Oil | Agriculture | Metals | Carbon & Power |Dry Freight
Click on headers to go to that section

Top News - Oil

PREVIEW-Oilfield service providers to get lift from international, offshore demand

The Big 3 oilfield services (OFS) companies will likely report higher profits for the second quarter as resurgent demand in international markets and strong offshore drilling helped counter tepid activity in North America.
Baker Hughes, Halliburton and SLB are set to post a combined second-quarter adjusted profit of $2.04 billion, according to Refinitiv data, compared with $1.27 billion in the year-ago quarter.
Oil and gas majors, who rely on the service providers for drilling and formation evaluation, well construction and completion services, are reinvesting record profits generated after Russia's invasion of Ukraine disrupted the oil market to intensify the hunt for new offshore and international sources.
The global offshore drilling sector is set for the highest growth in a decade in the next two years, Oslo-based consultancy Rystad Energy said in a March report.
"International strength is led by the Middle-East and Latin America and is powered by a multi-year push to grow oil and gas production capacity, near-term OPEC+ cuts notwithstanding," BofA analysts said this month.
Exxon Mobil, TotalEnergies SE, and APA Corp are already drilling in oil-rich South American countries such as Guyana and Suriname, with some benefits of these exploration activities likely accruing to the services companies.
"(OFS) Companies with International/equipment exposure have strong visibility to multi-year volume growth and orders," TD Cowen analysts said earlier this month.
U.S. shale, led by the largest oil patch, the Permian, has been a source of massive output growth in recent years, but analysts have warned of a production plateau within five years.
This, coupled with lower operating costs of some offshore projects have made international exploration more lucrative.
Meanwhile, North American rig count, an indicator of future production, stood at 833 at the end of April-June quarter, down 5.6% from a year earlier while international rigs rose 17.3% to 967, according to Baker Hughes data.
International and offshore activity remains robust with OFS companies likely to reiterate the mid- to high-teens growth for 2023, Jefferies analysts said.
SLB said last month that offshore oil and gas exploration spending will increase more than 20% globally this year and the growth will continue into the next.
Contract pricing remained intact in North America for the large-cap oilfield service players, while international pricing was progressing per expectations, said Jefferies analysts.
Baker Hughes and Halliburton are scheduled to kick off the earnings season for OFS on Wednesday, while market leader SLB will report on Friday.

Australia's Woodside misses Q2 revenue estimate but sticks to guidance

Australian No.1 oil and gas producer Woodside Energy said second-quarter sales tumbled due to weaker commodity prices and maintenance work, missing analyst forecasts, although its shares rose as it stuck to longer-term production guidance.
Oil and gas prices have retreated from the levels hit in 2022 following Russia's invasion of Ukraine, with a slower-than-expected economic recovery in key consumer China weighing on fuel demand.
Oil producers are however expected to grow profits due to supply constraints until the Organization of the Petroleum Exporting Countries (OPEC) and major producers including Russia, together known as OPEC+, raise production in 2024.
Woodside said on Wednesday that revenue came in at $3.08 billion for the three months to June 30, from $3.44 billion a year earlier and missing a UBS estimate of $3.33 billion.
The Perth-based company produced 44.5 million barrels of oil equivalent (mmboe) in the period, up from 33.8 mmboe in the year-earlier period, although its average realised liquefied natural gas price fell to $63 per barrel of oil equivalent (boe) from $95 a year earlier.
The company maintained its full-year production and capital expenditure guidance, which included a delay of about half a year and a cost overrun at its Senegal Sangomar project in Africa disclosed a day earlier.
Shares of Woodside were up 1.6% by midsession, outperforming a 0.5% rise in the broader market, as investors bet on the company's ability to benefit from supply shortages despite uncertainties related to individual projects.
"Woodside has the potential to improve its performance in the upcoming quarters, or at least maintain it around similar levels, considering the forecast supply crunch amid global output cuts and OPEC+ situation," said E&P

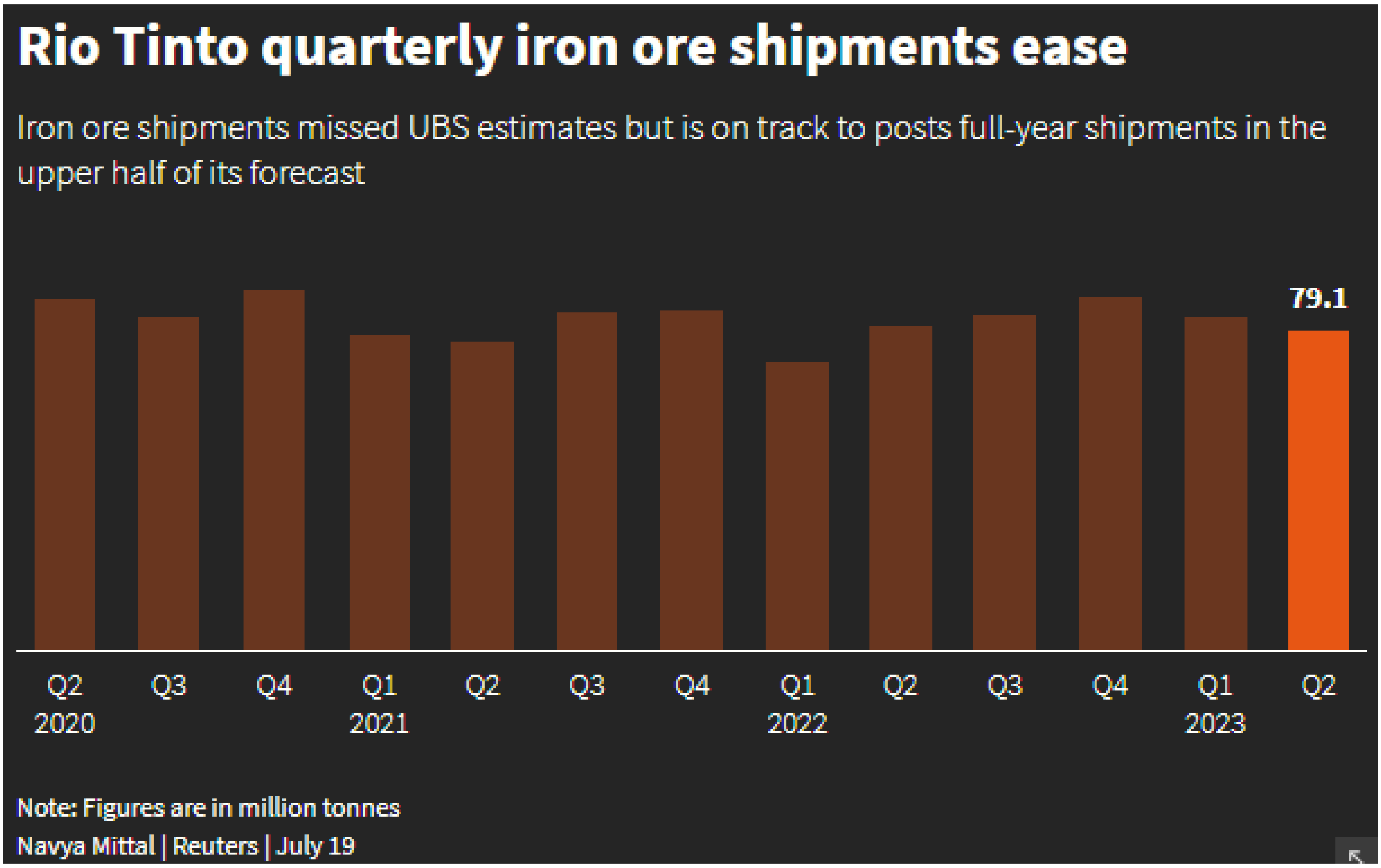
Financials analyst Adam Martin.
Woodside CEO Meg O'Neill said delaying Sangomar was "a difficult decision but a very prudent one" and the project was tracking on schedule other than the recently discovered piping defects which led to the delay.
"We've got high confidence that we'll be able to meet the updated cost range and first oil schedule," she said in an interview.

Top News - Agriculture

Brazil grain exports at record levels yet July soy shipments to drop -Anec

Brazil is poised to export a record 18.3 million metric tons of soybeans, soymeal, corn and wheat in July, revised data from exporters association Anec showed on Tuesday, even though soybean shipment projections fell from last week.
The previous record for July was set in 2020 for the four commodities, when 14.8 million metric tons were exported, Anec said.
The estimate puts Brazil on track to ship 106.1 million metric tons of the four commodities during the seven months of the year, which is also unprecedented. That is in spite of Anec lowering its estimated July export volume for soybeans, Brazil's top agricultural commodity, to 8.8 million metric tons from 10.4 million metric tons last week.
The previous export volume record for the first seven months of the year was 89 million tons, reached in 2022, Anec data show.
Thanks to Brazil's massive grain output, soy shipments from the country should also grow in relation to July of 2022, when they totaled 7 million metric tons, according to Anec data. China is the main buyer of Brazil's soy.
This year, however, Argentina imported significant volumes from its bigger neighbor as a drought destroyed its crops.
Already, corn exports from Brazil are projected at 6.8 million metric tons in July, virtually stable from last week's estimate and above the 5.6 million in the same month in 2022.
Brazil's corn shipments traditionally gain pace in the second half of the year, after the second-corn is harvested.
In 2023, Brazil is expected to unseat the U.S. as the world's biggest corn supplier.

Chart of the Day



REFINITIV
An LSEG Business

Cocoa prices hit highest in 12 years in New York
Chocolate-making raw material cocoa's prices rose to the highest in more than 12 years in New York on Tuesday, only a few weeks after its prices jumped to the highest in 46 years in London, as traders and chocolate producers face restricted supplies.
Prices for the benchmark cocoa contract at the Intercontinental Exchange in New York rose to $3,429 per metric ton earlier in the trading session, the highest since mid-March 2011, closing later at $3,407, or up 1.4%.
Cocoa is currently among the hottest agricultural commodities, mostly due to an unusual fall in production in the western part of Africa, a region that supplies most of the raw material to chocolate makers worldwide, and the prospect of possibly negative weather going forward.
Ghana and Ivory Coast, as well as Nigeria and Cameroon, are located in one of the areas which analysts say could suffer from drier-than-normal weather during several months ahead due to the El Nino pattern that is under development.
"Cocoa production is usually weaker in an El Nino year. We don't know how strong this current El Nino will be, but forecasters say it will probably be strong," said Rabobank cocoa analyst Paul Joules.
"The 2023/24 mid crop could be affected, as well as the 2024/25 main crop," he added, referring to the two annual cocoa crops African countries harvest.
The amount of cocoa arriving at ports to be exported in number one grower Ivory Coast is down 4% in the season compared with the previous year, exporters estimated on Monday, indicating smaller production.
London cocoa futures settled up 18 pounds, or 0.7%, at 2,532 pounds per metric ton.
Among other commodities, raw sugar settled up 0.3%, at 23.86 cents per pound, still trading in a recent narrow range, below the 11-year peak above 27 cents hit late in April.
Arabica coffee rose 0.3%, to $1.563 per pound, while robusta coffee settled down $20, or 0.8%, at $2,532 a metric ton.

Top News - Metals

Rio Tinto warns on global slowdown risks, production issues
Rio Tinto flagged concerns about a global economic slowdown on Wednesday as it logged a raft of production issues across its operations but said its iron ore production should be at the upper end of its expectations for the year.
Prices of iron ore, from which Rio Tinto derives around 70% of its profits, eased over the second quarter on concerns over China's debt-ridden property sector, but could improve after Beijing on Tuesday pledged to roll out policies to boost growth.
"China's economic recovery has fallen short of initial market expectations, as the property market downturn continues to weigh on the economy and consumers remain cautious despite monetary policy easing," Rio Tinto said in its quarterly report.
"Manufacturing data in advanced economies showed a further slowdown and recessionary risks remain."
The Anglo Australian miner recorded a small miss on its second-quarter iron ore shipments on Wednesday, hurt by a train derailment during the quarter, but said it was on track for full-year shipments in the upper half of its forecast range of 320 million to 335 million metric tons.
"It's good to see solid iron ore production expectations for the full year, but on the margin it's probably slightly disappointing given other production downgrades," said Glyn Lawcock of Barrenjoey in Sydney, adding that Rio's $900 million increase in working capital could impact shareholder returns.
The world's biggest iron ore producer shipped 79.1 million metric tons of the steel-making ingredient from its Pilbara operations in the three months ended June 30, down slightly from a year earlier and short of an estimate of 81 million metric tons compiled by Visible Alpha.
Rio downgraded its expectations for refined copper production, alumina production, and output at its Canadian iron ore operations and warned of rising costs.
"Production downgrades during the quarter highlight that we still have much more to do," Rio Tinto Chief Executive Jakob Stausholm said in the report.
Rio cut its refined copper guidance by about 10% to 160,000 to 190,000 metric tons and raised its cost guidance due to a smelter rebuild at its Kennecott operations in Utah that has also been delayed by a month.
Wildfires in Northern Quebec impacted Canadian iron ore production, it said.
Meanwhile, Rio is reviewing the $140 million estimate and development timeline for its Rincon lithium project in Argentina due to rising costs. Rio will report its first-half profit on July 26.

Peru's mining zones back protests, which Boluarte calls 'threat to democracy'
Residents of Peru's key mining areas are expected to support protests due to kick off this week against the government of President Dina Boluarte, who on Tuesday denounced the planned demonstrations as a "threat to democracy."

Communities along the main mining corridor in Peru - the world's No. 2 copper producer - have voiced their backing for the protests, which begin Wednesday, NGO leaders said.
Mining output was heavily impacted in January and February during an earlier round of protests following the ouster of former President Pedro Castillo, who was arrested after illegally attempting to dissolve Congress.
"We know some delegations (from mining communities) are going to arrive (in Lima), and they will also mobilize in their communities like at the beginning of the year," said Jose de Echave, head of environmental NGO CooperAccion, which monitors mining conflicts.
The mining corridor, which crosses poor, largely Indigenous communities in Peru's south, transports copper from mines such as MMG Ltd's Las Bambas, Glencore's Antapaccay and Hudbay's Constancia.

'VIOLENCE NOT ALLOWED'
Peru's government has warned that authorities will react to protests, called by unions and left-wing groups, with "legitimate use of force."
The initial round of protests were Peru's deadliest in decades, with human rights groups denouncing "extrajudicial killings" by security forces.
The protests call for Castillo's release, Boluarte's resignation, the closure of Peru's unpopular Congress and a new constitution. Boluarte said in a speech on Tuesday that the government is "not able to resolve" such demands.
Boluarte added that the protests represent "a threat to democracy" and that "acts of violence are not going to be allowed."
Her government has placed the military along the mining corridor and enacted states of emergency suspending constitutional rights such as freedom of assembly and freedom of movement as a way of blocking the protests, de Echave said.
Economy Minister Alex Contreras also said on Tuesday that maintaining the peace was key for Peru's economy.
Organizers of the demonstrations, which have been dubbed "the third takeover of Lima," have said protesters are largely coming from Peru's poorer south, rather than the more economically prosperous capital.

MARKET MONITOR as of 06:42 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$75.60 / bbl	-0.20%	-5.81%
NYMEX RBOB Gasoline	$2.63 / gallon	-0.02%	6.17%
ICE Gas Oil	$759.25 / tonne	0.43%	-17.56%
NYMEX Natural Gas	$2.63 / mmBtu	-0.11%	-41.32%
Spot Gold	$1,973.86 / ounce	-0.25%	8.19%
TRPC coal API 2 / Dec, 23	$104.5 / tonne	3.47%	-43.44%
Carbon ECX EUA / Dec, 23	€88.14 / tonne	0.90%	4.97%
Dutch gas day-ahead (Pre. close)	€27.00 / Mwh	8.43%	-64.27%
CBOT Corn	$5.46 / bushel	2.10%	-19.51%
CBOT Wheat	$7.07 / bushel	2.32%	-13.55%
Malaysia Palm Oil (3M)	RM3,894 / tonne	-0.92%	-6.71%
Index (Total Return)	**Close 18 Jul**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	303.12	1.49%	0.59%
Rogers International	26.40	0.80%	-7.92%
U.S. Stocks - Dow	34,951.93	1.06%	5.44%
U.S. Dollar Index	99.94	0.10%	-3.46%
U.S. Bond Index (DJ)	411.05	0.21%	4.51%

Top News - Carbon & Power

Global power demand growth to rebound in 2024 after slowdown, IEA says

An ongoing energy crisis and an economic downturn is expected to slow global power demand growth in 2023, but a probable rebound in 2024 means more renewable capacity needs to be developed, the International Energy Agency (IEA) said on Wednesday.

The global growth rate for energy consumption is set to slow to slightly less than 2% in 2023, down from 2.3% in 2022, which was also down from the five-year pre-COVID 19 average of 2.4%.

For 2024, the rate is expected to rise to 3.3%, as the economic outlook improves, the IEA data showed.

The Paris-based agency predicted renewable energy would cover the expected growth this year and next and power from renewable sources would exceed one third of the total global power supply for the first time next year.

However, hydropower has declined, falling about 2% in 2020-2022 compared to 1990-2016 figures, which represents about 240 terawatt-hours, or the annual consumption of Spain.

"Anticipating challenges on hydropower related to climate change, and planning accordingly, will be crucial for the efficient and sustainable use of hydro resources," the IEA said.

The renewable growth should help to cut global emissions, as emissions increases in China and India are expected to be offset by declines in other countries where renewable deployment is growing and natural gas continues to replace coal, the IEA said.

The European Union alone accounts for 40% of the total decline in emissions from power generation, the IEA data showed.

In the first half this year, the EU recorded a 6% decline in power demand as energy-intensive industries, including aluminum, steel, paper, and chemical industries, cut their use in response to high prices. A relatively mild winter also had a more limited impact on reducing demand, the IEA said.

Wholesale electricity prices, have fallen significantly from records hit last year as a result of the disruption caused by Russia's invasion of Ukraine, but average prices in Europe are still more than double their 2019 levels, India's are up 80%, and Japan's more than 30%.

Prices in the United States, however, have retreated almost to 2019 levels. The country's demand is expected to decline by 1.7% in 2023 due to slowing economic growth, and to rebound in 2024 to 2%, down from the 2.6% recorded in 2022.

In China, demand is expected to grow 5.3% in 2023 and 5.1% in 2024, after a moderate 3.7% rise in 2022, the IEA data showed. Increased use of cooling to cope with summer heatwaves is expected to drive the demand growth there this year.

India's consumption is expected to rise by 6.8% in 2023 and 6.1% in 2024 - when it is expected to surpass that of Japan and Korea combined - but down from the 8.4% rise recorded in 2022.

The growth is expected to come from increased use of household appliances, a rise in electrical machinery usage, an increase in electric vehicles, and greater demand for cooling.

EU lawmakers push for tougher crackdown on energy market abuse - sources

European lawmakers are pushing for a tougher crackdown on manipulation in gas and electricity markets by giving an EU agency the teeth to investigate and impose fines, the lead lawmaker on the file and two sources said.

The European Commission, the EU's executive body, proposed the regulation against the manipulation of the wholesale energy market (REMIT) in March this year as part of a wider reform of the EU's power markets.

A position on REMIT was drafted by key lawmakers last week and pits itself directly against the stance taken by EU states in June.

The Commission's power reform package came about in reaction to extreme gas and power price spikes in 2022 following Russia's invasion of Ukraine. As energy markets became dysfunctional - costing Europeans consumers dearly and bankrupting some utility firms - oil majors and large commodity traders saw profits soar.

Lawmakers want to give the Agency for the Cooperation of Energy Regulators (ACER), an EU body, full investigative powers to look into market abuse and to impose sanctions and fines if wrongdoing is found, the sources said.

"The general tendency is to reinforce ACER's role but we are still finalising the details, which should be ready by the end of the month," Maria da Graca Carvalho, the lead lawmaker on file, said.

One of the sources said the final wording of the draft was still being tweaked but the contents had been agreed after negotiations between lawmakers.

The aim is for ACER to have similar powers to ESMA, the EU body that regulates financial instruments and can issue fines. ACER's scope would include cross-border electricity, liquefied natural gas and gas trades within the EU and with third countries.

Currently, the EU has no ability to fine energy companies in these markets. Instead, the bloc relies on national

regulators to determine legal breaches and issue sanctions accordingly, which they rarely do, the sources said.
By contrast, EU states would like this status quo to remain and to impose "lower fines on a case by case basis" than those suggested by the Commission that already states fines should not exceed 20% of the company's turnover or 20% of an individual's yearly income.
ACER is also limited in its ability to investigate without first notifying national regulators, which kills the crucial "element of surprise". Parliament's position wants to change this, the sources said.
Further, the parliamentarians want to make it mandatory for companies to have a manned office in the EU country in which the firm carries out most of its trades, especially with companies registered in third countries, the sources said. This move would ease jurisdictional complications. This would also give ACER the ability to inspect offices and find physical evidence.
"We want offices to storm," one of the sources said.
A parliamentary committee vote on this position is due to take place in September, Carvalho said. Once the position passes the committee, the full parliament will vote on it before deliberations between the EU's three branches can take place to reach a final compromise law.

Top News - Dry Freight

Russia strikes Ukraine's Odesa port for second night - officials

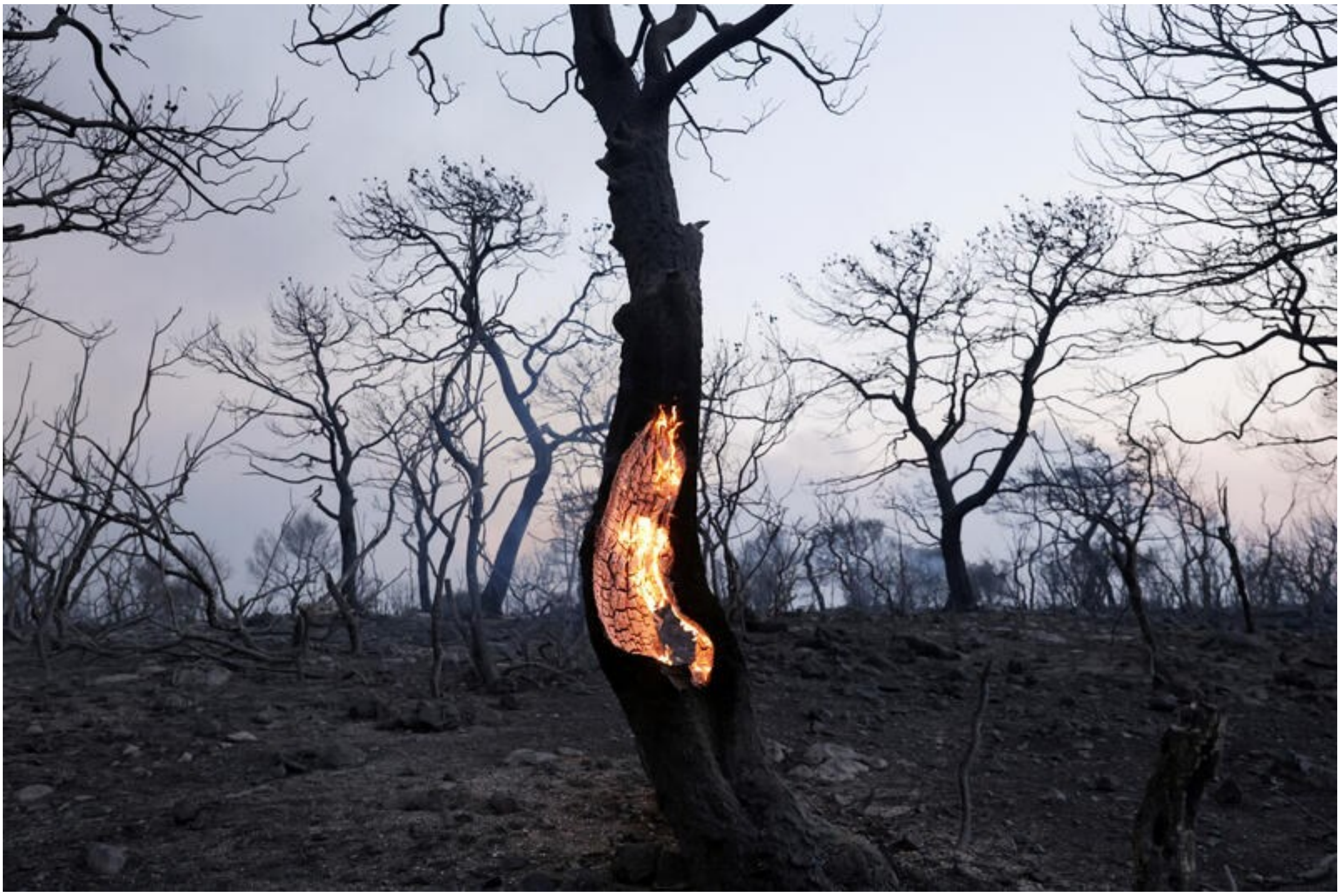
Russia launched air attacks on Odesa for a second night in row but the key port will not be intimidated and will continue its work to export grains, Ukrainian officials said early on Wednesday.
The Odesa region's governor, Oleh Kiper, said on social media that air defence systems were engaged in repelling the Russian air attack and urged residents of the region to stay in shelters.
The attacks on Odesa, one of Ukraine's main ports for exporting grain, followed a pledge of retaliation by Russia after a blast on a bridge linking Russia to the Crimean Peninsula on Monday that Moscow blamed on Ukraine.
Shortly after the bridge was hit on Monday, Moscow withdrew from the year-old grain agreement, a move the United Nations said risked creating hunger around the world.
"(They're) are trying to scare the whole world, especially those who want to work for the grain corridor ... Ukraine, Turkey and the United Nations," Serhiy Bratchuk, spokesperson for the Odesa military administration, said in a voice message on his Telegram channel early on Wednesday.
"But I think that all normal, rational people will look and say: Odesa was not afraid, is not afraid and will not be afraid - we will work."
Ukraine's Air Force warned of probable Russian cruise missile launches from the Black Sea overnight. All of the eastern part of Ukraine was under air raid alerts, starting soon after midnight on Wednesday.
There was no immediate comment from Russia on the attacks. Pro-Kremlin military bloggers said that the strikes were "massive" and Moscow was using a combination of missiles and drones to attack Odesa and other regions.
Reuters could not independently verify the reports.
On Tuesday, Russia's Defence Ministry said it had hit military targets in two Ukrainian port cities overnight as "a mass revenge strike" in response to the attack on the Crimean Bridge.

Canada port strike resumes as union members reject wage agreement

Dock workers at ports along Canada's Pacific coast rejected on Tuesday a tentative four-year wage deal agreed with their employers last week and returned to the picket line, the International Longshore and Warehouse Union (ILWU) said.
The ILWU represents about 7,500 dock workers, who walked off the job on July 1 after failing to reach a new work contract with the British Columbia Maritime Employers Association (BCMEA), which represents the companies involved.
In a statement on Tuesday afternoon, the ILWU said its members had voted down the recommended terms of settlement because they did not believe the terms would protect their jobs.
"With the record profits that the BCMEA's member companies have earned over the last few years the employers have not addressed the cost of living issues that our workers have faced over the last couple of years as all workers have," the ILWU said in its statement.
Minister of Labour Seamus O'Regan and Transport Minister Omar Alghabra said later in a joint statement the BCMEA had accepted the deal in full but ILWU Canada's leadership decided not to recommend the ratification of the terms to their members.
The ministers said they were looking at all options and would comment further on Wednesday.
Vancouver Fraser Port Authority, the federal agency responsible for the shared stewardship of the Port of Vancouver, said it was disappointed that an agreement had not been reached.
The agency added that sustained strikes at the Port of

Vancouver would impact more than 115,300 supply-chain jobs that depend on the movement of goods through the port.
The Port of Vancouver is Canada's largest port, and the third largest in North America by tonnes of cargo.
The strike has upended operations at two of Canada's three busiest ports, the Port of Vancouver and the Port of Prince Rupert, which are key gateways for exporting natural resources and commodities and bringing in raw materials. The resumption of the strike could trigger more supply-chain disruptions and risk worsening inflation.
Federal government mediators helped negotiate the deal reached last week.
Pierre Poilievre, leader of the opposition Conservative Party, criticized O'Regan for failing to solve the dispute.
"He claimed he'd gotten a deal to end the strike. Now it's back on with massive costs to consumers, workers and business," Poilievre said on Twitter.

Picture of the Day



A tree burns during a wildfire in Mandra, Greece, July 18, 2023. REUTERS/Louiza Vradi

(Inside Commodities is compiled by Kishan Nair in Bengaluru)

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

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