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## Top News - Oil

**US shale oil and gas output to extend fall in September -EIA**

Oil and natural gas output from top U.S. shale-producing regions is set to fall in September for the second straight month to the lowest levels since May, Energy Information Administration data showed on Monday.
Shale oil output is expected to fall to 9.41 million barrels per day (bpd) in September, EIA data showed.
It had touched 9.45 million bpd in July, its highest on record.
Crude output in the Permian Basin in Texas and New Mexico, the biggest U.S. shale oil basin, is expected to fall by nearly 13,000 bpd to 5.8 million bpd, the lowest since February. Crude oil production in the South Texas Eagle Ford region is due to fall by 11,000 bpd to 1.11 million bpd, the lowest since December.
However, production in the Bakken region of North Dakota and Montana is due to rise 3,600 bpd to 1.21 million bpd, the highest since November 2020.
Total natural gas output in the big shale basins will also fall for a second month in a row, by about 0.15 billion cubic feet per day (bcfd), to 98.3 bcfd in September, its lowest since May, the EIA projected. That compares with a monthly gas output record of 98.5 bcfd in July. In the biggest shale gas basin, Appalachia in Pennsylvania, Ohio and West Virginia, output will fall to 35.75 bcfd in September, the lowest since May, the EIA said. Gas output in the Permian will rise to record high of 23.67 bcfd in September, while that from the Haynesville in Texas, Louisiana and Arkansas will edge down to 16.3 bcfd.
The EIA said it expects new Appalachia gas well production per rig to climb to 23.78 million cubic feet per day (mmcfd) in September, the highest since May.
New gas well production per rig in Appalachia hit a record of 33.3 mmcfd in March 2021.

**China's July oil refinery runs rise to meet domestic, export demand**

China's oil refinery throughput in July rose 17.4% from a year earlier, data showed on Tuesday, as refiners kept output elevated to meet demand for domestic summer travel and to cash in on high regional profit margins by exporting fuel.
Total refinery throughput in the world's second-largest oil consumer was 63.13 million metric tons last month, data from the National Bureau of Statistics (NBS) showed.
July's production was the equivalent of 14.87 million barrels per day (bpd), up from a low base of 12.5 million bpd a year earlier when refiners cut back runs as the country faced extensive COVID-19 lockdowns.
The throughput rate was the third-highest ever, according to Reuters' records of the NBS data, only marginally below the record of 14.90 million bpd in March.
Production was up slightly from the 14.83 million bpd of oil processed in June.
State-owned refineries raised their processing rates in July to an average of 78%-82%, up 2-3 percentage points from June, according to data from consultancy Zhuochuang.
Domestic fuel demand has picked up with the arrival of the summer travel season, notably in gasoline and jet fuel. Domestic gasoline inventories fell around 3% between mid-June and mid-July, according to data from China-based consultancy Longzhong.
Chinese refiners have also capitalised on strong fuel profit margins in the region, with refined fuel product exports in July rising 55.8% from a year earlier, according to customs data released last week.
China's crude oil imports in July pared back from close-to -record levels during the previous month, totalling 43.7 million metric tons, or 10.3 million bpd, according to the customs data.
The NBS data on Tuesday also showed China's domestic crude oil production in July was 17.31 million metric tons, or 4.1 million bpd, versus 17.13 million metric tons in 2022.
Natural gas production was up 7.6% from a year earlier to 18.4 billion cubic metres (bcm) from last year's 17.1 bcm.

## Top News - Agriculture

**India's July palm oil imports hit 7-month high as refiners boost purchases**

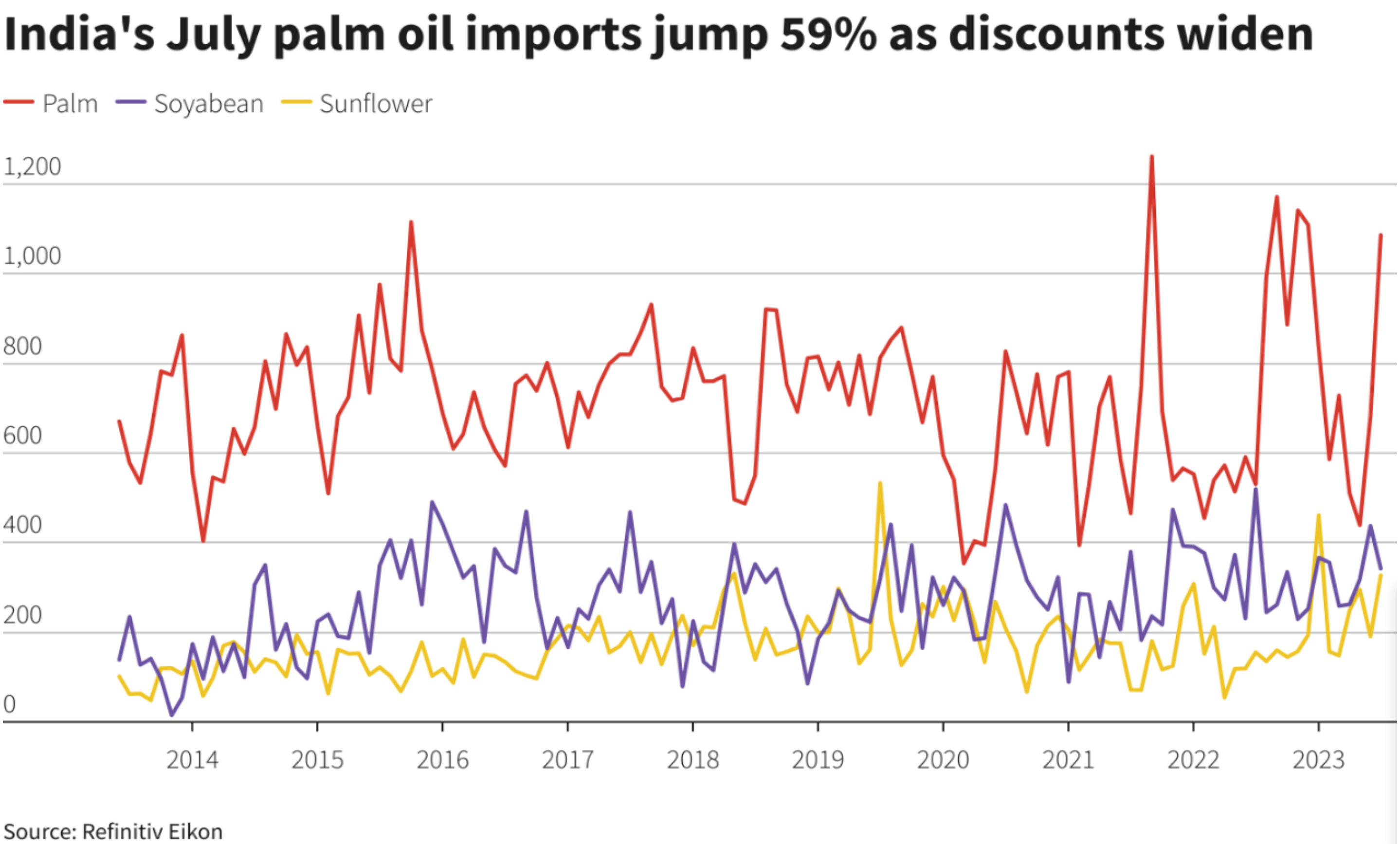
India's palm oil imports in July jumped 59% from the previous month to 1.08 million metric tons, the highest in seven months, as refiners took advantage of lower prices to increase purchases, a trade body said on Monday.
Higher imports by India, the world's biggest buyer of vegetable oils, would help top producers Malaysia and Indonesia bring down stocks and support Malaysian prices.
Imports of soyoil fell by around 22% to 342,270 tons and those of sunflower oil were up 71% at 327,259 tons, the Mumbai-based Solvent Extractors' Association of India (SEA) said in a statement.
India's edible oil imports in July rose to a record 1.76 million tons as refiners built up stocks for upcoming

festivals given uncertainty over supplies from the Black Sea, dealers said.
The discount of crude palm oil prices to crude soyoil widened to over $150 per ton, prompting refiners to switch to palm oil, said a Mumbai-based dealer with a global trade house.
"This trend would continue even in coming months. We are expecting around 1 million tons of imports in September," the dealer said.
The country's total edible oil imports in the 2022/23 marketing year ending on Oct. 31 could jump to a record 15.5 million tons, the SEA said in a statement.
India buys palm oil mainly from Indonesia, Malaysia and Thailand, while it imports soyoil and sunflower oil from Argentina, Brazil, Russia and Ukraine.

**COLUMN-Rains lift soy prospects before warm and dry weather returns -Braun**

More cool weather across the U.S. Corn Belt last week had a mostly positive impact on the Crop Watch corn and soybeans, and many locations received beneficial rain ahead of a less favorable incoming weather pattern.
Forecasts early on Monday suggest minimal rain chances for most of the Corn Belt over the next week, save some opportunities in eastern areas mostly on Monday.
Milder temperatures are expected to turn hot by the weekend.
U.S. corn and soybean crops have not dealt with prolonged heat this summer, which has helped plants combat extended dryness.
But the Crop Watch producers are concerned that this heat could challenge the corn in particular as it continues to fill out kernels.
For example, both Iowa corn fields picked up 2 inches of rain over the last week, but that will not completely negate poor filling weather.
The western Iowa producer mentioned heat pushing the corn along faster than desired, and the upcoming hot and dry weather is of more concern in eastern Iowa than the dry spring.
Last week’s 2.2 inches of rain in Kansas was considered critical ahead of the heat wave as it stopped further losses in yield and test weight.
Indiana picked up 2.5 inches last week, western Illinois 2.45 inches, Nebraska up to 1.4 inches, and South Dakota got 1 inch.
Southeastern Illinois and the North Dakota soybeans have been the driest three Crop Watch fields lately, picking up 0.5 and 0.4 inch, respectively, over the last week. That puts six-week rainfall for those fields at just over 2 inches.
The corn field in North Dakota has been luckier, though the beans there have up to three weeks for rains to make a difference.
No rain fell in Ohio over the last week, but heavy, much-needed rain was moving through the area on Monday.

## Chart of the Day



Minnesota has had a relatively dry summer but collected 0.7 inch in the past few days, strongly supporting the soybeans and marking the first low-stress week for crops in a while.

SCORES STEADY TO UP

Yield potential for Crop Watch soybeans remains above that of corn, as the 11-field average soybean yield rose to 4.16 from 4.11 last week as a half-point improvement in Minnesota and a quarter-point bump in Nebraska offset a quarter-point decline in southeastern Illinois.

That ties two other weeks out of the last six for the highest Crop Watch soybean yield prospects of the season so far. Some producers have reported emergence of pests and diseases in soybeans, though they are not yet severe enough to reduce yield scores.

Average Crop Watch corn yield remains unchanged at 3.89 as a small rise in Nebraska offset a small decline in South Dakota, as the latter producer has some concerns about ear size and grain length caused by earlier dryness.

Crop Watch producers continue rating both crop conditions and yield potential on 1-to-5 scales.

Condition is a largely visual assessment similar to the U.S. government's where 1 is very poor, 3 is average and 5 is excellent.

Yield potential extends to nonvisible elements and sometimes varies from condition. On this scale, 3 is around farm average yield, 4 is solidly above average and 5 is among the best crops ever.

Average soybean condition increased to 4.11 from 4.07 last week, a three-week high, after improvements in South Dakota, Minnesota and Nebraska offset small losses in North Dakota and southeastern Illinois.

Corn conditions have been stable for the last three weeks, rising to 3.95 from 3.93 last week as reductions in South Dakota and southeastern Illinois were offset by boosts in North Dakota, Nebraska and western Iowa.

The following are the states and counties of the 2023 Crop Watch corn and soybean fields: Kingsbury, South Dakota; Freeborn, Minnesota; Burt, Nebraska; Rice, Kansas; Audubon, Iowa; Cedar, Iowa; Warren, Illinois; Crawford, Illinois; Tippecanoe, Indiana; Fairfield, Ohio.

The North Dakota corn is in Griggs County and the soybeans are in Stutsman County.

Karen Braun is a market analyst for Reuters. Views expressed above are her own.

# Top News - Metals

**China's July crude steel output eases from prior month on production curbs**

China's crude steel output in July eased 0.34% from the prior month, the statistics bureau said on Tuesday, because of production restrictions in Tangshan city in northern China and Sichuan province in the southwest.

The world's largest steel producer manufactured 90.8 million metric tons of the ferrous metal last month, down from 91.11 million tons in June but up 11.5% from the same month in 2022, when steel mills cut production amid shrinking margins as property sector woes stifled demand.

Average daily steel output in July came in at about 2.93 million tons, down 3.6% from 3.04 million tons in June but up from 2.63 million tons in July 2022, according to Reuters calculations based on NBS data.

The month-on-month decline in steel output was mainly because of production restrictions in Tangshan, with output there clearly contracting from July 20, said Cai Yongzheng, a Nanjing-based director of Jiangsu Fushi Data Research Institute. Tangshan, China's top steelmaking hub, intensified its production controls in late July by requiring some mills to suspend operation of at least one blast furnace until the end of July, cutting about 488,200 tons of hot metal output from blast furnaces, consultancy Mysteel said in a report.

This came after Tangshan city had asked local mills to cut their sintering production by between 30% and 50% in July to improve local air quality.

Also, a number of steel mills in southwest China's Sichuan province scaled down production to ensure normal power supply during the holding of the FISU Summer World University Games over July 28-Aug. 8 in Chengdu, the capital of Sichuan.

Some electric-arc-furnace (EAF) steel mills also cut production in July due to losses from rising production costs as steel scrap prices hovered at high levels amid tight supply, and from higher electricity tariffs in some regions because of extreme temperatures last month, Jiangsu Fushi's Cai said.

The capacity utilization rate among the 49 EAF steelmakers surveyed dipped to 49% in late July, from 50% by the end of June, data from consultancy Fubao showed. China produced 626.51 million tons of crude steel in the first seven months of the year, up 2.5% from the same period the year before, NBS data showed.

Market consensus is that Beijing will continue to cap steel output this year to limit carbon emissions, with some mills being told to make sure production didn't exceed 2022 levels.

It is still not clear, however, when mills will start to cut output and how stringent enforcement will be, given the state planner and regional governments have not announced details.

China's crude steel output in August is estimated at around 91 million tons, as some Tangshan mills that suspended operation in July resumed production from early August, Cai said.

Steel consumption in the second half of 2023 is expected to fall by 0.9% on the year, following a year-on-year drop of 0.6% in H1, with the full-year consumption down 0.8% on the year, according to an update on the WeChat account of the state-backed China Iron and Steel Association on Tuesday.

**GRAPHIC-Surpluses, low prices to remain a feature of cobalt market**

Surging supplies of cobalt from Indonesia and Africa are forecast to outpace demand from electric vehicles, generating large surpluses over the next few couple of years which will keep prices of the metal under pressure.

Throwing the spotlight on the deteriorating outlook was London-listed miner Glencore, which last week said it would consider adding to its cobalt stockpiles and cut production to support cobalt prices.

Global cobalt supplies last year are estimated at nearly 190,000 metric tons with the surplus at around 10,000 tons.

Prices of cobalt metal, also used in superalloys for jet engines, sank to two-year lows below $15 a lb in May, a drop of 65% from May 2022 when the market started to price in the coming glut.

Traders say the small cobalt price upturn since May to around $17 a lb is due to supply chain restocking and some tightness in superalloy grade material.

Adding to new mine supplies will be those from China's CMOC Group Tenke Fungurume mine (TFM) in Democratic Republic of Congo (DRC), the world's largest producer, after a one-year stoppage caused by a dispute with the government.

"The market is bracing itself for the release of over 15,000 tons of cobalt in hydroxides from CMOC’s Tenke Fungerume mine," said Macquarie analyst Jim Lennon.

Lennon expects cobalt surpluses to amount to 8,600, 10,200 and 10,400 tons this year, in 2024 and in 2025 respectively.

"In total, there are a large number of DRC mine projects which could add 50,000 tonnes a year to supply by 2027."

If plans by mainly Chinese firms to increase capacity in Indonesia are executed successfully, Macquarie reckons cobalt supplies from the world's second largest producer will jump to 83,800 tonnes in 2027, more than 30% of the total from 10% in 2022. On the demand side, China's electric vehicle industry switching away from nickel, cobalt and manganese (NCM) chemistry to cheaper lithium iron phosphate (LFP) batteries, means cobalt demand will not grow as rapidly as previously expected.

"To some extent substitution and the move to higher nickel and lower cobalt batteries (to boost the driving range) has been offset by higher electric vehicle sales," said Bank of America analyst Michael Widmer.

| MARKET MONITOR as of 06:32 GMT | | | |
|---|---|---|---|
| **Contract** | **Last** | **Change** | **YTD** |
| NYMEX Light Crude | $82.81 / bbl | 0.36% | 3.18% |
| NYMEX RBOB Gasoline | $2.67 / gallon | 0.57% | 7.92% |
| ICE Gas Oil | $897.75 / tonne | -0.22% | -2.52% |
| NYMEX Natural Gas | $2.85 / mmBtu | 1.90% | -36.36% |
| Spot Gold | $1,904.70 / ounce | -0.17% | 4.40% |
| TRPC coal API 2 / Dec, 23 | $123.5 / tonne | 1.23% | -33.15% |
| Carbon ECX EUA / Dec, 23 | €87.90 / tonne | 0.19% | 4.68% |
| Dutch gas day-ahead (Pre. close) | €31.98 / Mwh | 0.88% | -57.68% |
| CBOT Corn | $4.84 / bushel | -0.77% | -28.61% |
| CBOT Wheat | $6.39 / bushel | -0.39% | -19.69% |
| Malaysia Palm Oil (3M) | RM3,809 / tonne | 3.11% | -8.74% |
| **Index (Total Return)** | **Close 14 Aug** | **Change** | **YTD Change** |
| Thomson Reuters/Jefferies CRB | 311.32 | -0.54% | 3.31% |
| Rogers International | 27.64 | -0.43% | -3.59% |
| U.S. Stocks - Dow | 35,307.63 | 0.07% | 6.52% |
| U.S. Dollar Index | 103.19 | 0.34% | -0.32% |
| U.S. Bond Index (DJ) | 401.66 | -0.09% | 2.44% |

## Top News - Carbon & Power

**China's July daily coal output falls to 9-month low**

China's average daily coal production fell in July to the lowest since October, as ongoing safety inspections at mines put a lid on production, while high inventory and declining domestic prices also discouraged mining operations.

China produced 377.54 million metric tons of coal last month, equivalent to 12.18 million tons per day, which was down 6.3% from June but was around the same month last year, National Bureau of Statistics (NBS) data showed.

Over the first seven months of 2023, China's coal output totalled 2.67 billion tons, up 3.6% from the same period in 2022.

China has tightened mine safety inspections and suspended production at a few coal mines after two fatal accidents occurred in key coal hub Shanxi in July.

Average operational rates at 442 major coal mines in Shanxi, Shaanxi and Inner Mongolia dipped to 81.2% by end-July from 82.4% before the authorities stepped up checks in mid-July, according to data compiled by data provider Wind. Analysts expect the safety scrutiny to be in place throughout the rest of 2023, which would cap the coal production in the country.

Meanwhile, coal prices in China have been falling over the past month, weighed down by high import volumes, mounting inventories and sluggish industrial demand.

Spot prices for thermal coal with energy content of 5,500 kilocalories in northern China dropped to about 830 yuan ($114.06) a metric ton last week after climbing as high as 875 yuan a ton three weeks earlier, traders said.

Declining coal prices encourage utilities to take lower supply under term contracts from coal mines and seek cheaper cargoes from the spot market.

Heavy rainfall from Typhoon Doksuri and tropical storms helped cool down the country and increased hydropower generation while capping the need for coal-fired power.

Market participants and analysts expect China's coal demand for the summer season has peaked as temperatures typically start to go down from mid-August. But demand from the industrial sector may pick up in the coming months as Beijing has vowed more stimulus policies to shore up the economy, they said.

China's official data on Tuesday also showed that the country's power generation in July was 846.2 billion kilowatt-hours (kWh), up 3.6% from a year earlier.

For January to July, power output grew 3.8% to 5.01 trillion kWh.

**Yellen warns of risks of over-concentration of clean energy supply chains**

The United States is working to build resilient, diversified clean energy supply chains to protect its economic security, while guarding against the risks posed by over-concentration in a handful of countries, U.S. Treasury Secretary Janet Yellen said in remarks prepared for an event in Las Vegas on Monday.

Yellen will touch on the challenges of transitioning away from fossil fuels in a major speech she will deliver after touring a union facility where workers are learning skills to work on clean energy projects. Yellen's speech comes days before the one-year anniversary of the Inflation Reduction Act (IRA), which includes $500 billion in new spending and tax breaks that aim to boost clean energy, reduce healthcare costs, and increase tax revenues.

Yellen plans to laud the continuing resilience of the U.S. economy while underscoring the importance of key legislation like the IRA in helping to rebuild the U.S. manufacturing base and "reduce chokepoints, mitigate disruptions, and protect our economic security."

"As we move away from fossil fuels, we remain concerned about the risks of over-concentration in clean energy supply chains," she said in excerpts of the speech obtained by Reuters. "Today, the production of critical clean energy inputs – from batteries to solar panels to critical minerals – is concentrated in a handful of countries."

A report by the International Energy Agency earlier this year noted that China holds at least 60% of the world's manufacturing capacity for most mass-manufactured technologies, such as solar photovoltaic and wind systems, and 40% of electrolyser manufacturing.

It said critical minerals needed for these industries were also highly concentrated, with the Democratic Republic of Congo supplying 70% of cobalt, China 60% of rare earth elements, and Indonesia 40% of nickel. Australia accounts for 55% of lithium mining and Chile for 25%, it said.

Yellen said the U.S. was investing domestically to build more resilient and diversified supply chains, while helping other countries accelerate their own energy transitions.

"The IRA is helping re-shore some of the production that is critical to our clean energy economy," she said.

"Accelerating these transitions can mean greater demand for U.S. clean energy technologies produced by American workers. It can also bolster global clean energy supply chains." Yellen will speak at a training center operated by the International Brotherhood of Electrical Workers (IBEW) union.

The remarks in Nevada, likely to be a key battleground state in the 2024 presidential election, are part of a month-long travel blitz by President Joe Biden and his cabinet as they work to convince skeptical Americans that their policies are working to boost economic growth and fight global warming. The U.S. economy has outrun recession warnings with record-low unemployment, strong wage gains and better-than-expected GDP growth, but many voters who backed Biden in 2020 think the economy has faired poorly, and may not vote for him in the 2024 election, a Reuters/Ipsos poll released last week showed.

## Top News - Dry Freight

**Ships backed up in Black Sea lanes as Russia warning shots raise tensions**

Merchant ships remained backed up in lanes around the Black Sea on Monday as ports struggled to clear backlogs amid growing unease among insurers and shipping companies a day after a Russian warship fired warning shots at a cargo vessel.

Russia said its Vasily Bykov patrol ship on Sunday fired on the Palau-flagged Sukru Okan vessel after the ship's captain failed to respond to a request to halt for an inspection. After an inspection, the vessel continued its journey towards the Ukrainian port of Izmail along the Danube river, Russia said.

Kviv on Monday condemned what it called "provocative" Russian actions and called for decisive countermeasures by the international community.

Insurance industry sources said rates for additional war risk premiums remained stable on Monday, although there was a possibility of a rise if a ship was damaged or sunk. The cost of a Black Sea war risk premium, which is typically renewed every seven days and is in addition to annual insurance expenses, was estimated at tens of thousands of dollars per ship for the voyage.

At least 30 ships had dropped anchor around Musura Bay in the Black Sea, which leads into a channel that links up with Izmail further along the waterway, tracking data from analytics company MarineTraffic showed on Monday.

There were at least 20 ships anchored leading up to Izmail.

In addition, there were at least 35 commercial ships waiting close to the Romanian port of Constanta, 15 more than last week, the MarineTraffic data showed.

Many of the vessels had reported their destination as Romanian ports.

Romania on Monday said that it aimed to double the monthly transit capacity of Ukrainian grain to Constanta to 4 million tonnes in the coming months.

Sunday's incident cast a pall over plans announced by Ukraine last week for a "humanitarian corridor" in the Black Sea to release cargo ships trapped in Ukraine's ports since the outbreak of war.

There are an estimated 60 vessels still stuck inside Ukrainian ports including Odesa, one of three terminals that were part of UN backed grain initiative (BSGI) that Moscow exited.

"The security guarantees given to shipping by both sides under the BSGI are no longer in effect which means that the Ukrainian Black Sea ports are effectively blockaded and out of use for commercial vessels," Norwegian ship insurer Gard said in an advisory note last week, adding that Ukrainian sea ports in the northwestern area were no longer "safe" ports contractually.

Moscow says it will return to the grain deal only if it receives better terms for its own exports of food and fertiliser.

Turkish President Tayyip Erdogan, co-sponsor of the grain deal alongside the U.N., says he hopes to persuade Russian President Vladimir Putin to rejoin it at talks this month.

The Joseph Schulte was among vessels that remained stuck in Odesa.

"We continue to do everything in our power to enable the vessel to move, despite permits and the many variables involved," a spokesperson with Schulte Group, the parent of the vessel's German based manager BSM, told Reuters on Monday. "The situation remains complex."

**Romania aims to double Ukrainian grain transit capacity -minister**

Romania aims to double the monthly transit capacity of Ukrainian grain to its flagship Black Sea port of Constanta to 4 million tonnes in the coming months, particularly via the Danube river, Transport Minister Sorin Grindeanu said.

Ukraine is one of the world's top grain exporters and Russia has been attacking its agricultural and port infrastructure after refusing to extend a year-old safe passage grain corridor brokered by the United Nations and Turkey.

The attacks included its inland Danube ports of Reni and Izmail.

Before Russia pulled out of the safe passage corridor, the Danube ports accounted for around a quarter of Ukraine's grain exports.

Grain is loaded onto barges, shipped downriver through territorial waters of European Union and NATO-member Romania, and onwards from Romania's Black Sea port of Constanta.

By hiring more staff to ease the passage of vessels into the Danube's Sulina canal and by finalising connecting infrastructure projects - many of them EU-funded - Romania could increase the transit capacity, Grindeanu told reporters.

"I have underlined the importance of Romanian rail, road and naval transport routes to maintain a constant flow for Ukrainian exports," Grindeanu said after a meeting with representatives of the EU, the United States, Moldova and Ukraine in the Danube town of Galati.

"It was a good meeting which will lead us through the agreed measures to raise grain transit capacity from over 2 million tonnes per month at present to almost 4 million tonnes in the coming months." Grindeanu said Romania's Danube administration agency will have 60 pilots to take ships in and out of the Sulina canal by end-August.

An EU-funded project to make sailing possible at night on Sulina will likely be completed in October, he said.

"When all these investments are made and the number of pilots increases, Romanian ports of Galati and Braila will automatically be used alongside Reni and Izmail."

Present at the meeting Ukrainian Deputy Prime Minister

Oleksandr Kubrakov said the Danube remained "one of the key and attractive logistics routes for export of Ukrainian agricultural products."
"Ukraine also is interested in the possibility to organise additional places for roadside trans-shipment of vessels in the territorial waters in Romania in particular near the port of Constanta and near Sulina channel," he said.
"We also asked Romanian side to ensure that at least 14 vessels per day to and from Ukrainian ports on the Danube through Sulina channel will be processed."

## Picture of the Day

*Flamingos are seen on the almost dried-out Sijoumi lagoon in Tunis, Tunisia August 10, 2023. REUTERS/Jihed Abidellaoui*

(Inside Commodities is compiled by Dhanya Hegade in Bengaluru)

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