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Top News - Oil

Goldman upgrades oil demand outlook as market tempers growth pessimism

Goldman Sachs on Sunday revised up its global oil demand forecast for the year while sticking to its 12-month Brent price projection of $93 per barrel as higher realized inventories offset the demand boost from a less pessimistic growth outlook.

Goldman analysts estimate global oil demand climbed to an all-time high of 102.8 million barrels per day (bpd) in July and see solid demand driving a larger-than-expected 1.8 million bpd deficit in the second half this year and a 0.6 million bpd deficit in 2024.

A reduced recession risk and a strong effort by the Organization of the Petroleum Exporting Countries (OPEC) to push up prices support Goldman's view on higher oil prices and an outlook for less volatility, the analysts wrote in a note.

Oil prices hovered near three-month highs on Monday, set to post their biggest monthly gains in over a year on expectations that Saudi Arabia would extend voluntary output cuts into September and tighten global supply.

Saudi supply cuts have brought back deficits, the Goldman analysts said, adding that they see the extra 1 million bpd Saudi cut to last through September and be halved from October.

The Wall-Street bank upgraded its oil demand estimate by around 550,000 bpd and sees 2023 supply higher by around 175,000 bpd.

The bank maintained its $86 a barrel Brent forecast for December 2023, and it expects prices to rise to $93 per barrel in the second quarter next year as supply deficits continue.

"However, the significant rise in OPEC spare capacity over the past year, the return to growth in international offshore projects, and declining U.S. oil production costs limit the upside to prices," it said.

Brent futures were trading around $84 a barrel by 0353 GMT, while West Texas Intermediate (WTI) U.S. crude was around $80.

ANALYSIS-Oil inventory drops set stage for higher prices

Oil inventories are beginning to fall in some regions as demand outpaces supply constrained by deep production cuts from OPEC leader Saudi Arabia, providing support for prices which are expected to rise in coming months.

JP Morgan analysts said this month that oil inventories - which include crude and fuel products - now play a bigger role in determining oil prices than the U.S. dollar because Western sanctions on Russia have accelerated oil trading in other currencies.

"We expect stocks to draw relatively aggressively in July, and by the end of August, we should be through the stock builds that we saw in the first half of the year," said Christopher Haines, an analyst at Energy Aspects.

"We are on the cusp of supply tightness. Saudi cuts are essentially accelerating the timeline."

Both the International Energy Agency (IEA) and the Organization of the Petroleum Exporting Countries (OPEC) expect oil demand to outpace supply this year, leading to overall inventory draws to the tune of 400,000 to 500,000 barrels per day (bpd), mostly accounted for by the second half of the year.

Although global oil inventories increased in May to their highest since September 2021, according to the IEA, driven by a substantial rise in non-OECD countries, analysts say signs of tightness are appearing, in the United States in particular.

Stock declines have been geographically uneven so far, with inventory falls in the United States and Europe offset by increases in China and Japan.

The declines have also been skewed more towards fuel than crude, although the supply of sour crude, typically priced lower than sweet crude, has tightened because of the cuts introduced by OPEC and its allies.

"It appears that the voluntary cuts announced by eight OPEC+ countries in April plus the additional 1 million bpd of unilateral Saudi cut that just started in July are having the desired effect, with sour barrels becoming more scarce," the JP Morgan analysts said.

Refineries running harder to meet rising summer demand as people drive and fly more partly explains the fall in inventories, the bank said, along with a drop in Russian oil exports this month.

The bank expects benchmark Brent prices, which traded around a three-month high of $84 a barrel this week, to rise to $86 a barrel by the end of the third quarter, before easing in the fourth quarter as inventories start to build again.

UBS said it expected a rise to $85-$90 a barrel over coming months.

Crude stocks at the Cushing storage hub in Oklahoma fell by 2.9 million barrels in the week to July 14, the steepest draw in more than a year and a half according to the U.S. Energy Information Administration (EIA), and shed a further 2.6 million barrels the following week, leaving them well below their five-year average.

For fuel, data from consultancy FGE Energy on key hubs in the United States, northern Europe, Japan, Singapore and Fujairah in the United Arab Emirates, shows that overall stocks have been drawing aggressively so far this

month, both onshore and at sea.
Weekly stocks of diesel, jet fuel and fuel oil in the five regions are also currently below their five-year averages.
U.S. gasoline stocks of 217.6 million barrels are at their lowest level for the time of year since 2015, according to EIA data, and 5 million barrels, or 5%, lower than the prior 10-year seasonal average.

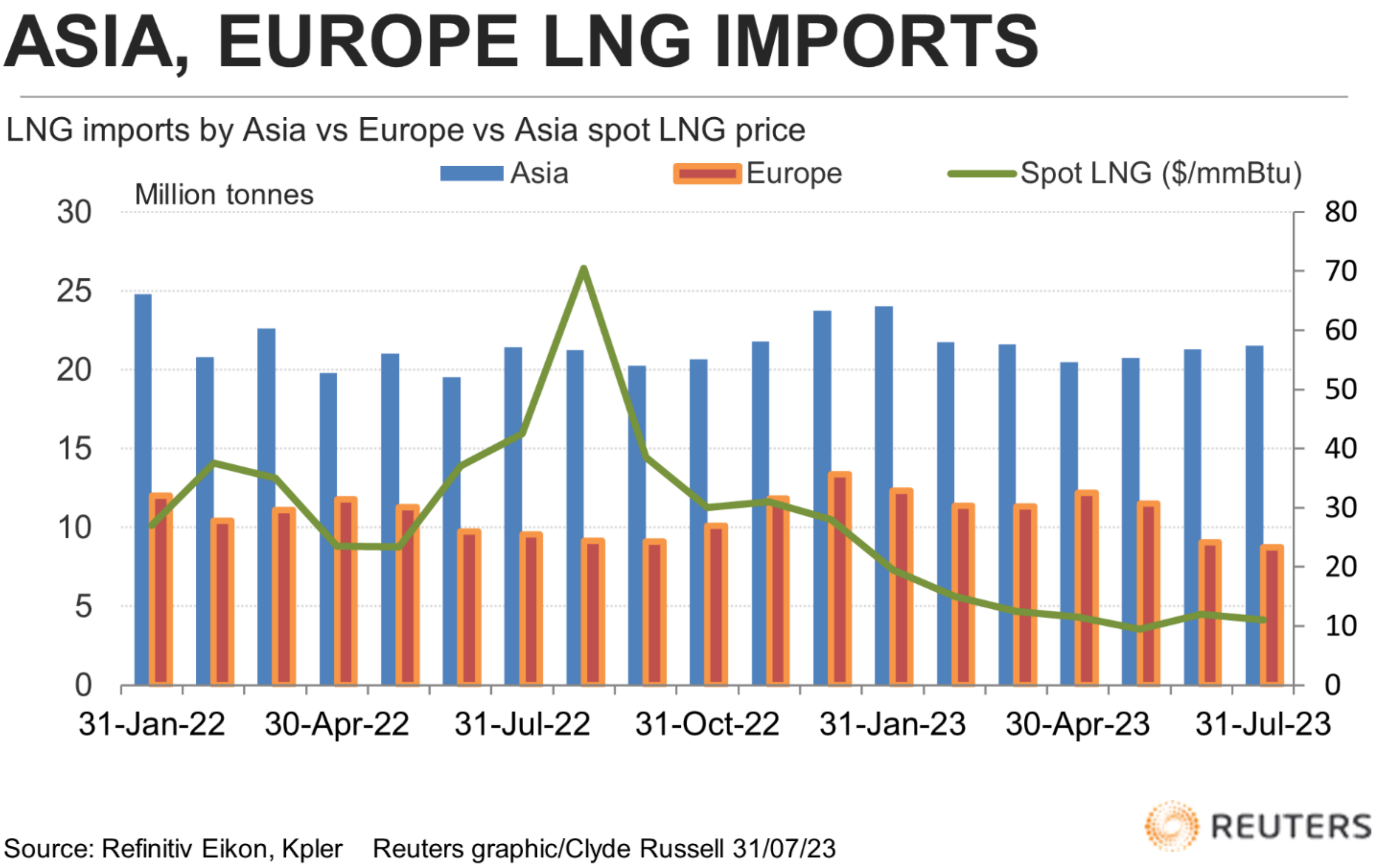
BIG CRUDE BUILDS IN ASIA

Big crude builds in China and Japan have so far offset a drop in the Mideast Gulf, meaning there is no sign yet of an overall global onshore crude inventory drawdown, according to satellite analytics firm Kayrros.
In fact, data from the firm shows that crude inventories in the week to July 20 reached a two-year high, with the world adding 200 million barrels into storage since Russia's invasion of Ukraine in February 2022.
This amounts to roughly 400,000 bpd over that time period, the daily oil consumption of Portugal.
China accounts for the lion's share of the gains, adding 700,000 bpd since mid-April, which Kayrros co-founder Antoine Halff noted was commercial rather than strategic.
He attributed the build to weak Chinese industrial activity and the import of discounted crude from Russia, Iran and Venezuela.
Crude inventories in Japan have added 25 million barrels, or 8%, since April to stand at their highest in nearly two years, according to Kayrros.
China's diesel inventories also rose sharply over Nov. 2022-Feb. 2023 and have remained at elevated levels since.

MIDEAST GULF DRAWS

Crude stocks in the Mideast Gulf and North Africa region have declined by 5 million barrels overall so far this year, according to estimates by Macquarie, although OPEC members in the region have drawn 10 million barrels.
"I think Iranian barrels, both floating and onshore, had been making their way through different parts of Asia...and then ending up in China," said Macquarie analyst Vikas Dwivedi about what could be driving the draw.
Like JP Morgan, Dwivedi believes inventories will fall in coming weeks before starting to build again in the fourth quarter as refineries slow throughput and higher oil prices drive some OPEC+ members to exceed their production quota to maximise revenue.
"We're bullish right now. This is the first time we've been bullish for a long, long time. Over about 18 months we've been bearish," he said.

Chart of the Day



Source: Refinitiv Eikon, Kpler Reuters graphic/Clyde Russell 31/07/23

Top News - Agriculture

India's rice planting gathers pace as monsoon rains revive

Indian farmers have planted 23.7 million hectares with summer-sown rice so far, according to the farm ministry's latest data, up 1.71% year-on-year, as crucial monsoon rains revived in July and helped farmers accelerate sowing.

Higher rice planting in India, the world's second biggest producer of the grain, will ease concerns about the lower output of the staple.

Earlier this month, India ordered a halt to its largest rice export category - a move that will roughly halve shipments by the world's largest exporter of the grain.

Farmers typically start planting rice, corn, cotton, soybeans, sugarcane and peanuts, among other crops, from June 1, when monsoon rains are expected to begin drenching India. Sowing usually lasts until July and early August.

Summer rains are crucial as nearly half of India's farmland lacks irrigation.

India received 10% below normal rains in June, but in some states, the rainfall deficit was as much as 60% below average.

The India Meteorological Department defines average, or normal, rainfall as ranging between 96% and 104% of a 50-year average of 87 cm (35 inches) for the four-month season.

India's weather office has forecast an average amount of rain in July despite the likely emergence of the El Nino weather pattern.

July rainfall is crucial as it accounts for most of the precipitation for the four-month-long monsoon season.

This year, the delayed arrival of monsoon rains and lower rainfall in some southern, eastern and central states held back the planting of summer crops even as the monsoon covered the entire country nearly a week in advance.

Some regions in India, including breadbasket states such as Punjab and Haryana, have received torrential rains in July, triggering floods. Still, dry weather conditions prevail in some parts of the country.

Farmers planted 17.1 million hectares with oilseeds, including soybeans, 2.3% more than a year earlier. Corn was planted on 6.9 million hectares, almost unchanged from last year. The cotton area was marginally lower at 11.8 million hectares.

COLUMN-Funds ejected from bearish corn bets amid Black Sea escalation -Braun

Speculators a week ago appeared content with their bearish views in Chicago-traded corn, but damage to Ukrainian river ports early last week forced them into bullish territory, especially with Chicago wheat soaring the daily limit.

Several terminals at Ukraine’s Black Sea ports, which handles most of the country’s grain exports, had been struck by Russian missiles in the prior week following Moscow’s withdrawal from the year-old grain export deal.

In the week ended July 25, money managers established a net long position in CBOT corn futures and options of 26,603 contracts, their first bullish corn stance in four weeks. That compared with a net short of 46,926 contracts in the prior week, and two-thirds of the latest move was caused by short covering.

CBOT corn futures had risen almost 6% during the week, though CBOT wheat surged over 13%, including a limit-up move on July 24. Open interest in wheat futures and options jumped more than 7% through July 25, coming within 1% of the same week last year despite having been 9% lower a week earlier.

Money managers through July 25 cut their net short in CBOT wheat futures and options to 40,332 contracts from 54,418 in the prior week, entirely on short covering and marking their least bearish wheat stance in 38 weeks.

Grain futures did not sustain their strength last week, and funds may have already abandoned bullish corn bets as of Friday’s close. Corn dropped over 6% in the last three sessions and commodity funds commodity funds were pegged as net sellers of 33,000 futures contracts.

CBOT wheat futures still maintain some of their recent Ukraine war premium, having shed 7.4% between Wednesday and Friday. Funds were seen as sellers of 24,000 wheat futures during this period.

The late week decline in grain futures came despite another Russian attack on Ukraine’s Odesa port on Thursday, though traders are hopeful that the European Union can assist with most of Ukraine’s exports if the grain deal is not restored.

Hot and dry weather in the U.S. Corn Belt last week added some support to corn futures, though forecasts early on Sunday suggested the return of more favorable weather in early August.

SOYBEANS AND PRODUCTS

Money managers have held a net long position in CBOT soybean futures and options ever since April 2020. As of July 25, they established their most bullish late July soy view since 2016, increasing their net long to 120,739 contracts from 95,814 a week earlier.

Most-active soybean futures gained 1.8% in the week ended July 25, though soybean oil surged 7.5%. Money managers increased their net long in CBOT soyoil futures and options to a 28-week high of 54,190 contracts from 44,914 a week before.

Soybean meal futures were unchanged in the week ended July 25 but had risen as much as 2%, which had funds padding bullish bets. The managed money net long in CBOT soymeal futures and options rose to a nine-week high of 70,174 contracts from 58,949 a week earlier.

Funds’ latest moves in the soy products both stemmed

from new gross longs, and new longs were responsible for two-thirds of speculators' net buying in soybeans. Most-active November soybeans fell 2.6% between Wednesday and Friday, but some of the losses were likely limited by fresh U.S. export news. Meal fell 2.5% and soyoil shed 2.9%. The U.S. Department of Agriculture between Wednesday and Friday reported six separate sales of U.S. soybeans for export in 2023-24. Those totaled 1.67 million metric tons with 70% to unknown destinations, 19% to China and 10% to Mexico. U.S. soybeans for shipment later in 2023 have become competitive with supplies in Brazil, where additional export capacity has become limited as the country ships out its record harvests.
Karen Braun is a market analyst for Reuters. Views expressed above are her own.

Top News - Metals

Industry groups urge LME to resist calls to ban Russian aluminium
Five European industry associations asked the London Metal Exchange (LME) to ignore calls to ban Russian aluminium from its system, they said in a joint statement on Friday, adding that such a move would damage smaller metal users in Europe.
Earlier this month, Norwegian producer Norsk Hydro urged the LME to reconsider its decision not to ban Russian aluminium from its warehouse network.
In a joint statement, the Federation of Aluminium Consumers in Europe (FACE) and four other groups said any restriction of Russian primary metal supplies would have a devastating impact on the EU aluminium industry value-chain.
"These calls for bans and sanctions seem one more oligopolistic attempt to easily eliminate a competitor with non market practices and to turn Europe into a captive market," Mario Conserva, FACE's Secretary General was quoted as saying in the letter.
The LME decided in November last year not to ban Russian aluminium from its system as there were no western sanctions on the metal since Moscow invaded Ukraine.
The exchange also said a broad section of the market was still buying Russian metal.
Since then, the share of the Russia-made aluminium in available inventories of the LME-registered warehouses has increased sharply.
As it reached 80%, Hydro urged the LME to reconsider it's decision, saying that large volumes jeopardised the LME contract's benchmark status.
When asked for comment on the FACE letter, the LME repeated its response to Norsk Hydro's call: that it would

MARKET MONITOR as of 06:32 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$80.43 / bbl	-0.19%	0.21%
NYMEX RBOB Gasoline	$2.88 / gallon	-0.41%	16.04%
ICE Gas Oil	$874.25 / tonne	0.03%	-5.08%
NYMEX Natural Gas	$2.66 / mmBtu	0.76%	-40.60%
Spot Gold	$1,956.69 / ounce	-0.13%	7.25%
TRPC coal API 2 / Dec, 23	$119.5 / tonne	-6.00%	-35.32%
Carbon ECX EUA / Dec, 23	€88.88 / tonne	0.23%	5.85%
Dutch gas day-ahead (Pre. close)	€26.00 / Mwh	-8.45%	-65.59%
CBOT Corn	$5.19 / bushel	-2.17%	-23.49%
CBOT Wheat	$7.15 / bushel	-1.82%	-8.86%
Malaysia Palm Oil (3M)	RM3,923 / tonne	-2.07%	-6.01%
Index (Total Return)	**Close 28 Jul**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	313.20	0.13%	3.94%
Rogers International	27.71	-0.41%	-3.33%
U.S. Stocks - Dow	35,459.29	0.50%	6.98%
U.S. Dollar Index	101.62	-0.15%	-1.84%
U.S. Bond Index (DJ)	409.66	0.28%	4.09%

continue to reflect all relevant government sanctions and tariffs, and monitor for any market orderliness concerns in respect of Russian metal.

Europe's industry group European Aluminium said earlier this month it has considered lobbying for European Union sanctions on Russian aluminium, even as it would oppose specifically targeting Russia's Rusal, which produces 6% of the global supply and owns smelters in Europe.

FACE in October last year urged European authorities to prevent sanctions against Russian aluminium that, from their point of view, could put thousands of companies out of business.

Four other associations joined FACE's call: the German Federal Association for Economic Development and three Italian groups - the Foundry Suppliers, Association of Steels, Metals, Scrap and the Foundry Association.

China's Yunnan orders steel output curbs, say analysts

Steel mills in China's southwestern Yunnan province have been asked to prepare to cut back production in order to meet a government mandate on capping 2023 output at last year's level, two Chinese consultancies said on Friday.

The orders, reported by Shanghai-based consultancies MySteel and Fubao, follow similar instructions issued to mills elsewhere earlier this week, weighing on iron ore prices in the world's top steel market.

The most-traded September iron ore futures contracts on the Dalian Commodity Exchange closed daytime trading 2.68% lower on Friday at 834.5 yuan ($116.56) per metric ton, the lowest since July 13.

The instructions to Yunnan mills cited by MySteel were the same as those outlined in what appeared to be an official document from Yunnan's Development and Reform Commission (DRC), widely shared among industry participants on Friday. Reuters could not independently verify the authenticity of the document.

China's National Development and Reform Commission and Yunnan's DRC did not respond to faxes seeking comment on the document.

China has mandated zero output growth in its steel sector for the last two years as it seeks to limit carbon emissions by one of its most polluting industries.

In both 2021 and 2022, the state planner announced the zero growth target in the second quarter, but no announcement has been made so far this year.

Steel output in the first half has grown 1.3% compared with last year to 535.64 million metric tons, according to government data, so production will need to fall in the second half if Beijing wants to cap output at 2022's level.

Yunnan accounts for around just 2% of China's steel production but analysts said the news reinforced sentiment that a nationwide production cut was looming.

The document requested that local governments in Yunnan submit plans by Friday for the lowering of steel production in the remainder of the year.

This suggests that larger steelmaking provinces may have received a similar notice and be already preparing, said Pei Hao, a Shanghai-based senior analyst at international brokerage FIS.

Top News - Carbon & Power

GLOBAL LNG-Asia spot prices edge up as higher temperatures lift demand

Asian spot liquefied natural gas (LNG) prices edged up this week, buoyed by stronger demand due to above-average temperatures in east Asia, but gains were capped as inventories remained high.

The average LNG price for September delivery into northeast Asia was $11 per million British thermal units (mmBtu), industry sources estimated, up from $10.80/ mmBtu the previous week.

"Asian spot LNG prices rose on stronger downstream gas demand in various regions facing heatwaves, such as Japan, Taiwan, South Korea and some parts of China," said Rystad Energy analyst Masanori Odaka.

High storage levels, however, have been sufficient for the strengthened demand, leading some Asian importers to take a wait-and-see approach for additional spot purchases, added Odaka.

"Overall, it is still a tug of war between bearish signals - high inventories in Asia and Europe, sluggish Chinese demand recovery, and weak European industrial activity - and bullish signals - heatwaves in parts of the U.S., Asia and Europe, and unexpected LNG production outages or maintenances lasting longer than expected."

The impact of higher temperatures on LNG demand has also been limited by the continued availability of nuclear and renewables generation, said Samuel Good, head of LNG pricing at commodity pricing agency Argus.

"Ample supply of LNG, some of which was loaded in the Atlantic, after the sustained period of an Asian price premium has further curbed the impact of hot weather on prices."

In Europe, S&P Global Commodity Insights assessed its daily northwest Europe LNG Marker (NWM) price benchmark for cargoes delivered in September on an ex-ship (DES) basis at $9.485/mmBtu on July 27, at parity with the September gas price at the Dutch TTF hub, as hot weather across Europe has bolstered demand in Spain and Italy, according to Allen Reed, managing editor of Atlantic LNG.

"However, with temperatures and strong gas storage levels heading into the winter season, the market remains at a subdued outright price," said Reed, as Europe's gas storage levels were 84.25% full as of July 25 versus 67.12% this time a year earlier, Aggregated Gas Storage Inventory data showed.

Argus assessed the northwest Europe DES price at $9.30/mmBtu, while Spark Commodities estimated the

price at $9.203/mmBtu.
"High levels of storage in Europe and increased pipe flow from Norway calmed strong price movement in trading sessions during the week," said Dominic Gallagher, head of LNG broking at Tullett Prebon,
As a lot of LNG remains floating at sea, the market is assessing when the "current abundance" could turn into a shortfall, he added.
"Until this is clearer, it wouldn't be surprising to see high intraday volatility without much directional trend forming."
Argus' Good added that the market continued to eye recent supply disruptions at Atlantic export terminals, "particularly in the U.S. with Cove Point feedgas impeded earlier this week, as well as curtailed feedgas supply to Sabine Pass today, while the Freeport terminal continues to experience train trips."
Meanwhile, on spot LNG freight, prices remained range bound for a fourth week, said Edward Armitage, an analyst at Spark Commodities.
Atlantic spot rates were estimated at $71,250/day on Friday, while Pacific rates were at $70,500/day.

COLUMN-Asia's LNG demand ticks higher, but Europe's slips, leaving prices muted: Russell
Asia's demand for liquefied natural gas (LNG) ticked up to the most in six months in July but the small increase was partially offset by declining demand in Europe.
Asia's imports of the super-chilled fuel were estimated at 21.85 million metric tons in July by commodity analysts Kpler, up from June's 21.28 million and the most since January.
Europe's imports were estimated at 8.72 million metric tons in July, down from June's 9.06 million and lowest monthly total since August last year.
The Kpler data point to an increase of just 570,000 metric tons in Asia's imports in July, while Europe saw a drop of 340,000.
The modest shift in volumes in the top two LNG importing regions isn't enough to exert much influence on spot prices, as can be seen by the relative stability in Asian price.
Spot LNG for delivery to north Asia increased slightly in the week to July 28, ending at $11.00 per million British thermal units (mmBtu), up from $10.80 the week before.
The spot price has shifted slightly higher in recent weeks, after hitting a 26-month low of $9.00 per mmBtu in the week to June 9.
However, the spot price is still 84% below its all-time high of $70.50 per mmBtu, hit in August last year as Europe ramped up demand as supplies of Russia's pipeline natural gas dwindled amid the fallout from its invasion of Ukraine in February 2022.
What the import and price data show is that there is little uptick in either despite the northern summer usually being a period of elevated demand, especially when the weather is hotter-than-usual, as has been the case recently in both Europe and Asia.
Among Asia's major importers, China's demand remains muted with Kpler estimating July arrivals at 5.88 million metric tons, down from 6.20 million in June.
Japan, which reclaimed the crown as the world's biggest LNG buyer from China last year, saw imports of 5.09 million metric tons in July, up slightly from 4.85 million in June, but well below the 6.71 million in July last year.
South Korea, the world's third-biggest LNG buyer, saw July imports of 2.81 million metric tons, a small decline from June's 2.92 million. India, which is viewed as a price -sensitive buyer, saw imports of 1.84 million metric tons in July, up a touch from June's 1.77 million and in line with the 1.88 million from July last year.

U.S. SHIPMENTS
Looking at Asia's suppliers, and part of the reason for the relatively small movements in the spot price is the downward pressure being exerted by rising shipments of U.S. LNG.
The United States is seen as a swing supplier of LNG and had seen volumes shift to Europe from Asia as the former ramped up imports in the wake of the conflict in Ukraine.
Now that process is partially reversing, with Asia's imports from the United States hitting an 18-month high in July, with Kpler recording arrivals of 2.34 million metric tons, up from 1.43 million in June and 1.91 million in July last year.
Europe's imports from the United States dropped to 3.45 million metric tons in July, down from 3.88 million in June and the weakest since August last year.
Europe's U.S. imports are also down 38% from the all-time high of 5.52 million metric tons in April, and July marked a third consecutive month of declines.
The opinions expressed here are those of the author, a columnist for Reuters.

Top News - Dry Freight

South Korea's NOFI buys 68,000 metric tons of corn
Leading South Korean animal feed maker Nonghyup Feed Inc. (NOFI) bought an estimated 68,000 metric tons of animal feed corn in an international tender for up to 138,000 metric tonnes on Friday, European traders said.
The corn was expected to be sourced from either South America or South Africa.
It was bought in one consignment with arrival in South Korea around Dec. 1 at a premium of 128.00 U.S. cents a bushel c&f over the Chicago December 2023 corn contract. The seller was believed to be trading house Cofco.
No purchase was reported of a second corn consignment of up to 69,000 metric tons also sought by NOFI for arrival in South Korea around Dec. 7.
If sourced from South America, shipment of the

consignment purchased was sought between Oct. 3-Oct. 22 or from South Africa between Oct. 13-Nov. 1.
Asian corn buying has been unusually quiet in the past two weeks after prices rose after Russia withdrew from the deal allowing safe shipment of Ukrainian grain, traders said.
But falling prices in past days are generating more purchase interest, traders said.
Chicago Board of Trade corn futures fell for a third consecutive session on Thursday and dropped again on Friday amid signs that the hot weather in the U.S. Midwest this week could be short-lived and after Russian President Vladimir Putin on Thursday told African leaders he would gift them tens of thousands of tons of grain despite Western sanctions.

Iran's SLAL believed to have passed in tenders for corn, soymeal sourced from Brazil
Iranian state-owned animal feed importer SLAL is believed to have rejected all offers and made no purchase in an international tender on Wednesday for 120,000 metric tons of animal feed corn and 120,000 metric tons os soymeal, European traders said on Friday.
Prices were apparently regarded as too high following a jump in grain futures earlier this week partly because of Russian attacks on Ukraine's grain infrastructure coupled with concern about U.S. dryness.
The yellow corn and soymeal were both sought sourced from Brazil only and are both requested for shipment in August and September.

Picture of the Day

Locals gather to watch firefighting efforts amid heavy smoke from the Eagle Bluff wildfire, after it crossed the Canada-U.S. border from the state of Washington and prompted evacuation orders, in Osoyoos, Canada July 30, 2023. REUTERS/Jesse Winter

(Inside Commodities is compiled by Dhanya Hegde in Bengaluru)

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

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