

[Oil](#) | [Agriculture](#) | [Metals](#) | [Carbon & Power](#) | [Dry Freight](#)

Click on headers to go to that section

Top News - Oil

China's June crude imports soar 45.3% y/y as inventories build

China's crude oil imports in June jumped 45.3% on the year to the second-highest monthly figure on record, customs data showed on Thursday, with refiners building up inventories despite tepid domestic demand.

Crude imports in June totalled 52.06 million metric tons, or 12.67 million barrels per day (bpd), the data from the General Administration of Customs showed.

It was a substantial increase on the 8.72 million bpd imported in June last year, when the economy was battered by widespread COVID-19 lockdowns.

Crude imports also held their upward momentum on a month-on-month basis, up 4.58% from May's 12.11 million bpd.

Total imports for the first half were 282.07 million metric tons, up 11.7% from 252.52 million in the corresponding period last year.

Teapot refiners in the eastern province of Shandong stepped up runs as authorities lifted curbs on the import of diluted bitumen in late June, helping to ease inventory pressure at its ports. More broadly, however, inventories continue to rise against an uncertain macroeconomic backdrop. Commodities consultancy Vortexa estimated onshore crude inventories at 980 million barrels at the end of June, just 20 million barrels below an all-time record in August 2020.

While kerosene demand is up strongly on the year, boosted by a resumption in flights after the removal of curbs on travel, weakness in the manufacturing and property sectors has hurt demand for diesel, despite government stimulus measures. "The long-haul spot barrels were booked when (arbitrage) windows were open, despite soft demand when the cargos arrived in June," said Emma Li, a China oil markets analyst at Vortexa in Singapore.

China imported 10.39 million metric tons of natural gas in June, up 19.2% from 8.72 million a year ago when importers cut spot purchases amid high global liquefied natural gas (LNG) prices. Total gas imports for the first half stood at 56.63 million metric tons, a 5.8% increase on last year.

Refined fuel exports rose 40.6% to 4.51 million metric tons from 3.21 million in June last year, but down from the previous month's 4.89 million metric tons.

Saudi Arabia imports record Russian fuel oil in June as trade grows

Saudi Arabia imported record volumes of discounted Russian fuel oil in June, a near 10-fold annual increase to meet summer power generation demand and maintain crude exports despite OPEC+ production cuts, according to traders, analysts and Kpler data. For Russia, its growing oil trade with the world's biggest exporter enables it to keep output flowing to global buyers despite Western sanctions that have shut its access to key markets including Europe.

Saudi Arabia imported a record 910,000 metric tons of fuel oil from Russia in June, data from analytics firm Kpler showed. The kingdom has ramped up fuel oil imports from Russia this year following the European Union's ban on Russian products. Saudi's Russian fuel oil imports hit 2.86 million metric tons for the first half of 2023, exceeding the 1.63 million metric tons for all of 2022, the data showed. Saudi Arabia's energy ministry did not respond to a Reuters query. State oil giant Saudi Aramco declined to comment. The predominantly HSFO cargoes from Russia mostly end up at Saudi oil-fired power plants, said Royston Huan, fuel oil and feedstocks analyst at consultancy Energy Aspects.

Saudi Arabia said this month it would extend an extra 1 million barrels per day output cut for a second month in August to support prices as part of a pact between the Organization of the Petroleum Exporting Countries and its allies including Russia, a group known as OPEC+. "We believe there is a linkage to the cuts, as Saudi Arabia will be incentivized to prioritize their crude exports, therefore prioritizing fuel oil utilities burn over crude oil burn," Huan said.

Traders and analysts said the OPEC kingpin has been importing cheap Russian fuel oil as well as diesel and ramping up exports in order to generate higher profits. Saudi Arabia is forecast to boost fuel oil exports to 1.2 million metric tons in July, up from 750,000 metric tons in June, Kpler data showed, as margins for the fuel strengthened. Asia's HSFO crack - the margin for refiners from producing the residue fuel from Dubai crude - is at a discount of \$7.83 a barrel on Wednesday, up nearly 50% from the start of the second quarter, based on Refinitiv data. "The recent strength in HSFO cracks were likely due to concerns of tighter HSFO availability after Saudi extended their 1 million bpd voluntary cuts," analysts from consultancy FGE said in an email.

Top News - Agriculture

UN asks Putin to extend Black Sea grain deal in return for SWIFT access -sources

U.N. Secretary-General Antonio Guterres has proposed to Russian President Vladimir Putin that he extend a deal allowing the safe Black Sea export of grain from Ukraine in return for connecting a subsidiary of Russia's agricultural bank to the SWIFT international payment system, sources told Reuters.

Russia has threatened to ditch the grain deal, which expires on Monday, because several demands to dispatch its own grain and fertilizer abroad have not been met. The last two ships traveling under the Black Sea agreement are currently loading cargoes at the Ukrainian port of Odesa ahead of the deadline.

A key demand by Moscow is the reconnection of the Russian agricultural bank Rosselkhozbank to the SWIFT international payment network. It was cut off by the European Union in June 2022 over Russia's invasion of Ukraine. An EU spokesperson said in May the EU was not considering reinstating Russian banks.

However, the EU is considering connecting to SWIFT a subsidiary of Rosselkhozbank to allow specifically for grain and fertilizer transactions, three sources familiar with discussions told Reuters on Wednesday. The European Commission did not immediately respond to a request for comment. Guterres has proposed to Putin that Russia allow the Black Sea grain deal to continue for

several months, giving the EU time to connect a Rosselkhozbank subsidiary to SWIFT, two of those sources familiar with discussions told Reuters. Guterres sent a letter to Putin on Tuesday proposing a way forward to further facilitate Russian food and fertilizer exports and ensure the continued Black Sea shipments of Ukrainian grain, a U.N. spokesman said on Wednesday. "The objective is to remove hurdles affecting financial transactions through the Russian Agricultural Bank, a major concern expressed by the Russian Federation, and simultaneously allow for the continued flow of Ukrainian grain through the Black Sea," U.N. spokesman Stephane Dujarric told reporters.

He gave no further details on the proposal, but added that Guterres was engaged with all relevant parties on the issue and was willing to further discuss his proposal with Russia.

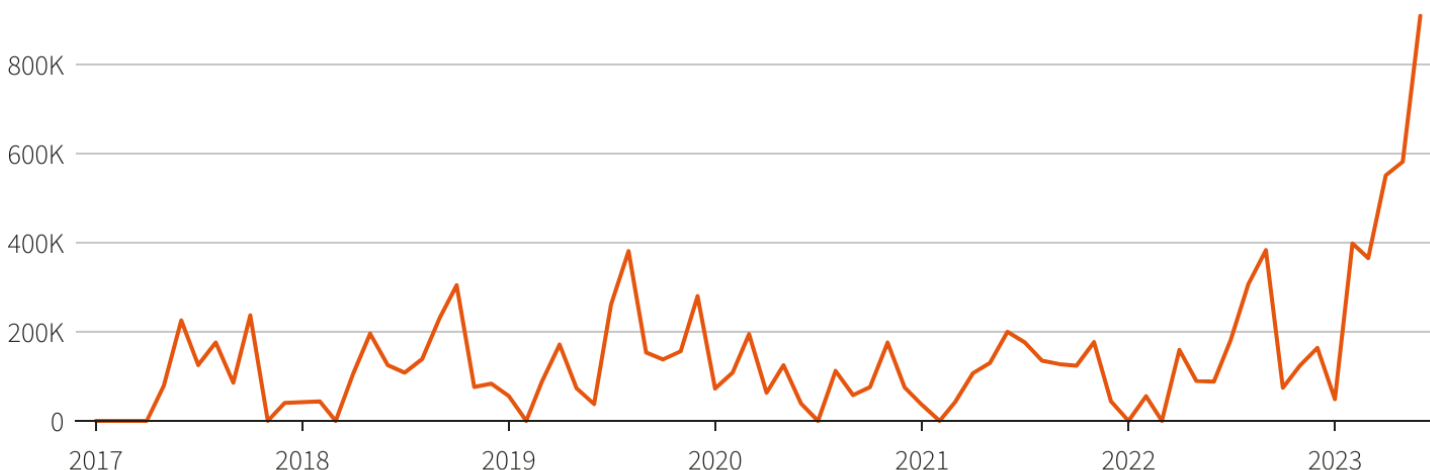
A spokesperson for the Kremlin did not immediately respond to a request for comment.

The United Nations and Turkey brokered the Black Sea Grain Initiative with Russia and Ukraine in July 2022 to help alleviate a global food crisis worsened by Moscow's invasion and blockade of Ukrainian ports. To convince Russia to agree to the Black Sea deal, a three-year memorandum of understanding was struck at the same time under which U.N. officials agreed to help Russia get its food and fertilizer exports to foreign markets.

Chart of the Day

Saudi Arabia's monthly fuel imports from Russia

Saudi Arabia imports record volume of fuel oil from Russia in June, with import volumes seeing an almost tenfold increase from the same month last year.



Unit: Metric tons
Source: Kpler

While Russian exports of food and fertilizer are not subject to Western sanctions imposed after the invasion of Ukraine, Moscow says restrictions on payments, logistics and insurance have amounted to a barrier to shipments.

As a workaround to the lack of access to SWIFT, U.N. officials have gotten U.S. bank JPMorgan Chase & Co to start processing some Russian grain export payments with reassurances from the U.S. government.

The United Nations is also working with the African Export-Import Bank (Afreximbank) to create a platform to help process transactions for Russian exports of grain and fertilizer to Africa, the top U.N. trade official told Reuters last month.

US farmers to harvest bumper corn, soy crops despite dryness - government

The government said on Wednesday that U.S. farmers will harvest massive crops of both corn and soybeans this year, boosting the supply base despite drought conditions stressing plants during early stages of development.

The unexpectedly large forecasts immediately pushed down corn and soy futures, potentially easing inflation and making U.S. exports more competitive with South America in coming months.

The U.S. Department of Agriculture also raised its outlook for the drought-stressed winter wheat crop. The increased production and a cut to the export forecast will help pull wheat stocks from a 15-year low.

The corn harvest was pegged at a record large 15.320 billion bushels and soybean harvest at 4.300 billion bushels, according to the USDA's monthly World Agriculture Supply and Demand Estimates report.

USDA predicted record yields for both crops, with corn seen at an average of 177.5 bushels per acre and soybeans at 52.0 bushels per acre.

"The government is saying that (the U.S. Midwest drought) hasn't hurt the beans much," said Don Roose, president of U.S. Commodities. "The corn, they acknowledge that we've hurt it some but we've got crop-saving rains so we've stabilized it."

The harvest forecasts topped market expectations and sent Chicago Board of Trade corn futures to their lowest in 2-1/2 years. Soybean futures Sv1 dropped sharply after trading higher throughout the morning.

High prices have curtailed overseas demand for both corn and soybeans, with overseas buyers gobbling up cheaper supplies from Brazil due to the massive harvest from that key South American producer.

USDA slashed its outlook for U.S. soybean exports in the 2023/24 marketing year to 1.850 billion bushels from 1.975 billion. That will lead to an ending stockpile of 300 million bushels of soybeans, up 45 million bushels from 2022/23 and above the high end of market expectations. USDA pegged corn ending stocks for 2023/24 at 2.262 billion bushels, 5 million bushels higher than its June outlook.

If realized, that would be the largest U.S. corn stockpile since the 2016/17 marketing year, when supplies were reported at 2.293 billion bushels.

The wheat harvest was seen at 1.739 billion bushels, up from the previous outlook for 1.665 billion due to better-than-expected yields in top producer Kansas. That pushed ending stocks to 592 million bushels, up from the June outlook for 562 million and 12 million bushels higher than the 2022/23 level.

Top News - Metals

Shanghai Futures Exchange targets commodity storage outside China – sources

The Shanghai Futures Exchange (ShFE) is looking to expand its commodities warehousing network outside China, and is examining systems and regulations in the sector overseas, three sources with direct knowledge of the matter told Reuters.

China's dominant commodities bourse has a domestic network of 216 storage facilities for futures contracts, including metals traded on its market, plus other materials such as rubber.

"ShFE has the intention to expand into overseas warehousing. They are working out what they want to do, how they want to do it and when they want to do it," one of the sources said.

Ramping up its global presence in metals warehousing would put the ShFE in direct competition with the London Metal Exchange (LME), which dominates the industry outside China, potentially challenging London's position as the centre of global metals pricing.

China, the world's largest consumer and producer of

industrial metals such as copper, wants domestic players to be able to exert more influence over prices, the sources said. To achieve that, two of the sources said, it launched an international copper futures contract in November 2020 on the Shanghai International Energy Exchange (INE). Liquidity is needed for the contract to thrive, and that requires warehouse stocks.

Another source familiar with the matter said: "As an exchange providing services to global clients, ShFE always pays attention to overseas warehousing infrastructure, policies and regulations. Where to set up warehouses in the future needs further investigation and research on the market."

The sources said no timeline was given for achieving expansion.

While the ShFE has a firm hold on Chinese metals trading and warehousing, the LME has long dominated elsewhere, with a storage network comprising more than 500 facilities in 32 locations across the United States, Europe and Asia. The London-based bourse, owned by Hong Kong Exchanges & Clearing and the world's oldest

and largest metals trading venue, has aimed since 2012 to gain a foothold in Chinese warehousing, without success.

Copper stocks in LME-registered warehouses currently amount to 54,450 metric tons, or nearly \$463 million at current LME prices, while those in warehouses certified by ShFE total 74,638 tons, or more than \$634 million.

KEY DIFFERENCES

Sources say there are a couple of major differences between the way warehousing works in China and the rest of the world.

One, they say, is the way rents, or fees for storage, are applied. ShFE gives guidance on what its warehouse operators can charge based on location and metal. Rents that LME-approved warehouses can charge are capped. Another contrast is insurance. ShFE regulations make warehouse companies responsible for problems with stored metal. Outside China, metal is insured by its owner and the warehouse company is typically only liable if it was proved negligent. "Other issues are INE copper being denominated in yuan, which makes things more complicated for the international market, and there is a problem generally with low stocks," said an industry source. China has capital and currency controls to restrict the flows of foreign money coming into and leaving the country.

Low stocks in the LME system are reflected in volatility of spread trades such as that between cash copper and the

three-month future contract, which spikes periodically as traders scramble for supplies on the exchange.

Warehouses registered with the LME are normally in countries or regions which consume and import large amounts of metal such as copper. One LME exception is Singapore, which doesn't consume large amounts of metals, but which is a key transit location.

ShFE has an office in Singapore which the sources said has been scouted as a potential location for warehouses that can store metal under ShFE warrant - a title document that confers ownership of metal.

"Another location ShFE has looked at is Thailand for the INE's international rubber contract," a second source with knowledge of the matter said.

Thailand is a top producer of rubber, and it too could be used as a transit location for other parts of Asia.

"A lot of rubber might go to China, but Thailand may make scheduling and delivery of rubber more flexible for the South East Asia market," the second source said.

China's June copper imports fall on strong output, soft demand

China's copper imports fell 16.4% in June from a year earlier, customs data showed on Thursday, restrained by strong domestic production and weak demand in the world's top consumer of the metal.

Imports of unwrought copper and copper products totalled 449,649 metric tons in June, data from the General Administration of Customs showed.

MARKET MONITOR as of 06:35 GMT			
Contract	Last	Change	YTD
NYMEX Light Crude	\$75.89 / bbl	0.18%	-5.44%
NYMEX RBOB Gasoline	\$2.60 / gallon	0.12%	4.78%
ICE Gas Oil	\$755.75 / tonne	-0.72%	-17.94%
NYMEX Natural Gas	\$2.65 / mmBtu	0.76%	-40.74%
Spot Gold	\$1,962.27 / ounce	0.26%	7.56%
TRPC coal API 2 / Dec, 23	\$102.6 / tonne	-5.44%	-44.47%
Carbon ECX EUA / Dec, 23	€85.40 / tonne	-0.48%	1.70%
Dutch gas day-ahead (Pre. close)	€27.98 / Mwh	-2.71%	-62.97%
CBOT Corn	\$4.76 / bushel	-0.10%	-29.83%
CBOT Wheat	\$6.24 / bushel	-1.46%	-20.78%
Malaysia Palm Oil (3M)	RM3,835 / tonne	-2.32%	-8.12%
Index (Total Return)	Close 12 Jul	Change	YTD Change
Thomson Reuters/Jefferies CRB	298.89	0.28%	-0.81%
Rogers International	26.45	-0.09%	-7.73%
U.S. Stocks - Dow	34,347.43	0.25%	3.62%
U.S. Dollar Index	100.52	-1.19%	-2.90%
U.S. Bond Index (DJ)	408.70	0.76%	3.35%

The metal, including anode, refined, alloy and semi-finished copper, is used widely in construction, transportation and power sectors. But worsening factory-gate price deflation and a contraction in manufacturing activity last month weighed on demand. Consumers are cautious about big-ticket spending, reflected in a fall in passenger vehicle sales in June.

The weak economic conditions have raised market expectations the government will announce fresh stimulus measures, which prompted a rally in the benchmark three-month copper contract on the London Metal Exchange to a two-month high in late June. It marked the first monthly price gain since March.

Relatively high global copper prices, partly attributable to a rapid depreciation of the yuan against the dollar, made it unprofitable for Chinese traders to import, said Zhang Weixin, a metal analyst at China Futures.

Zhang said copper consumption is expected to remain tepid in the near term and weigh on imports.

June's imports marked a marginal increase of 1.3% from 444,010 metric tons in May.

Market participants said there were more arrivals of copper from the Democratic Republic of Congo from late June as China's CMOC Group resumed exports from its TFM mine after resolving a dispute with the state miner. China's copper imports fell 12% to 2.59 million metric tons in the first six months of 2023, compared with a year-earlier, the customs data showed.

Traders attributed the fall to higher domestic supply as smelters ramped up production amid high treatment and refining charges.

As a result, China's imports of copper ore and concentrate rose 3.2% to 2.13 million metric tons in June from a year earlier, the data showed.

Top News - Carbon & Power

BP, Total win in \$14 billion German offshore wind site tender

Oil majors BP and TotalEnergies emerged as the winners in a 7 gigawatt (GW) offshore wind site auction in Germany worth 12.6 billion euros, highlighting the appeal of renewable assets across Europe.

The move comes as European oil giants seek to grow their low-carbon businesses by entering the renewables sector, a market traditionally dominated by utilities, even though returns for solar and wind projects have come under pressure in recent years due to supply chain constraints and rising interest rates.

"The results confirm the attractiveness of investments in offshore wind power in Germany," said Klaus Mueller, president of Germany's energy regulator Bundesnetzagentur. He called the move an important step towards reaching a national offshore capacity goal of 30 GW by 2030.

Analysts at Jefferies noted the high price for the auction, adding that it implied "high interest in European offshore wind sites from energy companies/developers".

Three sites in the tender for building 2 GW of offshore turbine capacity are located around 120 km (75 miles) northwest of the island of Heligoland in the North Sea and one with 1 GW lies in the Baltic Sea, some 25 km away from the island of Rügen.

BP won the rights to develop two projects, marking its entry into offshore wind in continental Europe and representing 4 GW out of the total, it said in a separate statement. "This is a significant milestone for BP, showing our commitment to transitioning into an integrated energy company," BP head of offshore wind Matthias Bausenwein said. The power from the windfarms will be used to produce low-carbon, or green, hydrogen and biofuels as well as to supply BP's electric vehicle charging network, he said.

Awards for the other two sites, which include rights to

develop, build and operate the plants and to receive network connections, went to TotalEnergies, the French company said in a statement.

"Our entry into offshore wind power in Germany, Europe's largest electricity market, is a key step in the implementation of our strategy to become an integrated profitable player in the electricity markets," TotalEnergies CEO Patrick Pouyanne said.

Ninety percent of the revenue from the tender will go to reducing electricity costs and marine protection measures, the regulator said.

BP said the move was fully aligned with its integrated energy strategy and disciplined capital allocation, adding it expected returns from the project of between 6% and 8%.

BP's initial payments totalling 678 million euros, equivalent to 10% of the bid amount, will be paid by July 2024. The remaining 90% will be paid over a 20-year period when the projects become operational.

TotalEnergies said it will pay the German Federal government 582 million euros, adding an annual contribution would also be paid to the electricity transmission system operators in charge of connecting the projects for 20 years from the sites' commissioning.

Shell, BP pursue arbitration claims against Venture Global LNG

Top LNG traders Shell and BP have separately filed for arbitration against U.S. exporter Venture Global LNG for failing to supply contracted cargoes, even as it sold to non-contract customers as prices soared, four people familiar with the matter said.

A Venture Global LNG spokesperson did not comment on the Shell and BP claims. Last month, the company said it was in full compliance with terms of its long-term contracts and cited a need for extensive commissioning of its modular facility.

Shell and BP missed out on billions of dollars in sales that went to Venture Global LNG because they were unable to get their contracted fuel, one of the people familiar with the arbitration filings said. Prices for liquefied natural gas (LNG) soared last year on Russia's gas-supply cuts to Europe.

The companies filed their cases at the London Court of International Arbitration. A similar case was brought by Italian utility Edison in May. Another Venture Global LNG contract customer, Spanish energy firm Repsol SA, has asked U.S. regulators to release confidential records that would shed light on the plant's startup.

Shell and BP declined to comment.

Founded by a former energy lawyer and investment banker, Venture Global LNG has emerged as a market force with its ability to obtain financing and rapidly build export plants. It has pledged to produce 70 million tons of LNG per year once the projects are completed.

The contracts were tied to Calcasieu Pass LNG, the first of Venture Global LNG's three planned facilities. It stitched together 18 liquefaction units to produce up to 12

million tons per year of the supercooled gas.

However, the plant's on-site power supply facility required extensive repairs that will prevent contract deliveries from the first phase until early 2024, Venture Global LNG has said.

Still, the facility has shipped six pre-commercial LNG cargoes so far this month, and 166 since its exports began in March 2022, Refinitiv vessel tracking data showed.

"The whole point in signing a contract is there is certainty you're going to have this supply and, in this case, that certainly has not emerged," said Ira Joseph, an LNG expert and fellow at Columbia University's Center on Global Energy Policy. The dispute will cause buyers to strictly define commissioning in future purchase and sales agreements, he said.

The contracted customers believe they lost enormous profits as LNG prices in Europe jumped last August to a peak of \$89 per million British thermal units (mmBtu), from about \$6 to \$10 per mmBtu in 2018. Prices earlier this month were about \$11 per mmBtu.

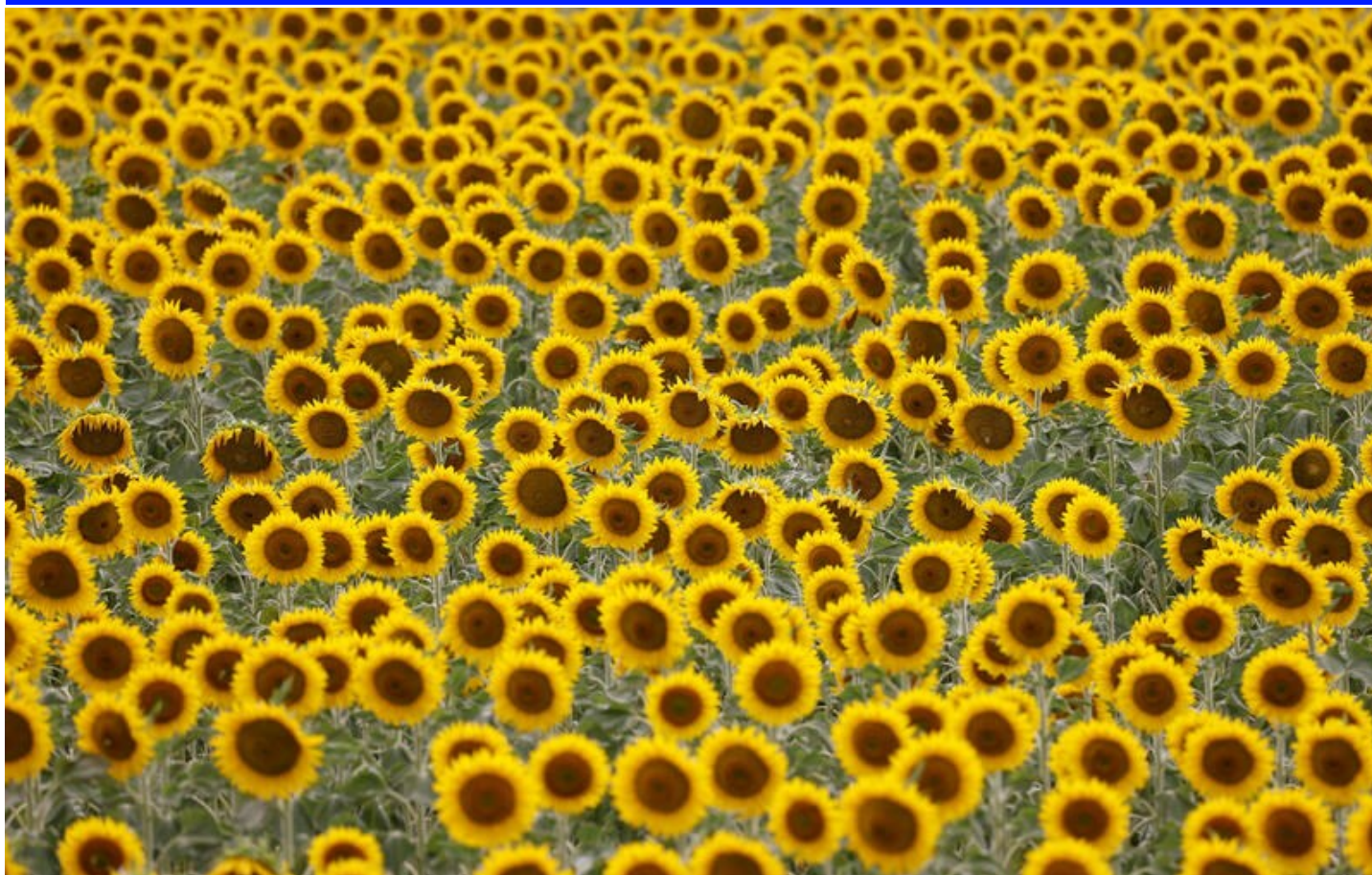
Top News - Dry Freight

South Korea's NOFI bought about 20,000 tonnes barley in tender – traders

Leading South Korean animal feed maker Nonghyup Feed Inc. (NOFI) purchased about 20,000 tonnes of optional-origin animal feed barley in an international tender which closed on Tuesday, European traders said on Wednesday. It was bought at an estimated \$262.15 a tonne c&f. Seller was believed to be trading house Bunge. The barley was for arrival in South Korea around Oct. 20. It can be sourced from worldwide origins but excluding east Europe.

Japan seeks 123,770 tonnes of food wheat via tender

Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) is seeking to buy a total of 123,770 tonnes of food-quality wheat from the United States, Canada and Australia in a regular tender that will close on Thursday. Japan, the world's sixth-biggest wheat importer, keeps a tight grip on imports of its second-most important staple after rice, buying the majority of the grain for milling via tenders typically issued three times a month.

Picture of the Day

Sunflowers grow on a field near Frauenkirchen, Austria, July 12, 2023. REUTERS/Leonhard Foeger

(Inside Commodities is compiled by Archak Sengupta in Bengaluru)

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

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