($89.85 million) in financial assistance to each hydropower project in the northeastern region, the sources said.

Under the scheme, about 90 billion rupees will likely be allotted for the 12 hydropower projects in Arunachal Pradesh, said the sources, who have direct knowledge of the matter.
The scheme is likely to support northeastern states and help them finance equity holdings in the projects they host. Having state governments on board generally helps in expediting regulatory clearances, locals rehabilitation and negotiations on sharing electricity with the host state.
The plans for the hydropower stations are expected to be announced in the 2024/2025 federal budget that Prime Minister Narendra Modi's government will unveil on July 23, the sources said, declining to be named as the information remained confidential.
The Indian finance and power ministries and China's foreign ministry did not immediately respond to Reuters' requests for comment.
Last August, the government awarded contracts to state-run firms NHPC, SJVNL and NEEPCO for the construction of the 11.5-gigawatt-capacity plants entailing an estimated investment of $11 billion, as part of a broader project to develop infrastructure in the border region. None of the companies responded to a request for comments. These power plants were earlier enlisted with private sector firms, but remained non-starters due to various reasons.
India has built less than 15-gigawatt hydropower plants in the last 20 years, while installations of new coal and other renewable sources of energy were nearly 10 times of the new hydropower projects.
India and China share a 2,500 km (1553.43 mile) largely un-demarcated border, over which they fought a war in 1962.
India says Arunachal Pradesh is an integral part of the country, but China claims it is a part of southern Tibet, and has objected to other Indian infrastructure projects there. The Indian government is pushing projects in the eastern region following reports that Beijing could construct dams on a section of the Brahmaputra river, known as the Yarlung Tsangbo in China, that flows from Tibet through Arunachal Pradesh.
India is concerned that Chinese projects in the region could trigger flash floods or create water scarcity.
Both countries are working to improve infrastructure along their border regions since clashes in western Himalayas left 20 Indian and at least four Chinese troops dead in 2020. Last week, India Foreign Minister Subrahmanyam Jaishankar met his Chinese counterpart Wang Yi in Kazakhstan where the two agreed to step up talks to resolve issues along their border.

Top News - Dry Freight

Russia overtakes Canada as top peas exporter to China

Russia has become the top exporter of peas to China, accounting for almost half of the country's total imports and overtaking Canada in less than two years after gaining access to the $1 billion market, Russia's Union of Grain Exporters said on Tuesday.
The union's data shows Russia exported 1.13 million tons of peas to China in the 2023/24 agricultural season, gaining a 49.1% market share. Canada's share fell to 44.6%, from a dominant position of about 95% of China's pea imports in previous years.
The latest pea export data shows how quickly Russia is gaining a larger share of the agricultural products import market in China, especially amid simmering trade tensions between China and Western countries.
China is using peas to produce pea protein, which, like other plant-based proteins, is used as an ingredient in many dietary food products that are growing in popularity. The country exports most of its pea protein to markets worldwide.
The United States Department of Commerce found China guilty of selling pea protein in the U.S. market at artificially low prices and, on June 27, announced antidumping duties on pea protein imported from China, ranging from 127% to 626%.
Russia's pea production has been booming and setting records each year since 2021, but the country lacks its own facilities to produce pea protein.
China, a major producer of pea protein, granted Russia access to its market in October 2022.
Faced with Western sanctions imposed over the conflict in Ukraine, Russia is seeking to diversify its trade and reorient trade flows towards countries in Asia, the Middle East, Africa, and Latin America.
Russia exported over 2 million tons of grain to China since the start of 2024, with barley exports rising five-fold to 371,500 tons, according to data from the Russian agricultural watchdog.
Russia is also eyeing a 10% share of China's pork imports within three to four years, according to the country's National Union of Pork Producers.

Algeria buys wheat in tender for shipment to 2 ports, traders say

Algeria’s state grains agency OAIC is believed to have bought milling wheat in an international tender on Tuesday which sought limited shipment to two ports only, European traders said.
The volume was unclear. The requirement to unload the wheat only in the harbours of Mostaganem and/or Tenes in two port tenders from the OAIC generally signals that a relatively small purchase will be made, traders said.
Purchases reported were around $246 a metric ton cost and freight (c&f) included for shipment to Mostaganem and $253 a ton c&f for shipment to Tenes, they said.
The wheat was optional origin but some was thought likely to be sourced from the Black Sea region.
The wheat was sought for shipment in several periods from the main supply regions including Europe: Sept. 1-15, Sept. 16-30, Oct. 1-15 and Oct. 16-31. If sourced from South America or Australia, shipment is one month earlier.
Algeria is a vital customer for wheat from the European Union, especially France. Results reflect assessments from traders and further estimates of prices and volumes are still possible later.
In its previous two-port wheat tender on June 26, Algeria bought about 130,000 to 150,000 tons at around $248 to $250 a ton c&f.

Picture of the Day

A Palm Civet stands near Arabica coffee cherries in a coffee plantation owned by state plantation firm PT Perkebunan Nusantara XII in Bondowoso, in Indonesia's East Java province. REUTERS/Sigit Pamungkas

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

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