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Top News - Oil

POLL-Subdued demand to keep oil prices steady despite geopolitical risks

Analysts are holding their oil price forecasts largely steady for the second half of 2024, as geopolitical risks offset muted demand from major consumers like China, a Reuters poll indicated on Wednesday.

A poll of 36 analysts and economists surveyed by Reuters in the last two weeks forecast that Brent crude would average $83.66 per barrel in 2024, and that U.S. crude would hover at $79.22, largely in line with last month's estimates of $83.93 and $79.72.

"Prices are expected to remain in the $80-85 per bbl range supported by stable demand-supply dynamics," said analysts with CRISIL Market Intelligence and Analytics, adding that slower demand in Europe, coupled with improvement in OPEC+ supply, will keep prices stable.

Brent crude was up 4.6% so far for the year, while U.S. West Texas Intermediate crude rose 7.1% for the year.

China's total fuel oil imports dropped by 11% in the first half of the year, data from earlier this month indicated.

"China's oil demand is constrained by the prevailing economic challenges and the swift transition to electric mobility," while demand in the Western world is stagnating, said Julius Baer analyst Norbert Rücker.

Analysts largely anticipate global oil demand growing by between 1 and 1.5 million barrels per day (mbpd) in 2024, compared to the International Energy Agency's forecast of just under a million.

While some analysts say geopolitical risks have waned in recent months, others say elevated geopolitical risk premiums are here to stay.

"The main geopolitical risks still stem from the war in Gaza, whether it be escalation of the conflict into a regional war or the threat to shipping posed by Houthi strikes in the Red Sea," said Matthew Sherwood, lead commodities analyst at EIU, said.

Participants in the poll also expect OPEC+ to continue adhering to its plan to extend production cuts of 3.66 million bpd until the end of 2025, while phasing out additional cuts of 2.2 million bpd from October 2024.

Asia's crude oil imports drop in July as China stays weak: Russell

Asia's crude oil imports dropped to the lowest in two years in July as demand remained weak in top importer China and eased in number two India.

A total of 24.88 million barrels per day (bpd) arrived in July in Asia, the world's biggest oil importing region, down 6.1% from the previous month and the lowest on a daily basis since July 2022, according to data compiled by LSEG Oil Research.

For the first seven months of the year, Asia's imports averaged 26.78 million bpd, down 340,000 bpd from the same period in 2023.

The ongoing weakness in Asia's oil imports undermines forecasts for robust growth for the region's oil demand from leading exporter group the Organization of Petroleum Exporting Countries (OPEC).

OPEC's July monthly oil market report stuck to the group's forecast the world oil demand will rise by 2.25 million bpd in 2024, lead by an increase of 760,000 bpd in China, and supported by a gain of 230,000 bpd in India and a further 350,000 bpd for the rest of Asia.

The International Energy Agency (IEA) has diverged from OPEC's view in its recent analysis, forecasting on July 11 that global oil demand growth will by 970,000 bpd.

But contained within the IEA forecast is the expectation that China will account for about 40% of the global increase in crude demand, which is about 388,000 bpd.

While imports are only one component of demand growth, the others being domestic production and potential inventory draws, it's fair to say that China's imports are tracking nowhere near the IEA's forecast, and are an ocean away from OPEC's.

If LSEG's estimate of China's imports of 10.53 million bpd for July is confirmed in official trade data expected next week, it would mean arrivals of around 10.98 million bpd for the first seven months of the year.

This is down 240,000 bpd, or about 2.1%, from the customs data of imports of 11.22 million bpd for the first seven months of 2023.

Far from growing, China's demand for imported crude is slipping, meaning a dramatic turnaround will be needed for the remaining five months of the year to get anywhere close to even the modest forecast for demand growth from the IEA.

The question is whether such a turnaround is likely, or if the sluggish economic story for China is locked in for the rest of the year.

GROWTH HOPES

It's possible economic growth will pick up over the remainder of 2024, especially if the early signs that Beijing is getting more serious about stimulus actually translate into increased activity.

But even if policies to encourage consumers to swap old for new appliances and vehicles are enacted, it doesn't necessarily mean a boost to fuel consumption, especially since it's likely that a high percentage of any new vehicle sales will be electric.

What's more hopeful for China's oil demand is LSEG's expectation that the world's biggest crude importer is

once again building stockpiles.
An additional 60 million barrels is believed to have been approved for the Strategic Petroleum Reserve (SPR) and LSEG reports that inflows to storage sites have already been assessed and the amount is expected to land between July and the end of the first quarter of 2025.
There is a possible caveat to China's SPR purchases, namely that they are also likely dependent on the crude price remaining at what the Chinese assess as a reasonable level.
Outside of China, there is little reason to be optimistic about a pick up in Asia's demand for crude, with India's imports slipping to 4.54 million bpd in July from 4.76 million bpd in June and 5.14 million bpd in May.
A seasonal easing of imports is likely as India's monsoon season approaches, but they should recover after the wet season given solid economic growth in the South Asian nation amid an infrastructure boom.
Elsewhere in Asia, demand for crude is being capped by lacklustre economic growth and weak margins for refiners - who have been battling relatively high crude oil prices, especially from Middle East suppliers such as Saudi Arabia - but limp product prices given soft demand across the region.
The opinions expressed here are those of the author, a columnist for Reuters.

Top News - Agriculture

USDA June soy crush estimated at 184.584 million bushels, analysts say
The U.S. soybean crush likely slowed in June to 5.538 million short tons, or 184.584 million bushels, analysts surveyed by Reuters estimated ahead of a monthly U.S. Department of Agriculture report due on Thursday.
If the average of eight estimates is realized, it would be down 3.8% from the 192.0 million bushels crushed in May but up 5.8% from the June 2023 crush of 174.5 million bushels.
Crush estimates ranged from 183.5 million to 186.4 million bushels, with a median of 184.3 million bushels.
The USDA is scheduled to release its monthly fats and oils report at 2 p.m. CDT (1900 GMT) on Thursday, Aug. 1.
U.S. soyoil stocks as of June 30 were estimated at 2.081 billion pounds based on the average of estimates from five analysts.

Chart of the Day

The oil stocks estimate, if realized, would reflect a 4.8% drawdown from 2.187 billion pounds at the end of May and a 5.5% drop from June 30, 2023, oil stocks totaling 2.203 billion pounds.
Analysts' estimates ranged from 2.060 billion to 2.102 billion pounds, with a median of 2.075 billion pounds.
The National Oilseed Processors Association reported that its members, which account for about 95% of soybeans processed in the United States, crushed 175.599 million bushels in June, while end-of-month oil stocks fell to 1.622 billion pounds.

Grain traders union UGA cuts Ukraine 2024 grain and oilseeds crop forecast
Ukrainian grain traders union UGA cut Ukraine's 2024 combined grain and oilseeds crop forecast by 2.8 million metric tons to 71.8 million tons due to a heatwave, the union said on Wednesday.
UGA said the 2024 harvest could include 23.4 million tons of corn, 19.8 million tons of wheat, 4.95 million tons of barley, 12.8 million tons of sunseed, 4.8 million tons of soybeans and 4.3 million tons of rapeseed.
"Another downgrade of the harvest forecast for the new season was caused by the hot and dry weather in Ukraine in July this year, which had a negative impact on the potential yield of late grains and oilseeds," UGA said in a statement. The union said it had also revised down the 2024/25 export outlook, cutting it by 2.5 million tons to 41 million tons. Ukraine exported 57.5 million tons of grain and oilseed in 2023/24.
UGA said wheat exports could total 13 million tons, while corn exports could be 18.5 million tons. Ukraine exported 16 million tons of wheat and 26 million tons of corn in 2023/24.
Ukrainian state weather forecasters said this month that the country's harvest of late crops could decline by 20-30% in central, southern and eastern regions owing to heat. The acting farm minister said on Monday that Ukraine's late crop yield might fall by up to 15% in most regions due to extreme heat.

Top News - Metals

Copper price to fall in the second half of 2024, Antaike says
Copper prices are likely to fall in the second half of 2024 due to steady output and weak demand concerns, influential Chinese state-backed research house Antaike said on Wednesday.
Worries over global economic slowdown, steady refined copper output growth and expected interest rate cuts will pressure copper prices for the rest of 2024, Antaike analyst Li Zhimei said at a Beijing conference.
The next support level for copper is at $8,500 a metric ton on the London Metal Exchange (LME) and 68,900 yuan ($9,540.29) on the Shanghai Futures Exchange (SHFE), failing which prices could fall to $8,000 and 64,900 yuan,

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$78.59 / bbl	0.87%	9.69%
NYMEX RBOB Gasoline	$2.27 / gallon	-7.11%	7.71%
ICE Gas Oil	$750.25 / tonne	1.35%	-0.07%
NYMEX Natural Gas	$2.06 / mmBtu	1.28%	-17.98%
Spot Gold	$2,445.00 / ounce	-0.13%	18.54%
TRPC coal API 2 / Dec, 24	$117.5 / tonne	-0.42%	21.13%
Carbon ECX EUA	€69.57 / tonne	0.52%	-13.44%
Dutch gas day-ahead (Pre. close)	€34.96 / Mwh	2.22%	9.76%
CBOT Corn	$3.98 / bushel	-0.50%	-17.82%
CBOT Wheat	$5.52 / bushel	0.00%	-99.14%
Malaysia Palm Oil (3M)	RM3,861 / tonne	-1.20%	3.76%
Index	**Last**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	327.90	1.25%	8.79%
Rogers International	27.27	1.30%	3.57%
U.S. Stocks - Dow	40,842.79	0.24%	8.37%
U.S. Dollar Index	104.21	0.11%	2.84%
U.S. Bond Index (DJ)	434.21	0.62%	0.81%

Li said.

Antaike forecast China's refined copper demand growth to slow to 2.5% in 2024, from 5.3% last year, dragged down by construction sector weakness. Given poor first-half performance, actual demand could lag the current forecast, she added.

The global refined copper surplus is expected at 300,000 tons in 2024, slightly above last year, Li said, adding that the concentrate market will continue to be tight and likely see a shortfall of 200,000 tons this year.

TIN

Tin prices this year could jump by almost 25% annually to an average 268,000 yuan a ton on SHFE, backed by a deficit in China of 2,920 tons compared to a surplus of 14,262 tons last year, said Antaike analyst Guo Ning.

Tin demand growth is mainly driven by the solar and electric vehicles sectors, while consumption from the military sector also increased amid geopolitical uncertainty, Guo said, adding that demand from the artificial intelligence sector remained limited despite hype about its tin usage potential.

A sharp drop in tin ore imports from Myanmar into China since April caused by a mining ban in the Southeast Asian country contributed to supply tightness, she added.

ALUMINIUM AND ZINC

Aluminium prices on SHFE will likely rise about 9% this year on average to 19,900 yuan, said Antaike analyst Lang Shitong, adding that demand will pick up in the fourth quarter after a traditionally weak third quarter.

Demand for the light metal used in construction, transportation and packaging is likely to grow about 4% this year in China to 44.6 million tons, driven by exports, she said, with China and the United States restocking recently.

The last three months of the year will see hydropower-reliant aluminium producers in southwestern China cutting output during the dry season, Lang said.

The supply outlook for electrolytic aluminium in the next two years remains tight due to China's capacity ceiling of 45 million tons, as well as production cuts in southwestern China and sanctions on Russian metals, she added.

Meanwhile, zinc prices are expected to rise 10% this year from 2023, due to mine supply disruptions and a demand growth forecast of 2%, said Antaike analyst Zhang Zhiwei.

Tumbling lithium prices push Albemarle to fresh round of cost cuts

Albemarle, the world's largest lithium producer, said on Wednesday it would slash costs for the second time this year and that everything but its dividend could be on the chopping block.

The aggressive move was caused by tumbling prices for the metal used to make electric vehicle batteries after the company swung to a second-quarter loss.

Shares fell 2.9% to $91 in after-hours trading.

The Tesla supplier and its peers have been buffeted in the past year by lithium oversupply from China and a softening of aggressive EV adoption rates that has dragged down prices for the ultralight metal and delayed expectations for how long the energy transition could take.

General Motors, for example, earlier this month backed away from its target of producing 1 million EVs annually by 2025 in North America. Albemarle, with operations across the globe, had already slashed staff in January.

Yet lithium prices have continued to tumble, from an average of $20 per kilogram at the end of last year to a current range of roughly $12 to $15 per kg, the company said.

"The market is not improving. It's actually probably getting a little worse," Albemarle CEO Kent Masters told Reuters. "We're using the term 'lower for longer' from a pricing perspective, and we have to be able to operate through that downturn." To save costs, the company is launching a "comprehensive review of its cost and operating structure" that should be complete by October, Masters said.

Albemarle also plans to pause construction of an Australian processing unit and idle production at a second one at the site. "We will look at everything to get us kind of a mean and lean position," he said, adding that additional layoffs and asset sales are on the table.

The company's dividend, which has been raised annually for 30 years, likely would not be affected. "It's important for our shareholders. So our plan is we would stick with that," he said. The pace of EV demand growth across the globe has this year failed to keep up with robust expectations, spooking lithium industry investors.

Goldman Sachs analysts, for example, doesn't expect global lithium demand to outpace supply until 2030.

RESULTS

Albemarle reported a net loss of $188.2 million, or $1.96 per share, compared to a net profit of $650 million, or $5.52 per share, in the year-ago quarter.

Excluding one-time items, Albemarle earned 4 cents per share.

By that measure, analysts expected earnings of 41 cents per share, according to IBES data from LSEG.

Albemarle did keep its full-year profit outlook, helped in part by results from its catalyst division and cost cuts, which have saved more than $150 million this year.

Despite the price drop, Albemarle and its peers have repeatedly said they expect demand for lithium to jump later this decade as EVs go mainstream.

The Charlotte, North Carolina-based company plans to discuss the quarterly results on a Thursday morning call with investors.

Top News - Carbon & Power

Texas needs more natgas pipes as prices turn negative again

Natural gas prices in the Permian shale basin in West Texas turned negative a record number of times so far in 2024, including on Wednesday, as pipeline and other constraints trap gas in the nation's biggest oil-producing basin.

Spot gas prices for Wednesday at the Waha hub in West Texas turned negative for a third time in July even as a record-breaking heatwave could boost U.S. power demand to an all-time high later this week as homes and businesses crank up their air conditioners.

Analysts say that is a sure sign the region needs more gas pipes, which has already prompted Kinder Morgan, Energy Transfer and other U.S. energy firms to propose new projects.

"The only way for prices to stay in positive territory is through new pipeline capacity," Chad Bircher, lead quantitative analyst on North American natural gas at financial services firm LSEG, told Reuters.

There is, however, only one big gas pipe actually under construction in the Permian at this time - the Matterhorn Express Pipeline - which analysts say is on track to enter service later this year.

“As production in the Permian Basin continues to grow and demand increases, the Matterhorn Express Pipeline’s takeaway capacity provides much needed transport of natural gas to end markets," Matterhorn Express Pipeline spokesman Cody McGregor told Reuters.

In the past, Matterhorn Express projected the 490-mile (789-kilometer) pipe capable of moving up to 2.5 billion cubic feet per day (bcfd) of gas from the Permian to the Gulf Coast, could enter service in the third quarter of 2024, but most analysts now expect the project to start in the fourth quarter.

Matterhorn Express is a joint venture between units of WhiteWater, EnLink Midstream, Devon Energy and MPLX, according to WhiteWater's website.

"The revision to the construction schedule would delay by several months new natural gas volumes from the Permian and keep prices under pressure in the basin," analysts at energy consultant East Daley Analytics said in a note.

The Permian in West Texas and eastern New Mexico is the nation's biggest and fastest growing oil-producing shale basin. A lot of gas also comes out of the ground with that oil.

When oil prices are relatively high, like they have been this year, producers are willing to take a loss on gas because they can still make money selling oil.

Next-day prices at the Waha averaged below zero 22 times so far this year. Waha prices first averaged below zero in 2019. It happened 17 times in 2019, six in 2020 and once in 2023.

There were no negative prices in 2021 or 2022 (at least no daily averages below zero) because energy firms built new pipelines, including the Permian Highway and Whistler, to move more gas out of the Permian.

PROPOSED NEW PIPES

Although several firms have proposed to build new pipes in the Permian, analysts have said two projects were most advanced - Kinder Morgan's 0.57-bcfd Gulf Coast expansion and Energy Transfer's 1.5-bcfd Warrior.

So far, however, neither firm has committed to build their project.

Kinder Morgan told Reuters "We continue to see interest in the project and are working with potential customers."

Energy Transfer had no comment beyond what they said on past earnings calls.

"We're not going to run out and FID (final investment decision) Warrior when we have some capacity on our existing system," Energy Transfer co-CEO Marshall McCrea told analysts during the company's first quarter earnings call in May.

McCrea, however, said "There remains ... strong interest in another pipeline, probably by mid to late 2026. We are very optimistic that we will build the next pipeline to come out of West Texas."

Analysts expect Energy Transfer to have more to say about Warrior when it releases its second quarter earnings on Aug. 7.

Drillers emit far more methane than US estimates, aerial survey shows

U.S. oil and gas basins are emitting around four times more planet-warming methane than federal regulators have estimated, according to the results of an aerial survey released on Wednesday by the Environmental Defense Fund.

The study underscores concern among researchers and environmentalists that the petroleum industry’s contribution to climate change is much higher than official tallies because of uncounted releases of the powerful greenhouse gas.

EDF and its partners, which include Alphabet Inc's Google, BAE Systems, and the New Zealand Space Agency, used a jet aircraft equipped with a spectrometer to measure methane emissions over 12 oil and gas basins last year.

The project, called MethaneAIR, involved 32 flights between June and October 2023 and provided data that pointed to an average emissions rate across those basins of 7.5 million metric tons per year, EDF said.

EDF said that result was an emissions-rate about four times what the Environmental Protection Agency estimates. EPA derives its estimates mainly from industry reports to a database.

The EPA was not immediately available for comment.

MethaneAIR is the precursor to a satellite launched this spring dubbed MethaneSAT that is meant to provide an even more accurate estimate of methane emissions, by monitoring continuously from space as opposed to taking snapshots during flights. Its first data will be available this fall.

"This tranche of MethaneAIR data is a huge leap forward in terms of the capability of anything that is out there today and a small taste of what we will start to see coming from MethaneSAT," said EDF spokesman Jon Coifman.

Methane, which has a warming potential far higher than carbon dioxide, can leak into the atmosphere undetected from drill sites, gas pipelines and other oil and gas equipment.

The U.S. has finalized rules that target large leaks of methane from oil and gas operations and will introduce a fee for operators not on track to meet those targets.

The EU also approved methane emissions limits on oil and gas imports from 2030, pressuring international suppliers, including those in the U.S., to cut leaks.

MethaneAIR also showed that the observed emissions rate was eight times higher the target adopted by 50 companies at the COP28 climate summit in Dubai to limit their methane emissions intensity to no more than 0.2% by 2030.

Top News - Dry Freight

Panama Canal to increase transit slots in September as rains come early

The Panama Canal expects to increase the number of daily transit slots for vessels to 36 from the current 34 beginning in September, the canal's deputy administrator said, as rains allow authorities to ease drought-imposed restrictions.

Panama experienced its third-driest year on record in 2023, lowering the canal's water level and forcingits authority to limit the number of vessels using the waterway that connects the Atlantic and Pacific Oceans.

At times, more than 100 ships at a time lined up and waited up to 21 days to use the canal, which is responsible for about 5% of global shipping.

"Now (the operation) is practically back to normal. We have 34 transits (per day) and on August 5 we will increase to 35 transits and ... in September we'll be able to increase to 36," Deputy Administrator Ilya Espino said in an interview on Monday.

"For now, we are on the right track," Espino said.

The early arrival of the rainy season in recent weeks has allowed authorities to increase the number of ships authorized to cross the canal.

"In the summer, the aim is not to have to reduce the number of transit slots, just the draft as we do every year (...) and to have normal transit activity from September," Espino added.

The Canal Authority expects this outlook to boost total revenues by 18% year-on-year to $5.6 billion during the 2024-2025 fiscal year, which begins in October, with state contributions growing 13%.

COMPETITION?

Espino told Reuters that the canal would remain competitive even if projects aiming to connect the Atlantic and Pacific gain speed in Colombia and Mexico, projects she described as "complementary."

A transoceanic freight rail line in southern Mexico is among President Andres Manuel Lopez Obrador's signature economic development projects, while in Colombia a land corridor connecting the oceans has been debated for years.

"Here we have a very varied market, many segments that a land corridor does not have that flexibility or availability to move as many segments as we do," she added.

Espino said that the canal seeks to strengthen its operational competitiveness, although its priority is to seek new water sources.

To this end, the canal's authorities plan to build a new reservoir in six years at a cost of about $1.6 billion, which would provide the corridor with enough water to keep operating.

BHP says iron ore supply not affected by minor rail car incident

BHP's iron ore supply has not been affected after a minor incident at a railyard near Port Hedland in Western Australia, the company said on Wednesday.

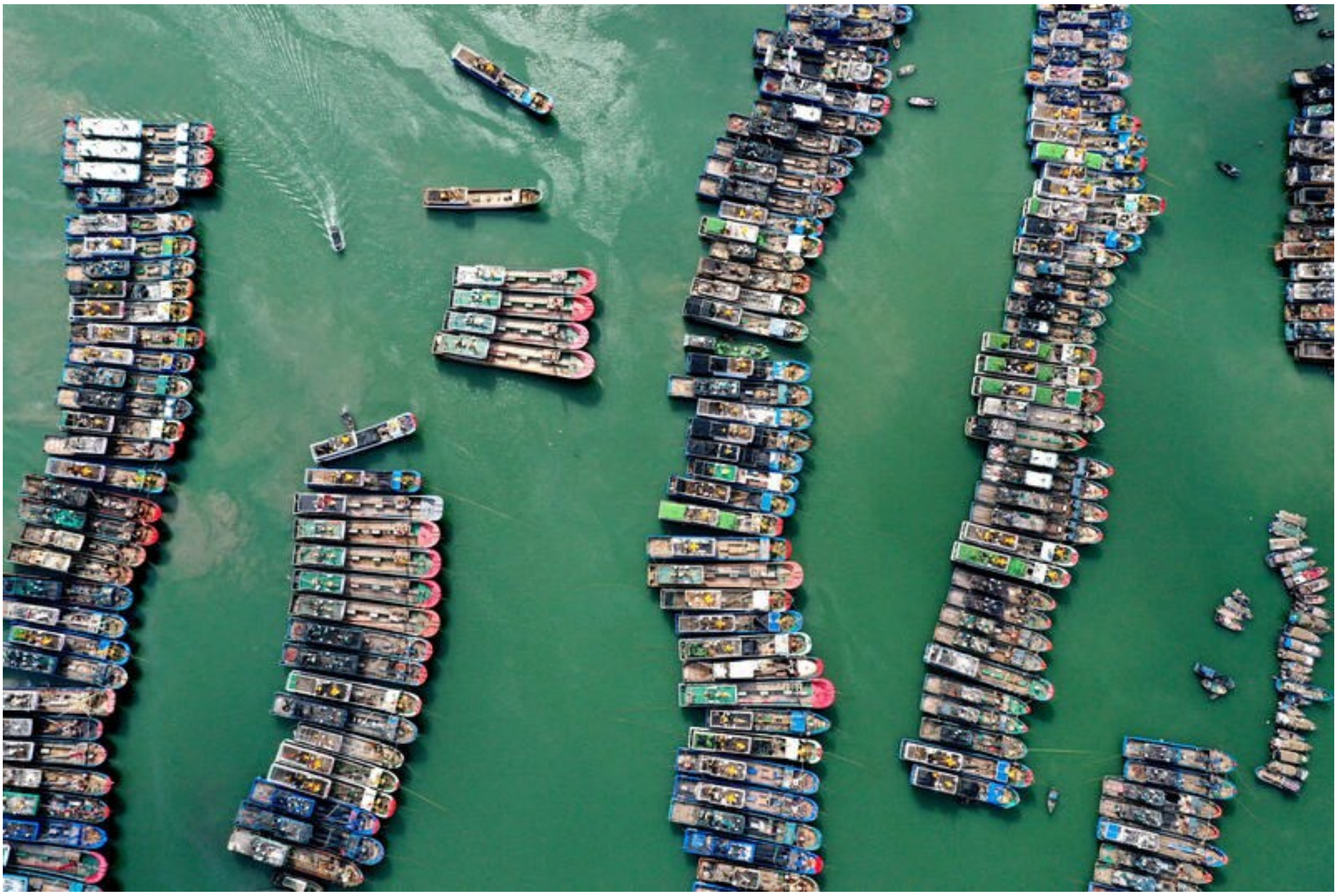
“A single rail car has come off the tracks at low speed and a second has partially derailed during a shunting exercise at our Port Hedland yard this morning," a BHP spokesperson said. "The safety controls we have in place meant nobody was in the area at the time.”

The incident occurred due to a track switch malfunction during the shunting exercise on Wednesday morning and the incident has been reported to the relevant authorities.

Safety has come into focus in the world's top iron ore region in recent years after a number of iron ore train derailments.

A driverless train and wagons carrying iron ore for Rio Tinto derailed at its Western Australian iron ore operations in May while Fortescue also earlier logged an ore car derailment. No one was hurt in the incidents.

Picture of the Day



A drone view shows fishing boats being moored at a port as Typhoon Gaemi approaches, in Lianjiang county of Fuzhou, Fujian province, China July 23. China Daily via REUTERS

(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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