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Top News - Oil

European refiners' golden era draws to end as demand sags

European oil refiners TotalEnergies and Neste warned on Thursday of further weakness in profit margins amid sagging demand, signalling an end to a brief era of stellar profits that followed Russia's invasion of Ukraine.
TotalEnergies, the largest European refiner, saw a 34% quarterly drop in operating income of its refining and chemicals business due to lower profit margins from processing crude oil into fuels such as diesel, gasoline and jet fuel.
Its benchmark European refining margin marker dropped by 37% in the second quarter from the first three months of the year.
European refining, long under pressure from overseas rivals, was given a lease of life in the wake of the Ukraine war after the European Union banned oil imports from Russia, which was a major source of diesel.
The start-up of new refineries in Africa and the Middle East in recent months, combined with slower economic activity in Europe, has however renewed pressure on the sector.
The French company, which operates refineries in Europe, the Middle East and the United States, said it expects the pressure on margins to continue into the third quarter. "Global refining margins, which have sharply decreased since the end of the first quarter 2024, remain impacted by low diesel demand in Europe, as well as by the market normalisation following the disruption in Russian supply," TotalEnergies said after reporting a 6% drop in second-quarter earnings.
Refining margins are normalizing to their pre-war levels, TotalEnergies CEO Patrick Pouyanne said.
"Margins are back to where they were before the last two remarkable years ... We have come back to reality," Pouyanne told analysts.
BP, Shell and Exxon Mobil warned in recent weeks that weaker refining margins would impact second quarter results, which they will report next week.
U.S. oil refiners are also expected to report sharply lowersecond-quarter earnings after a listless summer driving season.

UNCERTAINTY

Finnish refiner Neste reported on Thursday its first net loss in a decade, impacted by lower diesel and biodiesel prices, as well as planned maintenance at its Porvoo refinery. The company also cut its annual renewables margin for a second time this year.
"The uncertainty in the global economic outlook and geopolitical situation continues to create market volatility ... the refining market continues to be impacted by geopolitical tensions," Neste said in its results.
On Wednesday, Spain's Repsol reported a sharp drop in refining margins in the second quarter from the previous three months, driven by lower gasoline prices and higher crude feedstock costs.
Following the results, RBC Capital Markets analysts cut Repsol's rating to perform from outperform citing a deteriorating environment.
While crude oil prices remain supported by output cuts by the OPEC+ group of producers, "new refinery ramp-ups and sluggish demand for products have put pressure on refining margins", the RBC analysts said.
"We believe the outlook is likely to remain more muted into 2025, which effectively ends an extraordinary multi-year period for Repsol's downstream earnings," they said in a note.

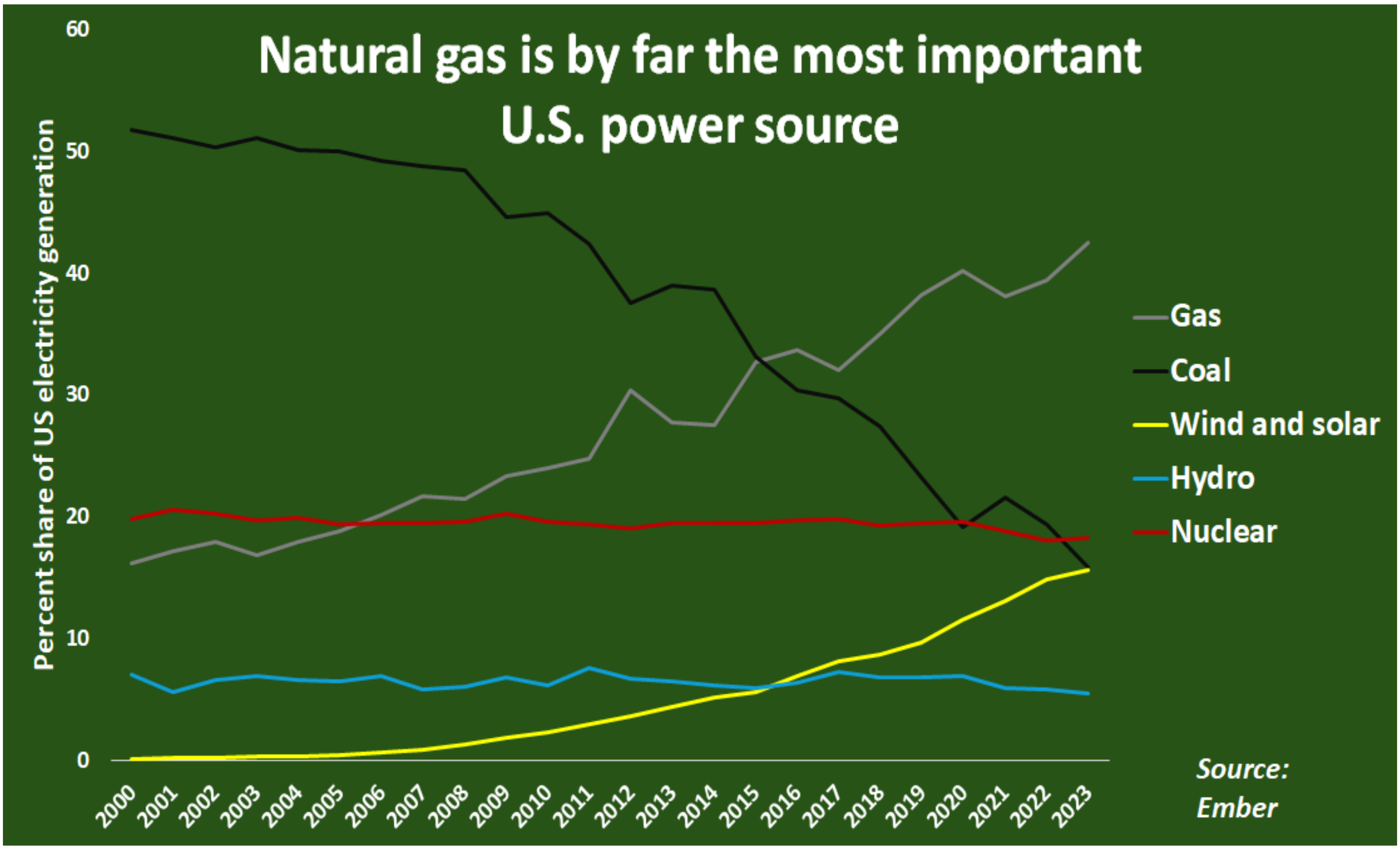
EXCLUSIVE-Declining Mexican crude output could shatter energy independence dream

Mexico's incoming President Claudia Sheinbaum will likely face a new challenge fulfilling the dream of energy independence that led her predecessor to spend $17 billion on a new refinery: a shortfall in domestic crude supply.
The country is a major crude producer but output from the country's older oil fields, mostly in the Gulf of Mexico, has slumped to more than a four-decade low.
Without significant spending on exploration and production, Mexico may find itself importing crude to feed its expanded refinery capacity in the next decade, a once unheard-of change of direction for the key global exporter.
For years, state-owned Pemex has failed to meet local fuel demand because its outdated refineries were unable to process the heavy Maya crude that it predominantly pumps.
That left Mexico exporting crude while having to import gasoline and diesel, much of it from the United States.
Outgoing President Andres Manuel Lopez Obrador vowed to change what he saw as a humiliating dependence on imported motor fuels.
He commissioned a new 340,000 barrels per day (bpd)

refinery in his home state Tabasco to meet the fuel supply shortfall caused by Pemex's six refineries that had gone decades without sufficient investment to run at capacity.
Lopez Obrador's Olmeca refinery in Dos Bocas is over budget and behind schedule, but once it fully starts, Mexico may come close to supplying the motor fuels it consumes for a few years.
Previously unreported projections from the energy ministry, seen by Reuters, however, suggest that period would be short-lived, and Pemex would likely have to start importing crude as production will rapidly decline from 2030.
Pemex, the energy ministry and the president's office did not respond to requests for comment for this story.
Zama, a shallow-water field on the cusp of being a deep-water field, and Trion, an ultra-deep-water field, would temporarily lift production to almost 2.247 million bpd in 2028 from around 1.8 million bpd now, the middle of three scenarios laid out by the energy ministry showed.
The most optimistic scenario sees output reaching 2.390 million bpd, and the more pessimistic at 2.164 million bpd.
All three scenarios, which factor in some new discoveries, project rapidly declining production from 2030.
That means Mexico would have to start importing crude as early as in the next decade if it wants to run its refineries near capacity, one source at the energy ministry familiar with the projections said. It would also no longer export crude.
Zama and Trion could also disappoint, the source said, adding that other recent discoveries have.

UNEXPLORED POTENTIAL
Alma America Porres, who served two terms as a commissioner at the hydrocarbon regulator, including during the landmark energy reform that sought to open up the sector a decade ago, said Mexico's proven crude reserves suggest the shortfall may come even sooner.
"The proven reserves give us the most realistic picture of what there is," she said. "I don't see a big discovery, one of the scale of Trion or Zama, in the near term."
Earlier this year, Mexico reported that its proven crude reserves had fallen to 5.978 billion barrels from 6.155 billion barrels a year earlier. Its overall proven reserves were lifted by natural gas, though.
Production from older fields - including the Cantarell field, once the second largest in the world after Ghawar in Saudi Arabia - has been declining rapidly in recent years. Newer fields have failed to compensate.
Lopez Obrador has invested heavily in the six refineries, which increased processing to about 1 million bpd. Even so, its outdated refineries produce record amounts of fuel oil rather than much-needed motor fuels.
With the Olmeca refinery starting up and repairs to older ones, the energy ministry forecasts they will process 1.6

Chart of the Day



million bpd of crude, closer but still below consumption levels of around 1.7 million bpd, International Energy Agency data shows.
Experts have said the huge sums spent on the Olmeca refinery could have been better spent on oilfield exploration and production, and diversifying into renewable energy sources.
Lopez Obrador, a resource nationalist, has not held auctions for areas that could encourage other oil and gas companies to explore and invest in deepwater and onshore shale production, where Pemex lacks expertise and money.
The legal framework to allow participation from companies to operate fields on their own - or in association with Pemex - remains in place even after Lopez Obrador pushed through other reforms that prioritize Pemex.
"The exploration part requires a lot of investment, investment that Pemex doesn't necessarily have money for," said Carla Gabriela Gonzalez, another former senior official at the hydrocarbon regulator.
"And that was where private companies added value: because they invested in exploration, and that investment didn't cost the Mexican state anything. On the contrary, these companies paid the Mexican state for the right to explore."
Three Pemex engineers at the company's exploration and production arm, and the engineer at the energy ministry agreed that the state company could hugely benefit from participation by the private sector.
"What we need is a massive exploration strategy, just like Petrobras in Brazil had, instead of one that centers on increasing refining capacities," said the energy ministry source.
Pemex puts Sheinbaum in a bind: she has positioned herself as the guardian of her mentor's resource nationalist legacy that requires investment while others are diversifying into renewable energy sources.
Sheinbaum has proposed spending more on wind and solar infrastructure for electricity generation. Her plans for Pemex remain unclear and her team did not respond to a request for further comment.
With a doctorate in energy engineering from Mexico's National Autonomous University, Sheinbaum was one of the lead authors for the industry chapter of the U.N. Intergovernmental Panel on Climate Change in 2014.
One of Sheinbaum's advisors on energy matters said that there would likely be some collaboration with private companies during her presidency to increase exploration and production, with preference given to those already operating in Mexico.

Top News - Agriculture

Recent rains allow Argentina to complete wheat planting in main farmland

Recent rains have allowed Argentine farmers to finish wheat planting for the current harvesting season in the country's agricultural heartland, according to a report from the Buenos Aires grains exchange (BdeC) released on Thursday.
While wheat planting is complete in all major farmland for the 2024/25 cycle, planting over 6.3 million hectares dedicated to the key grains crop nationwide is 98.5% complete, the weekly report from the BdeC showed.
Agricultural powerhouse Argentina is a major global grains supplier, with sales of cash crops including wheat, corn and soybeans all providing crucial income as well as contributing foreign currency reserves to central bank coffers needed to pay down debts and finance imports.
The latest BdeC report noted that rainfall focused mainly on the center and east of the major agricultural area allowed planting to be completed in both the northern and southern centers.
The exchange added, however, that southern wheat-planted areas have been impacted by cold and dry weather recently.
Meanwhile, harvesting of Argentina's 2023/24 corn crop has advanced quickly over the last week, with nearly 87% of some 7.6 million hectares already picked.
Once completed, the corn harvest is expected to yield 46.5 million metric tons, according to the exchange.

US spring wheat tour forecasts record North Dakota yield

Scouts on an annual North Dakota crop tour on Thursday projected that hard red spring wheat yields in the top-producing state will average 54.5 bushels per acre, the highest ever according to records going back to 1992.
The figure was well above the Wheat Quality Council tour's 2023 estimate of 47.4 bushels per acre and the five-year average of 42 bushels per acre, excluding 2020.
The lofty forecast concerned some farmers on the tour, however, as they worry a strong spring wheat crop will only further drive down U.S. wheat future prices that are already near four-year lows.
Cool, rainy conditions propelled yield predictions to record levels, but the same weather has also helped spread fusarium head blight, also known as scab, which can result in grain being sold at hefty discounts.
"There's probably six weeks left until harvest and a lot of things can happen. But right now, the potential looks really nice," Brian Walker, member of the Wheat Quality Council, said.
Experts noted that hot weather and triple-degree heat forecasted for some areas in the coming weeks may mean the harvest ultimately falls short of expectations.
Grain traders, millers and exporters are monitoring conditions of hard red spring wheat, which is used in pizza crusts, breads and bagels. Major wheat-growing areas in the Black Sea have suffered from drought, though improving yield forecasts from the region's ongoing harvest have weighed on futures prices.

Scouts admired lush fields where wheat grew so thick the ground was barely visible during the tour of the nation's top spring wheat producing state.
Despite a healthy crop, many groups noted the prevalence of fusarium fungus, which is identified by telltale salmon-pink streaks on the wheat heads. It can cause vomiting in animals and humans if present in high enough quantities.

Top News - Metals

Anglo takes further fertiliser writedown, sees coal deal by early 2025
Anglo American took a further $1.6 billion writedown on its British fertiliser project on Thursday but said it expects to reach a deal to sell its coal assets by early 2025 despite a fire at one of its mines.
CEO Duncan Wanblad is under pressure to boost returns to investors and demonstrate he can deliver on his May 14 plan to radically refocus the company on copper and iron ore, after fighting off a $49 billion takeover attempt from bigger rival BHP Group.
Wanblad aimed to get an early start by selling Anglo's coking coal assets in Australia, but a fire at its Grosvenor mine threatens to delay a deal and hit its valuation.
Anglo said the company plans to conduct a two-stage auction process for the coal assets, including Grosvenor, adding that the mine would probably only resume operations under a new owner.
"There are so many interested potential buyers for this set of assets," Wanblad told reporters.
"Our expectation is that hopefully by the end of this year, very early next year...we will have a deal," he added.
According to analysts at Jefferies, Grosvenor accounts for about 30% of the $4.5 billion value the brokerage attributes to Anglo's steelmaking coal business.
Anglo's shares were down around 1% by 0830 GMT.
The CEO said Anglo is still looking for partners at its Woodsmith fertiliser project in northern England. Despite the latest writedown the company reiterated the operations are one of its three pillars alongside copper and iron oreafter its restructuring.
Anglo wrote down $1.7 billion on the $9 billion project a year ago.
The miner also said its nickel assets in Brazil have attracted interest from potential buyers.
"We have had inbound interest from a number of credible parties and we will be starting a formal process later this year," a spokesperson said via email.
The company declared an interim dividend of $0.42 per share, down from $0.55 a year earlier and far below the record levels of 2021.
It posted a $672 million loss for the first half, mostly reflecting the impairment at Woodsmith. Core earnings or EBITDA of $5 billion were slightly lower than $5.1 billion a year earlier but above the $4.6 billion seen in an analysts' consensus estimate.
Anglo cut diamond production by 19% during the first six months of the year amid lower prices. Output guidance at its De Beers unit was revised down to 23-26 million carats from 26-29 million to help preserve cash.

MARKET MONITOR as of 06:40 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$78.40 / bbl	0.15%	9.42%
NYMEX RBOB Gasoline	$2.44 / gallon	0.42%	15.83%
ICE Gas Oil	$759.00 / tonne	1.00%	1.10%
NYMEX Natural Gas	$2.06 / mmBtu	0.78%	-18.18%
Spot Gold	$2,368.39 / ounce	0.16%	14.83%
TRPC coal API 2 / Dec, 24	$114.75 / tonne	2.50%	18.30%
Carbon ECX EUA	€67.15 / tonne	0.51%	-16.45%
Dutch gas day-ahead (Pre. close)	€31.70 / Mwh	-2.85%	-0.47%
CBOT Corn	$4.20 / bushel	-0.12%	-13.17%
CBOT Wheat	$5.62 / bushel	-0.13%	-99.12%
Malaysia Palm Oil (3M)	RM3,955 / tonne	0.94%	6.29%
Index	**Last**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	329.46	-0.01%	9.31%
Rogers International	27.33	-0.89%	3.80%
U.S. Stocks - Dow	39,935.07	0.20%	5.96%
U.S. Dollar Index	104.33	-0.02%	2.96%
U.S. Bond Index (DJ)	430.70	0.19%	0.00%

"An expected recovery in PGM and diamond prices could help sentiment while a renewed approach from BHP cannot be ruled out," said analyst Marina Calero at RBC Capital Markets. "However, we view the outlook for Anglo as more balanced in the near term as the sale of the steelmaking coal assets gets more complicated," she added. The company's restructuring plan includes the divestment of De Beers and also of its nickel mines, and the demerger of its South African platinum unit.

India's duty cut halts concessionary silver, platinum imports from UAE

India's silver and platinum imports from the UAE, previously benefiting from concessionary duties under a trade agreement, have ceased as New Delhi's move to reduce import taxes eliminated the duty arbitrage that bullion dealers were exploiting, trade and government officials told Reuters. The world's second-biggest bullion consumer slashed import duties on gold and silver on Tuesday to 6% from 15%. After the reduction, there is no incentive to bring silver or platinum into India under the Comprehensive Economic Partnership Agreement (CEPA) signed between India and the UAE, said Prithviraj Kothari, president of the India Bullion and Jewellers Association (IBJA). "Now that regular customs duty for silver is lower than the tax under the CEPA, nobody's importing silver anymore."

Bullion dealers primarily imported silver from the UAE under the CEPA, as they only needed to pay an 8% import duty compared to the regular 15%.

This helped the UAE corner nearly half of India's silver imports, with its shipments surging to 1,998 metric tons in the first five months of 2024 from just 133 tons during the same period a year ago.

However, with the regular duty now reduced to 6%, imports via CEPA have become unfeasible, dealers said. In the past two days, bullion dealers have not approached customs to clear silver and platinum shipments under CEPA, said a government official.

The imports of platinum have also stopped because of the duty cut, said Nitin Kedia, national general secretary at the All India Jewellers and Goldsmith Federation.

India's four-week platinum imports from mid June eclipsed 2023's total as bullion dealers exploited a loophole by registering alloys containing around 90% gold as platinum to avoid higher duties, sources told Reuters.

Around six tons of silver and two tons of platinum alloy have been stranded due to the change in the duty structure, and importers are now facing losses because of a sharp drop in global prices, said a Mumbai-based bullion dealer.

"Importers must now either export silver grains back to the UAE or sell them at a discount in the Indian market," the dealer said.

Top News - Carbon & Power

Freeport LNG in Texas seen back on Thursday after shutting on Wednesday

U.S. liquefied natural gas (LNG) company Freeport LNG's export plant in Texas was on track to return to service on Thursday after shutting on Wednesday, according to data from financial firm LSEG and a company filing with Texas environmental regulators.

Freeport is one of the most-watched U.S. LNG export plants in the world because it has a history of swaying global gas prices when it shuts and restarts.

With Freeport down on Wednesday, expectations of lower amounts of gas flowing to LNG export plants helped cut U.S. gas futures by 3% to a one-week low, while expectations of less LNG supply helped boost European gas TRNLTTFMc1 prices by 4% to a one-week high.

The amount of gas flowing to the 2.1-billion cubic feet per day (bcfd) Freeport plant, which started to exit a nine-day outage on July 16, was on track to rise to 1.3 bcfd on Thursday after falling to 0.8 bcfd on Wednesday, according to LSEG data.

On Monday and Tuesday, Freeport was pulling in about 1.4 bcfd after consuming almost no gas from July 7-15 after the plant shut before Hurricane Beryl hit the Texas coast on July 8. One billion cubic feet of gas is enough to supply about five million U.S. homes for a day.

In a filing with Texas environmental regulators on Wednesday, Freeport said it was "necessary to quickly reduce rates to zero flow due to a site trip at the upstream pretreatment facility that was caused by an incoming power feed interruption."

The event happened Wednesday morning and ended about 10 hours and 30 minutes later on Wednesday evening. Officials at Freeport had no comment on the event on Wednesday. With Freeport expected to pull in more gas, LNG feedgas to the seven big U.S. LNG export plants, including Freeport, was on track to reach a two-week high of 12.6 bcfd on Thursday. So far in July, gas flows to the seven big U.S. LNG export plants fell to 11.6 bcfd after Freeport shut for Hurricane Beryl, down from 12.8 bcfd in June and a monthly record high of 14.7 bcfd in December 2023.

Exxon Mobil, CF Industries sign carbon capture and storage deal

Energy major Exxon Mobil said on Thursday it has entered into a carbon capture and storage (CCS) agreement with ammonia producer CF Industries. Carbon capture is a process through which carbon dioxide (CO_2) generated from industrial activity is stored underground. The process has been embraced by oil companies including Chevron, Occidental Petroleum and Talos Energy.

Exxon will transport and store up to 500,000 metric tons per year of the captured CO_2 from CF Industries' complex in Yazoo City, Mississippi, which makes nitrogen products for agricultural fertilizer.

The project will enable CF Industries to reduce the site's CO_2 emissions by up to about 50% and is expected to start in 2028, Exxon said in a statement.

The agreement marks Exxon's fourth CCS project and the second with CF. Last year, it signed a CCS agreement with Nucor. In March, Exxon and Shell said they would work with Singapore to develop a cross-border CCS project.

Top News - Dry Freight

EU wheat exports off to slow start as harvest verdict looms

Slack early-season demand for European Union wheat, as cheaper Russian and Ukrainian supplies rack up sales, has some traders worried that the EU is falling too far behind in exports even if its surplus is set to be cut by a rain-hit harvest.

EU common wheat exports in the first three weeks of the 2024/25 season that started on July 1 were down a third from a year ago. While that gap may partly be due to missing figures for France, traders see little business on the horizon.

"Russian wheat especially is looking so cheap that the west EU is out of the export game for the near term," a German trader said.

Russia, the biggest wheat exporting country, has appeared to loosen a minimum export price policy in tenders held by Egypt, a move traders sees as partly in response to a temporary halt to imports by Turkey.

Ukraine, meanwhile, has bolstered its exports through a war-time shipping channel established last year.

A tender purchase by Algeria last week for September shipment dented sentiment in western Europe, with prices suggesting Black Sea supplies including Russian and Ukrainian wheat would fill the order and leave France sidelined in one of its major outlets.

"This means France has got nothing in its export book up to the end of September," one French trader said.

A lack of demand from China, a leading market for French wheat, has added to doubts over demand, though several cargoes of French barley are thought to have been sold for summer shipment.

EU suppliers may be left battling for sales to drought-hit Morocco, which is closer to western Europe.

Some see export concerns as premature.

"It's never encouraging to see exporters not loading, but it's not unusual to see this kind of price gap with Black Sea wheat," Maxence Devillers of Argus said.

Traders are waiting to see the extent of rain damage to the ongoing European harvest, with persistent rain in France and Germany raising concern that milling quality will suffer after area and yield.

Poor wheat harvest quality might further curb exports by shifting more crop towards livestock feed within the bloc.

South Korean buyer purchases about 18,500 T feed barley, traders say

A South Korean importer purchased an estimated 18,500 metric tons of animal feed barley expected to be sourced from east Europe and Russia, European traders said on Thursday.

Some 13,500 tons expected to be sourced from east Europe was bought at an estimated $249 a ton cost and freight (c&f) included and 5,000 tons expected to be sourced from Russia was bought at about $244 a ton c&f, they said.

The barley was sought for arrival in South Korea around Oct. 30.

Reports reflect assessments from traders and further estimates of prices and volumes are still possible later.

Picture of the Day

Farm labourers carry rice saplings for planting in a field on the outskirts of Ahmedabad, India, July 21, 2023. REUTERS/Amit Dave

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

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