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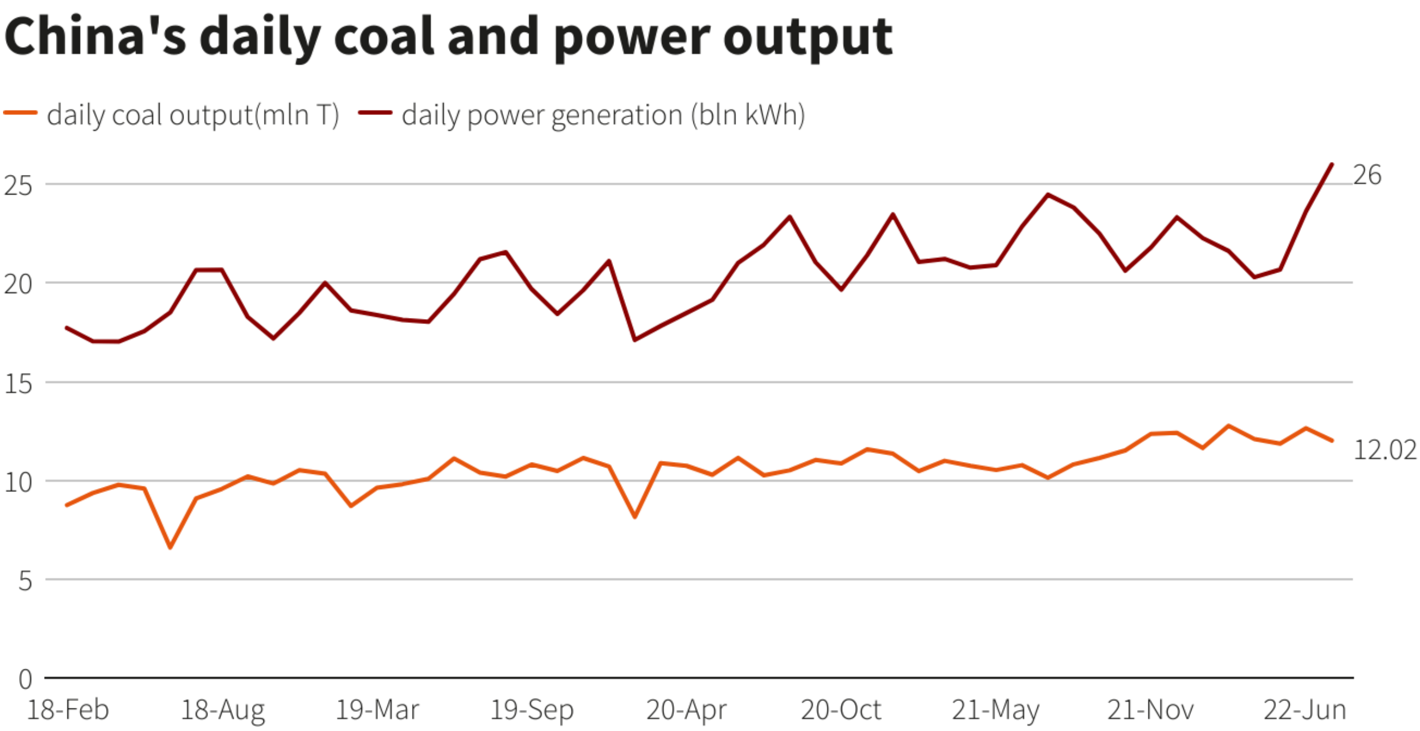
Top News - Oil

China's July refinery output drops to over 2-year low on plant outages
China's refinery crude throughput fell last month to its lowest since March 2020 as several state refiners underwent unplanned shutdowns and their independent peers trimmed production in response to thinning margins.
Refiners processed 53.21 million tonnes of crude oil in July, 8.8% less than a year earlier, according to data from the National Bureau of Statistics (NBS).
That is equivalent to 12.53 million barrels per day (bpd), the lowest daily rate since March 2020, and compared with 13.37 million bpd in June.
The weaker throughput in July extended a rare decline in China's refinery processing seen in the first half of 2022 as strict COVID-19 lockdowns and fuel export controls curbed their production.
China is the world's biggest crude oil importer and its fuel production data influences international fuel prices and is closely watched by analysts to get a sense of how the world's second-biggest economy is faring.
During the first seven months, refineries processed 380.27 million tonnes, down 6.3% on a year before and equal to about 13.09 million bpd.
Prolonged outages at large state-run refineries such as Sinopec Shanghai Petrochemical Corp's 320,000-bpd crude facility and PetroChina Wepec's 200,000-bpd plant weighed on national production.
Sinopec did not resume refining at some of the units at the Shanghai plant until last week, while the northeast Liaoning-based Wepec was not expected to resume operation until late August after nearly three months' shutdown, said an industry source.
PetroChina did not immediately respond to an emailed request for comment.
Meanwhile, operations at independent refiners began trending lower from late-July as margins narrowed. Their output could come under further downward pressure in coming months as the central government readies to conduct a new round of tax investigations.
The NBS data showed China's crude oil production last month was up 3% on the year before at 17.13 million tonnes, with daily output at 4.03 million bpd.
June production was at an all-time high of 4.18 million bpd.
Crude oil production in the first seven months was 3.7% higher than a year earlier at 120 million tonnes (4.13 million bpd), as national oil firms accelerated developing conventional and unconventional resources in response to Beijing's call to boost domestic supply security.
Despite record production, the increase remains marginal as China imports nearly three quarters of its crude oil.
Natural gas production regained strength in July, with 8.2% annual growth to 17.1 billion cubic meters. This compared with a marginal 0.4% rise seen in June.
Year-to-date production was up 5.4% at 126.7 bcm.
(Tonne = 7.3 barrels for crude conversion)

EXCLUSIVE-PDVSA pauses oil-for-debt shipments to Europe, wants product swaps
Venezuela has suspended new crude shipments to Europe under an oil-for-debt deal and has asked Italy's Eni and Spain's Repsol to provide it with fuel in exchange for future cargoes, three people familiar with the matter said.
Venezuela's oil company PDVSA no longer is interested in the oil-for-debt deals that the U.S. State Department authorized in May, the sources said, which allowed the state company to resume shipments to Europe after a two-year suspension caused by U.S. sanctions.
Washington authorized the shipments as long as cargo proceeds were used to pay off accumulated debt PDVSA owed to joint ventures with Eni and Repsol.
"PDVSA wants to go back to oil swaps, and that is not possible yet," said a person involved in cargoes previously delivered to Europe. "There's zero interest in the oil-for-debt deals."
Venezuelan oil shipments, particularly those sent to refineries in Spain, have helped Europe reduce purchases of Russian oil since the invasion of Ukraine. But the deal's terms have not provided needed cash or fuel to PDVSA, whose own refineries are struggling to produce gasoline and diesel after years of underinvestment and lack of

repairs.
PDVSA, Eni, Repsol and the U.S. State Department did not immediately reply to requests for comment.
According to PDVSA's shipping schedules, there are no loading windows assigned to Eni or Repsol for Europe-bound cargoes in August, even though stocks of diluted crude oil (DCO) at the Jose port rose to almost 5 million barrels as of Aug 8.
PDVSA wants to get fuel in exchange for its crude, while using a portion of the cargoes' value to offset billions of dollars in debts to joint venture partners including Chevron, Eni and Repsol, according to the sources.
The deal reshuffle could help the Venezuelan company reanimate its Orinoco Belt extra heavy oil operations, which need imported diluents such as heavy naphtha, and ease the country's motor fuel deficit. Since last year, PDVSA has relied mostly on Iranian diluents to turn its extra heavy crude into exportable grades.
Since June, Eni received a total of 3.6 million barrels of Venezuelan diluted crude oil (DCO), according to the PDVSA's documents and tanker tracking data.
Most of that volume was later delivered by Eni to Repsol, which has a larger capacity for refining the South American country's heavy sour crude grades.
Repsol's CEO Josu Jon Imaz in late July said the return of cargoes from Venezuela was "good news" for its refineries, as the quality of those crudes matches perfectly with its refining system.
Resumption of oil shipments to Europe helped PDVSA boost sales in June and July, with overall exports reaching 545,000 barrels per day (bpd) in the 60-day period, according to the documents and vessel monitoring.
Operational issues later offset the export increase. But PDVSA plans to restart a third heavy crude upgrader, at the Petromonagas joint venture, which would boost crude production and export capacity. Last month, it resumed operations at an oil-blending station and two upgraders that had been hit by power and gas outages.

Chart of the day



Note: Statistics bureau does not disclose separate data for January and February
Source: National Bureau of Statistics

Top News - Agriculture

U.S. government raises soybean harvest view

U.S. soybean production will be bigger than previously forecast as better-than-expected yields will more than make up for a cut to acreage, the government said on Friday.

Corn production was seen lower than the government's July outlook.

The soybean harvest will come in at a record 4.531 billion bushels while the corn harvest was pegged at 14.359 billion bushels, according to the U.S. Agriculture Department's monthly World Agricultural Supply and Demand Estimates report. That compares with the government's July harvest estimates of 14.505 billion bushels for corn and 4.505 billion bushels for soybeans.

Analysts had been expecting the report to show corn production of 14.392 billion bushels and soybean production of 4.481 billion bushels, based on the average of estimates given in a Reuters poll.

Global cocoa market seen balanced in 2022/23, prices to edge up

The cocoa market is expected to move from a deficit in the 2021/22 season (Oct-Sept) to a balanced situation in 2022/23 as production grows in Africa, but prices are seen rising slightly nevertheless, according to a Reuters poll of eight analysts and brokers.

The median forecast for the global cocoa supply balance in 2021/22 is for a deficit of 190,000 tonnes, compared to a shortfall of 150,000 tonnes seen in the previous poll in February.

But poll respondents believe higher production in the new crop will lead production to exactly match demand, with no surplus or deficit foreseen.

Poll participants see production in the world's top grower of the chocolate-making ingredient, Ivory Coast, growing to 2.3 million tonnes in the new season that starts in October from 2.18 million tonnes in the current crop.

They expect output in Ghana, the second largest producer, to grow to 825,000 tonnes from 700,000 tonnes.

Both countries are having mostly positive weather in the development stage of their crops.

But despite higher production, brokers and analysts project a small recovery on cocoa prices.

New York cocoa futures are seen ending 2022 at $2,600 per tonne, about 8% above the closing price on Thursday.

London cocoa futures are seen closing the year at 1,857 pounds ($2,264) per tonne, 2.5% higher than Thursday's close.

The median view for a slight recovery in prices despite the outlook for higher production comes from the perception that the worst is behind the market, as well as the potential for funds covering shorts.

"I see a positive macroeconomic outlook as the recession narrative fizzles out and we are over with the impact (to demand) of the Russia-Ukraine war,", said a U.S.-based trader. "Speculators, managed money are net short on cocoa. Any negative production news or a boost in chocolate sales could result in longs re-entering, thus driving prices higher," said Paul Joules, an analyst with Rabobank.

Top News - Metals

Turquoise Hill committee terminates review of Rio Tinto's $2.7 bln offer

Turquoise Hill Resources Ltd said on Monday its special committee terminated a review of Rio Tinto Ltd's offer to buy the rest 49% stake for $2.7 billion as it did not reflect the Canadian company's full and fair value.

The committee determined that Rio's offer of C$34 ($26.57) per share was not in the best interest of Turquoise Hill or its minority shareholders, the Canadian company said in a statement.

"Engagement between the parties has not resulted in a consensus on value and price or in any improved proposal from Rio Tinto," Turquoise Hill added.

In March, Rio Tinto proposed to buy the 49% of Turquoise Hill it does not already own, paving the way for direct ownership of the massive Oyu Tolgoi copper-gold mining project in Mongolia.

Turquoise Hill said the committee also considered the risks its investment in Oyu Tolgoi could face and the progress achieved in recent months on the underground project.

Interim Chief Executive Officer Steve Thibeault said Turquoise Hill's funding agreement with Rio Tinto remained in effect and that the company expected it to provide sufficient liquidity to meet funding requirements.

In May, the Canadian company said Rio Tinto would provide an interim debt funding of up to $400 million.

Rio's offer had seen opposition from major Turquoise Hill shareholders, including activist investor Pentwater Capital Management, the largest minority shareholder with a 10% stake, who said the offer was too low.

Rio Tinto did not immediately respond to a Reuters request for comment.

China July aluminium output hits record high after power restrictions loosened

China's primary aluminium production rose 5.6% to a record monthly high at 3.43 million tonnes in July from a year earlier, with smelters ramping up production as power restrictions were eased.

July's output was up 1.2% from 3.39 million tonnes in the prior month, according to data released by the National Bureau of Statistics on Monday.

The previous record was 3.42 million tonnes marked in May.

The world's top metals producer and consumer has seen a gradual pick-up in smelter activity in recent months as well as new capacity added in some regions such as the Yunnan and Gansu provinces.

This compares with production cuts last year when Yunnan province and other southern regions limited power due to a severe drought and restrictions aimed at reducing pollution.

Rising supply and a pandemic-induced slide in demand has weighed on the price of aluminium, a metal widely used in the construction and auto sectors.

The most-traded August aluminium contract on the Shanghai Futures Exchange SAFc1 sank to 17,300 yuan ($2,559.51) a tonne on July 15, the lowest level since April 2021.

Outside of China, aluminium production, which is an energy-intensive process, has been curtailed amid a surge in electricity and energy prices, particularly in Europe.

For the first seven months of the year, China produced 22.95 million tonnes, up 1.1% from the same period last year, the data showed.

Production of 10 nonferrous metals - including copper, aluminium, lead, zinc and nickel - climbed 4.8% to 5.63 million tonnes in July from a year earlier.

Output in the first seven months for the year rose 1.4% to 38.30 million tonnes. The other non-ferrous metals are tin, antimony, mercury, magnesium and titanium.

MARKET MONITOR as of 07:10 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$91.11 / bbl	-1.06%	21.14%
NYMEX RBOB Gasoline	$3.02 / gallon	-0.95%	35.38%
ICE Gas Oil	$1,026.25 / tonne	-1.82%	53.86%
NYMEX Natural Gas	$8.66 / mmBtu	-1.21%	132.23%
Spot Gold	$1,789.79 / ounce	-0.66%	-2.11%
TRPC coal API 2 / Dec, 22	$255 / tonne	2.31%	107.32%
Carbon ECX EUA / Dec, 22	€88.86 / tonne	-0.01%	10.18%
Dutch gas day-ahead (Pre. close)	€205.00 / Mwh	5.04%	208.27%
CBOT Corn	$6.29 / bushel	-1.64%	6.07%
CBOT Wheat	$8.06 / bushel	-0.41%	4.57%
Malaysia Palm Oil (3M)	RM4,264 / tonne	-3.24%	-9.22%
Index (Total Return)	**Close 12 Aug**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	313.90	-	-
Rogers International	31.57	-	-
U.S. Stocks - Dow	33,761.05	1.27%	-7.09%
U.S. Dollar Index	105.86	0.22%	10.31%
U.S. Bond Index (DJ)	410.16	1.55%	-13.10%

Top News - Carbon & Power

China's July daily coal output jumps 16% yr/yr on peak summer demand

China's daily coal output in July surged 16% from a year earlier following Beijing's call for miners to ensure sufficient supply during the peak summer demand season.

The country produced 372.66 million tonnes of coal last month, equivalent to 12.02 million tonnes per day, data from the National Bureau of Statistics (NBS) showed on Monday.

This compares with the 10.13 million tonnes per day produced in July 2021 and the 12.64 million tonnes in June.

Over the January-July period, coal production was 12% higher than a year earlier at 2.56 billion tonnes.

The central government has held several meetings in recent weeks at which it reiterated its determination to avoid power rationing during the summer, when demand for air conditioning spikes. It asked coal miners to boost output and fulfill term-contracts with power utilities.

Average daily coal consumption in major coastal regions was above 2.3 million tonnes in early August, about 6% higher than the same period last year, according to data from Sxcoal.

Some regions, including cities in the manufacturing hubs of Zhejiang and Jiangsu, have carried out rolling blackouts at local factories to protect electricity supplies to residential users at times of peak demand.

Monday's data also showed China's power generation in July rose 4.5% from a year ago to 805.9 billion kilowatt-hours, marking the fastest year-on-year growth since September 2021.

Power demand has been subdued since March as stringent COVID-19 restrictions have curbed industrial activity.

However, analysts and market participants expect coal output could be curtailed by intensifying safety checks following a fatal mining accident in the major coal mining hub of Shanxi in early August.

Temperatures in northern China are forecast to fall in late August, which should reduce demand for coal for power generation.

Malaysia's bourse to launch voluntary carbon market by year-end

Malaysia's stock exchange on Monday said it will launch a voluntary carbon market (VCM) by the year's end, with the aim of increasing transparency and enabling companies to buy carbon credits to offset their emissions.

The new exchange will encourage investments in high-quality offsetting projects, Bursa Malaysia chief executive Muhamad Umar Swift said in a statement, which can include projects like planting trees or switching to less-polluting fuels.

Critics say carbon offsets can allow companies or countries to keep polluting while paying someone else to take climate-friendly action.

Bursa Malaysia will adopt the Verified Carbon Standard, also known as Verra, to ensure the integrity of the carbon credits, it said.

"We believe that the VCM exchange can serve as an important lever in realising Malaysia's net-zero GHG (greenhouse gas) emissions aspiration, as well as supporting the private sector's voluntary climate commitments and decarbonisation journey," Swift said.

Carbon credits are currently traded in a small but growing market and Bursa Malaysia joins global exchanges CME, ICE and EEX, which have also launched voluntary carbon market products in recent years.

It plans to offer standardised carbon credit products for trading via a rules-based VCM exchange, with distinct product categories for carbon credits derived from nature-based solutions and technologies that reduce or remove carbon emissions from the atmosphere.

It plans to auction a supply of carbon credits by year-end to enable price discovery for the new carbon credit products that will be listed on the VCM exchange.

Top News - Dry Freight

Ship carrying first Ukraine grain cargo nears Syria -shipping sources

The first ship to depart Ukraine under a deal to resume grain exports from the country two weeks ago was approaching the Syrian port of Tartous on Sunday, two shipping sources said, after the vessel had been sailing with its transponder off.

The Sierra Leone-flagged Razoni set sail from

Ukraine's Odesa port on Aug. 1 under the deal between Moscow and Kyiv, brokered by the United Nations and Turkey, but its location had not been clear in the past days without the transponder.
The cargo of 26,000 tonnes of corn had originally been destined for Lebanon, which has been suffering an economic crisis that has plunged about half of its population into food insecurity.
However, the original buyer refused the delivery over quality concerns and the ship sailed to Turkey, docking in Mersin on Aug. 11.
When it set sail again the following day, it did not keep its transponder on. Two shipping sources, one of them in Tartous, confirmed to Reuters on Sunday that the ship was approaching the northwest Syrian port.
Ukraine has previously accused Syria of importing at least 150,000 tonnes of grain it said was plundered from Ukrainian warehouses after Russia's invasion in February. Russia has denied stealing Ukrainian grain.
Ukraine cut off diplomatic ties with Syria in June after Damascus recognised the independence of the eastern regions of Luhansk and Donetsk.
The Ukrainian Embassy in Lebanon sent Reuters a statement from the Ministry of Transport, which said it was "not responsible for vessel and cargo after it has left the Ukraine, moreover after vessel's departure from (a) foreign port".
"Our task has been to reopen seaports for grain cargo and it has been done," the statement said, adding it had no information about the position of the vessel or cargo destination.
Meanwhile, the U.N.-chartered ship Brave Commander will depart Ukraine for Ethiopia in the coming days, a U.N. official said. It will be the first humanitarian food aid cargo bound for Africa since Russia sent troops into Ukraine and under the framework of the Black Sea Grain Initiative.
And the first ship carrying Ukrainian wheat to be exported under the deal arrived in Istanbul on Sunday, the Joint Coordination Centre based in the Turkish city, said.

Philippines sugar imports still possible, president says

Philippines President Ferdinand Marcos Jr said the country's doors remain open to additional sugar imports, though volumes are likely to be much less than a previously proposed 300,000 tonnes.
Marcos last week rejected the proposal to import up to 300,000 tonnes of raw and refined sweetener, purportedly approved recently by the Sugar Regulatory Administration (SRA), of which he is board chairman.
But in a vlog posted on the Office of the President's Facebook page on Sunday, Marcos assured the public that the country has sufficient sugar supplies.
SRA officials had warned of a domestic sugar shortage before Marcos took power on June 30 and retail prices of the sweetener have risen substantially in the Philippines this year.
"Before we import sugar, let us use the supply that we have. Maybe by October the supply in the Philippines will almost be used up. Maybe then we may need to import," Marcos said in the vlog.
"Probably, 150,000 tonnes is enough for the rest of the year."
The SRA has estimated that raw sugar output in the crop year ending Aug. 31 will be 1.8 million tonnes, down 16% from the previous season because of crop damage from a typhoon and unfavourable weather.
The Philippines is not a regular sugar importer, but when necessary it usually buys from Thailand, the world's second-largest sugar exporter behind Brazil.

Picture of the Day

A worker at German manufacturer of silos and liquid tankers, Feldbinder Special Vehicles, welds aluminium at the company's plant in Winsen, Germany. REUTERS/Fabian Bimmer

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(Inside Commodities is compiled by Rupali Shukla in Bengaluru)

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