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Top News - Oil

IEA sees oil demand growth slowing as China's share ebbs

Global oil demand growth will slow to just under a million barrels per day (bpd) this year and next, the International Energy Agency (IEA) said, as Chinese consumption contracted in the second quarter due to economic problems.
Global demand in the second quarter rose by 710,000 bpd year on year in its lowest quarterly increase in over a year, the IEA, which advises industrialised countries, said in its monthly oil report.
"China's pre-eminence (is) fading. Last year the country accounted for 70% of global demand gains – this will decline to around 40% in 2024 and 2025," the IEA said.
Oil forecasters are split more widely than usual on the strength of oil demand growth for this year and the medium term, partly due to differences over the pace of the world's transition to cleaner fuels.
On Wednesday, producer group OPEC maintained its much higher forecasts.
The IEA left its forecast for relatively low oil demand growth of 970,000 bpd this year largely unchanged from its outlook last month, and trimmed its growth forecast for next year by 50,000 bpd to 980,000.
By contrast, OPEC expects oil demand to rise by 2.25 million bpd this year, more than double the IEA's prediction, with China providing a significant chunk of the growth.
As the post-COVID economic rebound flattens out worldwide, the IEA added, lacklustre economic growth, increased energy efficiency and the rise of electric vehicles will act as headwinds for growth this year and next.
At the same time the IEA said oil supply growth this year would hit 770,000 bpd, boosting total supply to a record 103 million bpd.
That growth is set to more than double next year to reach 1.8 million bpd, with United States, Canada, Guyana and Brazil leading gains.
Despite sluggish demand generally, the IEA sees demand for oil from the OPEC+ producer group far outstripping its current reined-in production, suggesting that the bloc could pump more.
"Our current non-OPEC+ supply and global demand forecasts show the call on OPEC+ crude at 42.2 million bpd in 3Q24 and 41.8 million bpd in 4Q24 – roughly 800,000 bpd and 400,000 bpd above its June output, respectively."
Next year, however, the call on OPEC+ crude is set to fall to 41.1 million bpd in the face of rising output from outside the bloc.

China June crude oil imports fall 11% on year, H1 imports down 2.3%

China's crude oil imports in June were down 11% from a high base a year earlier, official customs data showed on Friday, as independent refiners continued to curb production due to weak profit margins and as fuel demand remained tepid.
June arrivals into the world's largest crude oil buyer were 46.45 million metric tons, or about 11.3 million barrels a day (bpd), data from the General Administration of Customs showed.
That's up slightly from 11.06 million bpd in May but off from an all-time high at 12.67 million bpd in June 2023.
Higher crude oil prices and weaker-than-expected domestic consumptions for both gasoline and diesel are weighing on refining margins.
Imports for the first-half of 2024 totalled about 275 million tons, or 11.05 million bpd, down 2.3% on the year, in one of the few and the steepest annual declines for year-to-date volumes since early 2023, according to Reuters' records of customs data.
Gasoline demand between January and May fell nearly 2% year-on-year and that of diesel dropped 14%, according to Chinese commodities consultancy Sublime China Information.
Large refineries such as privately controlled Hengli Petrochemical, state-run Sinopec's Zhanjiang and PetroChina's Dalian plants completed planned maintenance in late May and June, supporting in part purchases for the month.
However, smaller independent plants in the eastern refining hub of Shandong that make up one-fifth of the country's total imports, continued to curb buying in face of prolonged thin margins, with some shifting to lower-priced fuel oil as feedstock.
Crude oil imports may receive additional support in the coming months from a government mandate to boost state reserves by nearly 60 million barrels by next March.

Top News - Agriculture

China's June soybean imports up 10.7%, buyers focus on Brazil crop

China's soybean imports in June rose 10.7% from a year earlier, a Reuters' calculation of customs data showed on Friday, as buyers stocked up on cheaper Brazilian beans ahead of the North American export season in the fourth quarter.

The world's biggest soybean buyer imported 11.11 million metric tons in June, compared with 10 million tons a year earlier.

Brazil's soy export season is slowing down as the harvest season wraps up. Excess rains and heavy flooding hampered production and shipment in May.

Shipments in the first half of the year fell 2.2% from a year earlier to 48.48 million metric tons, the General Administration of Customs data showed.

China is expected to log record volumes of soybean imports in July, drawn by lower prices and the prospect that Donald Trump could reignite trade tensions if he is elected U.S. president in November.

July arrivals are expected to amount to 12 million-13 million tons, compared with 9.73 million tons shipped in the same month a year ago, traders and analysts said.

"There is definitely some more preparation and buying ahead of a potential Trump win in November," said Darin Friedrichs, co-founder of Shanghai-based Sitonia Consulting.

"The market is pricing in the potential for that, but also the uncertainty around what trade actions might be put in place," he said.

The U.S. Department of Agriculture (USDA) has pegged soybean imports in the 2024/25 marketing year at 103 million metric tons, unchanged from its estimates of the previous year.

Brazil crop agency ups corn output view, keeps exports unchanged

Farmers in Brazil, one of the world's largest food producers, are expected to harvest 90 million metric tons of second corn in the present cycle, nearly two million tons more than forecast last month, crop agency Conab said on Thursday.

Farmers are still reaping their second corn, which is planted after soybeans are harvested in the same fields and is mainly exported in the second half.

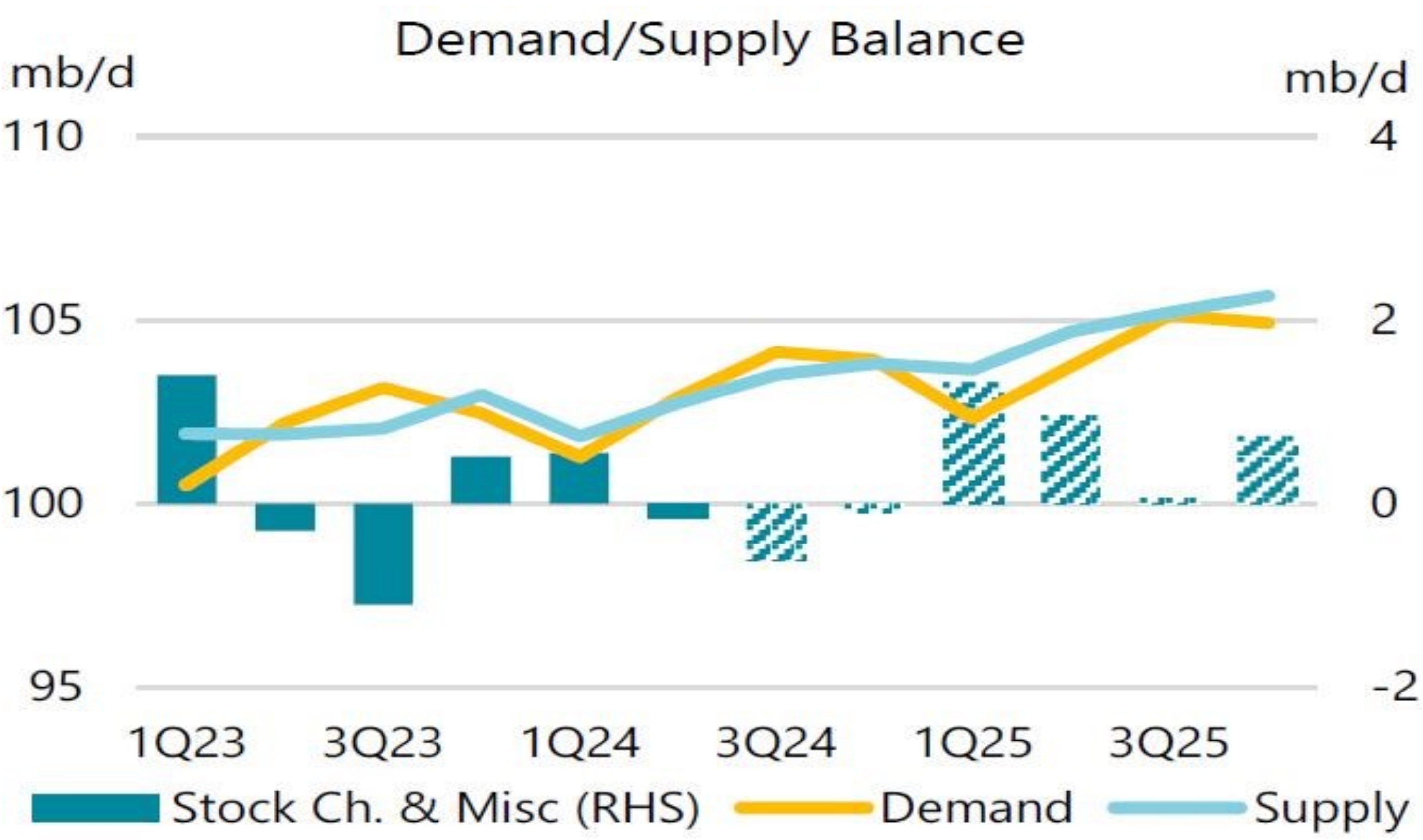
Second corn will represent about 78% of total Brazilian corn output in the 2023/24 season, Conab data shows.

Despite the adjustment in projections, Conab said second corn and total corn production will be smaller this year than in the last, partly reflecting a drop in planted area.

For second corn, the area planted was nearly 6% smaller this season, when growers sowed 16.199 million hectares (40 million acres), the agency said.

"The results achieved [so far] show the disparity in climatic conditions," Conab said referring to the harvesting work, noting in states including Mato Grosso, Para, Tocantins and in parts of Goias, rainfall levels were well distributed throughout the development stage,

Chart of the Day



resulting in good yields.
However, yields were poorer in the northwest of Parana, Sao Paulo and in a large parts of the cultivated areas of Mato Grosso do Sul, as the climate did not favor these regions.
The harvest of Brazil's second corn crop has continued to advance in all producing states and reached 48% of the sown area at the beginning of July, according to Conab.
If Conab's estimates are confirmed, Brazil's overall second corn production will be 12% smaller than in the 2022/23 crop year.
Total corn production is likewise seen about 12% lower at 115.8 million tons.
Corn exports too will be significantly smaller at 33.5 million tons in this cycle, compared with 54.6 million tons in the previous year, Conab said.

Top News - Metals

China June copper imports slide to 14-month low on weak demand
China's unwrought copper imports declined in June to a 14-month low, customs data showed on Friday, as high global prices and weak domestic demand suppressed buying appetite.
Imports of unwrought copper and products were 436,000 metric tons last month, down 3% from the 449,649 tons a year earlier and the lowest since April 2023, data from the General Administration of Customs showed.
The data includes anode, refined, alloy and semi-finished copper products.
Demand for the metal used for power, construction and transportation sectors was weak as China's manufacturing sector contracted for the second consecutive month in June.
The country's official data also showed persistent weakness in its property sector, a major consumer for the industrial metal, as housing investment and completion continued to contract in May.
"Why import given the weak demand and high inventories in China?" said Zhang Weixin, a metals analyst at China Futures. Slow consumption pushed up stocks on the Shanghai Futures Exchange (SHFE) to a four-year peak. The Yangshan copper premium, a closely watched indicator of China's spot import appetite, stayed negative in June, according to local data provider Shanghai Metal Market. Further curbing demand was a surge in global prices due to mined copper shortages and an increase in demand driven by AI and new energy sectors as well as funds buying.
Benchmark three-month copper on the London Metal Exchange CMCU3 hit a record high above $11,100 a ton on May 20. The contract was down 12% since then but still 14% higher compared with the beginning of this year. June's imports marked a drop of 15% from the prior month, when imports came at a higher-than-expected 514,000 tons. For the first half of the year, copper imports were up 6.8% to 2.76 million tons, the data showed.
January-April saw more booking of copper with the belief of brighter demand this year. However, starting from May, buying has already slowed, reflected in declines in imports for this month and next, China Futures' Zhang said. Imports of copper concentrate were 2.31 million tons for June, up 8.7% from a year earlier, customs data showed.
Imports totalled 13.9 million tons in the first six months of 2024, up 3.7% from a year earlier.

China's June rare earths exports drop off May's record high
China's exports of rare earths in June fell 3.6% from a year earlier after hitting a record monthly high in May, customs data showed on Friday.
The world's largest producer of rare earths last month shipped out 4,829 metric tons of the group of 17 minerals used to make products ranging from magnets in electric vehicles to consumer electronics, data from the General Administration of Customs showed.
That compares with 6,217 tons in May and 5,009 tons in June 2023. "The fall in exports in June was expected as overseas buyers ramped up procurement in March to April, which arrived in China in May and volumes were reflected in May customs data," said Liu Hao, a Yantai-based rare earths analyst at consultancy Shanghai Metals Market. "So it's normal to see buying interest recede a bit after a flurry of purchasing."
Exports during the first six months of 2024 jumped 10.9% on the year to 29,095 tons while the corresponding U.S. dollar-based value shrank by more than 40%, customs data showed. China's exports of rare earths are likely to increase before the country's new regulations on the mining, smelting and trading of these materials take effect on Oct. 1, state-backed research house Antaike said earlier this month. China's rare earths imports in June tumbled 45.7% from the previous year to 9,718 tons, while total imports in the first half of the year slid 20.5% on the year to 72,307 tons, the data showed.

Top News - Carbon & Power

China's June coal imports rise as heat boosts electricity demand
China's coal imports in June rose 12% year-on-year, customs data showed on Friday, as heatwaves in the world's top consumer of the fuel supported demand. Shipments to China were 44.6 million metric tons in June, according to the Generation Administration of Customs. That was up from 43.82 million tons in May. Record high temperatures swept across northwest and east China in June, boosting electricity demand as people turned on their air conditioning to stay cool. China has warned it is facing longer and hotter heat waves because of climate change. On the supply front, lower coal production during the first part of the year has led to increased imports. China's coal output from Januaryto May was down 3% from a year earlier at 1.86 billion tons. In the first half of 2024, China's overall coal imports were up 12.5% from a year earlier at 250 million tons, the data showed.

ANALYSIS-Japan builds gas markets in Asia to boost LNG trading, energy security

Japanese companies foreseeing a growing surplus in stocks of liquefied natural gas (LNG) as their demand for the fuel wanes in coming years, are scrambling to invest in regional markets to provide potential outlets to sell the gas.

As more nuclear plants restart and renewable energy gains momentum, Japan's LNG imports are at their lowest in over a decade, spurring companies to turn to Asia to unload supplies contracted during past market shocks, such as Russia's 2022 invasion of Ukraine.

Energy flexibility and security concerns ensure that Japan wants to stay a big player in LNG, but it is looking for markets to sell its excess, in line with a government strategy to keep volumes at 100 million tonnes by building gas demand in Asia.

This year, Tokyo Gas announced a study for 1.5-gigawatt LNG-to-power project in Vietnam and bought a stake in an LNG regasification terminal in the Philippines, while trading houses Marubeni 8002.T and Sojitz 2768.T launched a 1.8 GW-big LNG-fired power plant in Indonesia. Led by JERA, Tokyo Gas, Osaka Gas and Kansai Electric Power, Japan is a stakeholder, feedstock provider or participant in studies for more than 30 gas-related projects, data from the Institute for Energy Economic and Financial Analysis (IEEFA) and Reuters shows.

Whether operating or yet to be launched, these are located in Bangladesh, India, Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Taiwan, Thailand, and Vietnam.

"Japanese LNG demand is uncertain, but the government wants to secure stable supply over the long term," said Yoko Nobuoka, senior analyst for Japan power research at LSEG.

"Developing its own trading capability and creating an Asia-wide gas market would help to increase energy security and hedge risks of LNG surplus," she said.

Japan stepped up imports of LNG after the Fukushima nuclear disaster of 2011 led to closure of all its nuclear power reactors, and Tokyo has increased participation in LNG projects globally to secure supply.

But the comeback of nuclear power and the roll-out of renewable energy have led resource-scarce Japan to cut LNG imports for its own needs, with shipments falling by 8% last year to the lowest since 2009.

In 2020, the industry ministry adopted a plan to hold LNG handling capacity, including trade, at 100 million tons a year by 2030, a key feature of which was building Asian gas markets.

"There are various pathways towards achieving carbon neutrality or net-zero emissions in Asia," METI said in emailed comments. "Gas and LNG, along with renewables and energy conservation, can play a role in the pathways."

Japan's shipments, both for domestic use and sent to third countries, were 102 million tons of LNG, in the year that ended in March 2023.

Tokyo Gas, the country's top city gas supplier, has set a target of trading 5 million tons of LNG annually by 2030, up from about 3 million now.

MARKET MONITOR as of 06:40 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$83.19 / bbl	0.69%	16.11%
NYMEX RBOB Gasoline	$2.49 / gallon	0.23%	18.37%
ICE Gas Oil	$778.25 / tonne	-0.16%	3.66%
NYMEX Natural Gas	$2.27 / mmBtu	0.13%	-9.67%
Spot Gold	$2,403.56 / ounce	-0.46%	16.53%
TRPC coal API 2 / Dec, 24	$110.95 / tonne	-2.25%	14.38%
Carbon ECX EUA	€68.68 / tonne	0.45%	-14.55%
Dutch gas day-ahead (Pre. close)	€30.82 / Mwh	0.46%	-3.23%
CBOT Corn	$4.00 / bushel	-0.12%	-17.41%
CBOT Wheat	$5.69 / bushel	-0.48%	-99.11%
Malaysia Palm Oil (3M)	RM3,955 / tonne	0.51%	6.29%
Index	**Last**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	341.39	0.26%	13.27%
Rogers International	28.52	-0.09%	8.34%
U.S. Stocks - Dow	39,753.75	0.08%	5.48%
U.S. Dollar Index	104.49	0.05%	3.12%
U.S. Bond Index (DJ)	433.49	0.52%	0.64%

"We have a chance to sell LNG to these projects and it will contribute to an increase in our LNG trading volume," Tokyo Gas officials told Reuters in emailed comments.
Since 2019, Japanese firms have invested in new LNG import terminals with combined capacity of 16.2 million tons in Bangladesh, Indonesia and the Philippines, according to Reuters calculations based on the International Gas Union data.
Another 13 million tons a year of LNG import capacity is to come in Vietnam and India with Japan's investment before 2030, taking the total such volume to 29.2 million tons - close to what Japan traded in the year ended in March 2023.
Japan's LNG sales to third countries doubled to 31.6 million tons in fiscal 2022 from fiscal 2018, boosted by participation in upstream projects globally and supply contracts, the Japan Organization for Metals and Energy Security (JOGMEC) says.
Of Japan's 102 million tons of LNG imports in fiscal 2022, domestic use accounted for 71 million tons.
With Japan's own LNG demand projected to fall another quarter by the end of the decade to some 50 million tons, top utilities JERA, Tokyo Gas, Osaka Gas and Kansai Electric could have 12 million tons of LNG oversupply, the IEEFA estimates.
DESTINATION CLAUSES
Tokyo's growing LNG ambitions are reshaping its procurement strategy.
In fiscal 2021, 53% of gas bought by Japanese firms, or 45 million tons, was under contracts banning resale, a condition imposed by producers such as Qatar, according to JOGMEC.
That share fell to 42% last fiscal year, its survey showed, partly also because Tokyo clinched more deals with more flexible producers, such as the United States and Australia.
"However, by 2030, 60% of contracts will not have destination restrictions, meaning that Japan's ability to trade LNG is likely to increase this decade," said Christopher Doleman, an LNG specialist at IEEFA.
Trading competition with China, which surpassed Japan as the biggest LNG buyer last year and is expanding into global trade, also plays a role.
China's LNG imports are forecast to grow by up to 12% this year, to 80 million tons, PetroChina 601857.SS says, and Beijing is reselling some LNG to third countries.
"In the medium term to 2030, trading competition could become fierce, as the next bearish cycle begins with a wave of new supply," LSEG's Nobuoka said, referring to new LNG projects set to go onstream in coming years that need buyers.
TRANSITION PUSHBACK
Climate activists increasingly say Japan, with a quarter of its power generated by non-nuclear renewable energy, should bypass gas, which the industry considers a "transition" fuel, and help other countries to decarbonise by moving straight to renewables from coal.
Australian Market Forces, a climate activist group that holds shares in Chubu Electric Power 9502.T and Tokyo Electric Power 9501.T, co-owners of top utility JERA, has urged it to rethink plans for Asia and sharpen focus on renewables instead.
"One of the greatest threats to climate action globally is the proposed build out of LNG-to-power infrastructure in emerging Asia," said Will van de Pol, chief executive of Market Forces.
As a transitional fuel, LNG is 'indispensable for achieving decarbonisation,' JERA, which has both gas and renewable energy projects in Asia, told Reuters by email.

Top News - Dry Freight

Ukraine seizes cargo ship, detains captain for exporting 'looted' grain

Ukraine seized a foreign cargo ship on the Danube River and detained the captain on suspicion of helping Moscow export Ukrainian grain from Russian-occupied Crimea, officials said on Thursday.
Kyiv has accused Russia of trading stolen Ukrainian grain since the 2022 war began. Ship seizures, however, have been rare and shipping sources said they were concerned about possible retaliation at a critical time in the year as Ukraine grain exports reach a peak.
The Cameroon-flagged USKO MFU was presented with an arrest order and detained along with its Azeri captain after entering the waters of Reni, a Ukrainian port on the Danube where the river forms the border with Romania, prosecutors said.
The head of Ukraine's prosecutor's office for Crimea, Ihor Ponochovny, told Ukrainian TV that officials were surprised to spot the vessel on the Danube, since ships implicated in illegally carrying grain from Russian-held areas tended to steer clear of Ukraine's waters. Since 2022, Ukraine has imposed arrest in absentia on 21 ships involved in the trade, he said.
"(The seizure) should be a clear signal for those countries that help Russia circumvent sanctions and sell agricultural products stolen in the occupied territories, that there may be responsibility for this," he said.
The vessel had repeatedly docked at the Crimean sea port of Sevastopol to pick up agricultural products in 2023-24, Ukraine's SBU security service said.
An official with the vessel’s Turkey-based ship manager Iyem Asya told Reuters that the vessel’s current cargo was loaded in Moldova.
"The ship, while under our ownership, did not take any cargoes from Russian-occupied territories of Ukraine and never used Ukrainian ports,” the official said.
"Ukrainian soldiers boarded the ship while it was sailing along the Danube with a Romanian pilot present. They forcibly anchored it on their side of the river. Our lawyers are now pursuing the case."
Russian forces have occupied large parts of Ukraine's southern agricultural regions and Kyiv has accused Russia of stealing and destroying its grain.
The SBU said the captain and 12 crew members had helped Russia to export Ukrainian grain taken from the occupied south to the Middle East for sale on behalf of Russia.
"The investigation is ongoing to establish all the circumstances of the crime and identify other persons involved in the illegal activity," the SBU said.

Ukraine's Prosecutor's Office said that on one of its voyages in November 2023, the USKO MFU loaded over 3,000 metric tons of agricultural products in Sevastopol intended for a Turkish company.
The ship last reported its position on July 8 at anchor near Reni port on the Danube, LSEG ship-tracking data showed on Thursday.
The captain could face up to five years in prison for violating travel restrictions governing Ukraine's Russian-occupied territories, the SBU said.
The Danube is crucial to Ukraine's Black Sea exports, which it revived without Russia's assent after Moscow quit a UN-brokered deal last summer to let Kyiv sell food during the war.
Asked if there had been a change in Ukrainian policy, a source in law enforcement told Reuters on Thursday: "This is our policy. This vessel and the captain worked for the occupiers and now he entered the waters controlled by Ukraine. And we had an immediate reaction."

French wheat exports and stocks forecast to shrink on poor crop
France is set for a steep fall in soft wheat exports and stocks this season due to a rain-hit harvest in the European Union's top grain producer, farm office FranceAgriMer said on Thursday.
French soft wheat exports outside the EU in the 2024/25 season that began on July 1 were pegged at 7.5 million metric tons, down 26% from 10.2 million in 2023/24, the office said in its first supply and demand outlook for the new season.
That would only be slightly offset by a 4% projected rise in soft wheat shipments inside the EU to 6.5 million tons.
End of season soft wheat stocks were projected to drop 22% to 3 million tons from a 19-year high of 3.83 million in 2023/24.
FranceAgriMer bases its outlook on the production estimates of the French agriculture ministry, which this week projected the soft wheat harvest would fall 15% to a four-year low of 29.65 million tons.
But forecasts were likely to see "substantial" downward revisions given latest indications that the cereal harvest will be worse than previously thought, Benoit Pietrement, head of FranceAgriMer's grain committee, told reporters.
Harvest forecasts of market participants consulted by FranceAgriMer ranged from 27.1 million to 28.5 million tons, Maria Gras, a grain analyst at the office, added.
For barley, the office projected that French 2024/25 exports outside the EU would drop 22% to 3 million tons from 3.83 million last season, while stocks would rise to 1.74 million tons from 1.40 million in 2023/24.
FranceAgriMer's panel of experts also pegged barley production below the 11.29 million tons forecast by the ministry, with a range of 10.3-10.7 million tons, Gras said.
Months of heavy rain have disrupted planting, hampered plant development and fuelled disease in French crop belts.
Growers were hoping for a sunny spell to give a late boost to wheat crops as harvesting gets under way and avoid quality loss on top of the expected fall in yields, Pietrement said.
"We feel like since October autumn never went away," he said.
For maize, which is harvested in autumn, FranceAgriMer did not give a 2024/25 outlook pending first official production forecasts from August.
For 2023/24, it left almost unchanged its stocks estimate at 2.23 million tons, nearly 35% higher than in 2022/23.

Picture of the Day

A drone view shows a field of poppies in an area of farmland left for rewilding, near Great Massingham, in eastern Britain, July 8. REUTERS/Toby Melville

(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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