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Top News - Oil

U.S. gasoline prices at year high, tight supply weighs on motorists

U.S. motorists hoping to squeeze out one last trip before the Labor Day holiday and school begins are finding pump prices that have surged to their highest level this year on tighter gasoline supplies.

Consumers tend to get a break from steeper fuel costs as peak vacation travel ebbs. But strong demand and a series of refinery outages have pushed the national average retail price to $3.86 per gallon on Tuesday, according to the American Automobile Association - 7% higher than a month ago. In California and Washington, prices have surged above $5 a gallon.

National retail gasoline prices will average $3.90 a gallon this month, predict analysts at Goldman Sachs.

Martin Jones, a vacationer from Massachusetts, filled up his Toyota Corolla during a sightseeing trip to Washington, D.C., on Tuesday. Jones said he was relieved prices were not close to the $5 a gallon level of last summer.

"Or I won't be able to make long drives like this as easily," Jones said.

Retail prices in the U.S. Midwest jumped as much as 21 cents a gallon in Ohio and 16 cents in Michigan in the last week on earlier-than-expected maintenance at a BP refinery in Whiting, Indiana.

Irving Oil's 320,000-barrel-per-day oil refinery in New Brunswick, Canada, and Delta's 185,000-barrel-per-day refinery in Trainer, Pennsylvania, will be down for much of September and part of October, affecting about 9% of the product supplied in their regions.

BELOW-AVERAGE STOCKS

"It is fairly abnormal to see prices going up" at this time of the year, said Patrick De Haan, head of petroleum analysis at price tracker GasBuddy.com. "We tend to see prices declining going into the fall."

Weekly U.S. gasoline stockpiles have remained below the five-year average of inventories throughout this year, setting the stage for price spikes if refining capacity is disrupted. Total U.S. gasoline stocks this month fell to 216.4 million barrels, the fifth decline in six weeks, according to U.S. government data.

At the same time, record heat levels in Texas have likely led to a sharp 2% slump in U.S. refiners' product yields over the past few weeks, Goldman Sachs noted on Sunday. Small changes to the yield often add up to a meaningful decline in product availability, the bank added.

Peak hurricane season is still ahead with the U.S. National Oceanic and Atmospheric Administration (NOAA) last week raising its outlook for storms due in part to record warm sea surface temperatures. Hurricanes can result in damage to or closures of U.S. oil refineries, particularly along the Gulf Coast.

Brazil's Petrobras hikes fuel prices after 'abrupt' global spike

Brazilian state-run oil company Petrobras will raise gasoline and diesel prices at its refineries, it said on Tuesday, after an "abrupt" increase in global oil prices in recent weeks.

The move was welcomed by investors but is likely to upset the federal government, as it is unpopular and brings renewed inflation fears just as the central bank started lowering interest rates.

Petrobras said in a statement it will raise average gasoline prices by 16.3% to 2.93 reais per liter beginning Wednesday, while diesel prices will be increased by 25.8% to 3.80 reais per liter.

Shares in the company, which was under pressure to hike prices after operating at discounts to international rates for the past few weeks, jumped as much as 4.9% after the announcement.

"The price hikes are a clear positive for Petrobras," JPMorgan analysts said, noting investors lately had been worried about the discounts. "The hikes suggest that governance continues to work, which is certainly positive news."

The move, however, is likely to trigger an upward revision in inflation estimates, with the central bank saying its impact would amount to around 40 basis points between August and September.

The benchmark IPCA inflation index, which was previously expected to reach 4.7% this year, should now get closer to 5.0%, said Inter's chief economist Rafaela Vitoria.

That would place it slightly above the higher end of the central bank's target range of 1.75% to 4.75%.

NO OTHER OPTION

This was the first hike by the oil giant since a new pricing policy was implemented under President Luiz Inacio Lula da Silva, who took office in January pledging to change the firm's strategy in order to help it lower consumer costs at the pump. Petrobras approved the new policy in May, ditching a more market-based strategy in favor of greater flexibility to smooth price swings, but said it had no option other than raising prices this time. "The consolidation of oil prices at a higher level makes it necessary for Petrobras to make the price adjustments for both fuels," the company said. Crude oil prices in international markets have registered gains for the past seven weeks.

CEO Jean Paul Prates had previously said that even though the new policy would avoid passing international volatility onto customers, Petrobras' fuel prices would not dip "below profitability." Petrobras noted its gasoline prices are still down roughly 5% year to date, while diesel prices have fallen by an accumulated 15.4% in the period. Santander analysts said the firm's refining margins "should be restored to healthy levels after today's adjustment," adding in a note to clients that they believe no further hikes will be necessary for now.

Top News - Agriculture

Philippines recommends 500,000 MT rice imports to cover El Nino-related crop losses

The Philippines' Department of Agriculture is recommending additional rice importation of about 500,000 metric tons to cover potential crop losses from the El Nino dry weather condition, a senior official said on Wednesday.

The additional importation by one of the world's biggest buyers of the staple grain, which should be brought in by private traders, must arrive between November and January next year, agriculture undersecretary Mercedita Sombilla told a congressional hearing.

The recommended volume is on top of the additional approved rice purchases by private traders this year, of which 300,000 metric tons were supposed to arrive later this month, and another 300,000 metric tons in September.

Sombilla said 89% of the Philippines' rice imports so far this year came from Vietnam, with the rest from Myanmar, Thailand, Pakistan and India, among others.

Retail prices for imported and locally produced rice in the Philippines rose further this month by as much as 14%, based on government data, as global and domestic farmgate prices soared, adding pressure on food inflation.

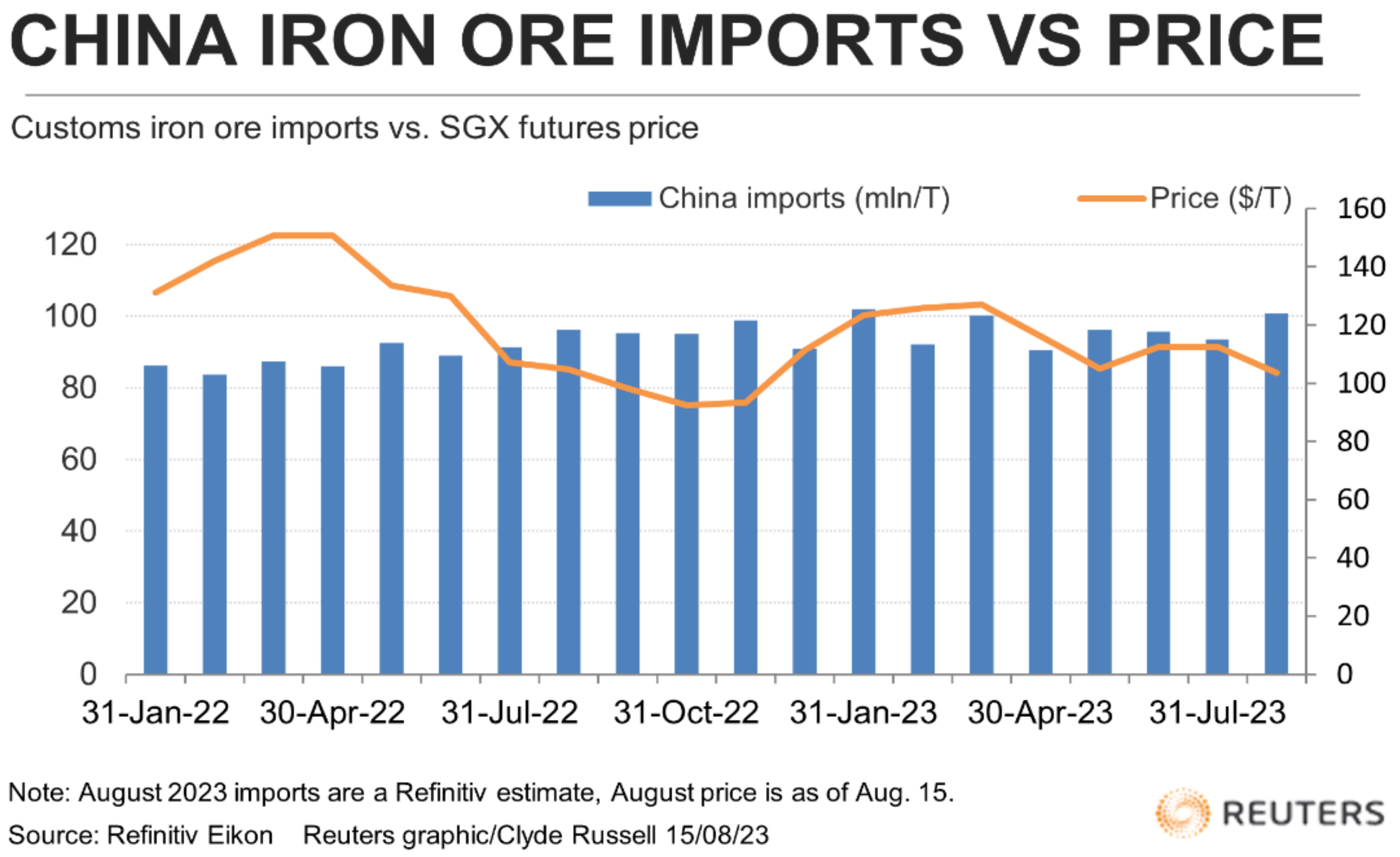
The government expects the impact of El Nino weather pattern on agricultural output to be felt between the last quarter until the first three months of 2024.

COLUMN-Have US corn, soy yields already marked their lows for 2023? -Braun

Recent improvements in weather had market participants thinking the U.S. government’s latest corn and soybean yield outlooks were likely too conservative, a significant shift in attitude considering earlier comparisons with the 2012 drought.

The trend is somewhat mixed as to whether the survey-based August yields are ultimately too high or low, but widespread precipitation across the Corn Belt so far this

Chart of the Day



month could offer clues as to where these yields are headed next month.

The Department of Agriculture on Friday pegged U.S. corn yield at 175.1 bushels per acre and soybeans at 50.9 bpa, below both the average trade guesses and last month's model-based yields.

But last weekend, both corn and soybean crop conditions worked their way above the year-ago readings after having been down as much as 17 and 14 percentage points, respectively. That is among the biggest-ever condition comebacks, especially for soybeans.

Those conditions and the likely expectation for bigger yield estimates next month weighed heavily on Chicago corn futures on Tuesday, as the most-active contract traded to its lowest level since Dec. 31, 2020.

AUGUST LOW OR HIGH

In the last decade, August featured the season's lowest U.S. corn and soybean yield estimates four times each, most recently in 2021 for both. That statistic considers estimates from August forward.

The frequency of August yield minimums remains consistent between both crops if extending back 20 years, as the lowest yield estimates were printed in August seven times each.

August maximums have been slightly less frequent in recent years. USDA's August corn and soy yields were the season's highest in three of the last 10 years, most recently in 2022 for both.

Extending to 20 years puts August corn maxes at seven and soy maxes at five, meaning that the most unlikely scenario has been for USDA to print the highest bean yield of the season in August.

Looking toward final yields, the August corn yield has a slight tendency to be too high. Final corn yield was lower than in August in six of the last 10 years and in 10 of the last 15 years. The last two times final corn yield was above the August figure were in 2021 and 2017.

The trend in final bean yield versus August is evenly split in the last decade, though the August number has been too high versus the final in five of the last six years, the only outlier being 2021. It is unclear whether these August yield statistics have been impacted by USDA's elimination of August corn and soy field visits in 2019. However, this has not had an apparent impact on analysts' ability to anticipate the August forecasts.

USDA's July corn yield print has been too high versus the final for three consecutive years now, possibly suggesting trend-line yield has drifted too high. July bean yield was higher than the final most recently in 2022, 2019 and 2013.

USDA's July corn and soy yields were 177.5 and 52 bpa, respectively, and both would be new records.

AUGUST RAINS

Although the relationship is far from perfect, August rainfall is the most telling variable when it comes to what corn and soybean yields might look like in the September report.

For the most part, when August rainfall across the Midwest is above average, USDA's September corn and soybean yields usually come in higher than in August, and vice versa. That could suggest higher yield estimates next month, though there are some outliers, including last year for both crops.

That 2022 outcome may owe to abnormal August dryness in the Plains, including Nebraska and Kansas, so a Midwestern rainfall variable was unable to capture the full picture. Rains in those areas have been much better so far this month.

The direction of corn and soybean yields from August to September has a very weak relationship with temperatures, the July-August yield directions and crop conditions, including recent changes in conditions.

However, it is worth noting that soybean conditions in the latest week jumped an ultra-rare 5 percentage points, the week's biggest increase since 1991.

2021?

There are a couple possible connections between 2023 and 2021, particularly interesting given the too-light yield estimates in August 2021.

Widespread but stable drought coverage was also a theme at this point in 2021, especially in Iowa, proving that a large national yield is achievable under drought conditions given timely rains and moderate temperatures.

In the last nine years, the trade overestimated August soybean yield only twice: 2023 and 2021.

Those were also the only two years of the last nine where August bean yield was lower than in July.

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

Top News - Metals

Weak demand sends near-term LME aluminium discount to highest since 2008

The discount on aluminium for near-term delivery compared with the three-month contract on the London Metal Exchange (LME) has reached its highest since the global financial crisis of 2008, indicating weak demand and rising supply. Aluminium, used in transportation, construction and packaging, is widely expected to be a sought-after commodity as the transition to greener energy accelerates, though current prices are being suppressed by the sluggish demand growth in top consumer China.

The discount, or contango, for cash aluminium against the three-month contract climbed to $55.50 a metric tonne at Monday's market close for its highest level since November 2008.

That compared to a premium, or backwardation, of $40.50 at the end of May. The contango has persisted since early June, when China's Yunnan province started ramping up energy-intensive aluminium production after the end of power curbs.

"I still cannot see any near-term catalyst that could spark a reversal," one metals trader said, adding that weakening demand and high interest rates were boosting the discount.

Global primary aluminium output rose by 1.8% year on year in the first half of 2023, mainly owing to higher production in China, according to the International Aluminium Institute. In July China's output rose to near-record levels.

The LME benchmark three-month aluminium contract dropped to its lowest since July 7 at $2,136.5 per metric ton by 1049 GMT.

COLUMN-China's iron ore imports may hold up despite gloomy economy: Russell

A swathe of poor economic data in China is putting pressure on the price of iron ore, which is struggling to hold above the key psychological level of $100 a metric ton.

However, the run of soft indicators in China's embattled property sector has yet to translate into a significant decline in the volume of imports of the main raw material used to make steel.

Commodity analysts Kpler and Refinitiv are estimating that August imports will top 100 million metric tons, which would be the first time this has happened since March's customs figure of 100.23 million. Kpler is estimating that China, which buys about 70% of global seaborne iron ore, will see imports in August of 108.5 million metric tons, while Refinitiv has a more conservative 100.8 million.

While these figures are likely to be revised as more cargoes are assessed, it is likely that iron ore imports will rebound from July's official 93.48 million metric tons, which was the lowest since April.

It's likely that the lower spot prices for iron ore in recent weeks are encouraging traders and steel mills to boost imports.

It's also the case that there is still optimism that Beijing will boost stimulus measures to shore up not only the property sector, but also other steel-intensive industries such as manufacturing and infrastructure.

Iron ore futures in Singapore ended at $103.47 a metric ton on Monday, down 1.3% from the previous close and approaching the three-month low of $103.21 hit on Aug. 3. The immediate catalyst for the decline was more bad news in China's property sector, with major developer Country Garden seeking to delay payment on a private onshore bond, the first time it has done so.

The problems at Country Garden are stoking fears of contagion in China's property sector, which is facing a cash crunch.

MARKET MONITOR as of 06:31 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$80.69 / bbl	-0.37%	0.54%
NYMEX RBOB Gasoline	$2.60 / gallon	-0.28%	5.09%
ICE Gas Oil	$886.25 / tonne	0.37%	-3.77%
NYMEX Natural Gas	$2.66 / mmBtu	-0.08%	-40.63%
Spot Gold	$1,905.60 / ounce	0.21%	4.45%
TRPC coal API 2 / Dec, 23	$128 / tonne	3.64%	-30.72%
Carbon ECX EUA / Dec, 23	€87.75 / tonne	0.71%	4.50%
Dutch gas day-ahead (Pre. close)	€36.30 / Mwh	13.51%	-51.97%
CBOT Corn	$4.79 / bushel	0.63%	-29.42%
CBOT Wheat	$6.31 / bushel	1.20%	-21.91%
Malaysia Palm Oil (3M)	RM3,818 / tonne	0.93%	-8.53%
Index (Total Return)	**Close 15 Aug**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	307.12	-1.35%	1.92%
Rogers International	27.37	-0.96%	-4.52%
U.S. Stocks - Dow	34,946.39	-1.02%	5.43%
U.S. Dollar Index	103.21	0.02%	-0.30%
U.S. Bond Index (DJ)	400.56	-0.27%	2.34%

LOANS TUMBLE

Adding to the property woes was data released on Tuesday showing China's industrial output and retail sales slowed and undershot forecasts.

Industrial output rose 3.7% from a year earlier, slowing from the 4.4% pace seen in June, while retail sales gained 2.5%, down from a 3.1% increase in June and missing analysts' forecasts of 4.5% growth.

There was further bad news in data released on Aug. 11 showing China's new bank loans tumbled in July, with the 345.9 billion yuan ($47.8 billion) extended being down 89% from June, and the weakest since late 2009.

The weak lending figures added to the poor sentiment brought about by the world's second-largest economy slipping into deflation in July, the decline in both imports and exports and persistently soft manufacturing indexes.

Certainly the economic data isn't supportive of stronger iron ore import volumes.

This means that if the likely increase in imports in August is to be sustained in coming months, the market will have to believe that stimulus efforts will work and that steel demand will hold up, or even increase.

There are signs that the authorities are stepping up efforts to boost the economy, with the central bank cutting policy rates on Tuesday, the second reduction in three months.

Lower iron ore prices may also boost imports, but only if traders believe that they are likely to recover and that the downward pressure isn't the start of a new bearish trend.

Another potential factor supporting iron ore imports is the low state of port inventories, which last week dropped to the lowest in just over three years.

Port inventories fell to 116.5 million metric tons in the seven days to Aug. 11, down from 120.5 million the previous week, according to data compiled by consultants SteelHome.

They are also below the 138.6 million metric tons in the same week in 2022 and the 127.2 million in 2021.

Overall, iron ore imports are likely to be caught between the reasonable fundamentals of weaker prices and low port stockpiles, and the bearish sentiment coming from the mounting woes across China's economy.

The opinions expressed here are those of the author, a columnist for Reuters

Top News - Carbon & Power

FOCUS-Colombia's potential renewables boom short circuits on Indigenous resistance

In May, a forum bringing together leaders debating wind and solar development in Colombia's La Guajira province was disrupted by a chorus of passionate opposition.

"La Guajira is not for sale!" exclaimed one attendee, a member of the area's Wayuu Indigenous community, who led the chant with others as the then-energy minister and local officials looked on.

The protest at the University of La Guajira event illustrates the challenges for over a dozen multinationals and the government of leftist President Gustavo Petro, as they seek to turn Colombia away from oil and coal even as a nascent renewables industry faces environmental licensing delays and determined opposition by some Wayuu communities.

More than 50 possible wind and solar projects by companies, including EDP Renewables, Energi, Brookfield Asset Management, AES and Enerfin have been announced in Colombia since 2019, with planned generation of 2.43 gigawatts in wind energy and 0.1 gigawatts in solar.

Though many were meant to be operating this year or last, none are. The companies did not respond to questions.

The tensions come as drought brought by the El Nino weather phenomenon looks set to deplete the production capacity of the hydropower-dependent country, leading to possible shortages and higher charges. La Guajira - a coastal desert province in Colombia's far northeast - offers high-velocity wind, with few natural obstacles to turbines, as well as an often-blazing equatorial sun.

Some companies - including Italy's Enel - have indefinitely delayed projects, blaming local protests for hampering billions in investments.

A week-long visit by Petro and his cabinet to the traditionally poor province in late June failed to convince many Wayuu community members, who say companies and officials are not considering how proposed projects could affect their spiritual traditions, livelihoods and property rights - as well as the environment.

"They are projects done behind the backs of the community," said Jose Silva, the director of Nacion Wayuu, a group of 600 Wayuu leaders.

"Authorities, politicians and businessmen sit down to negotiate, not the ancestral owners of the land," he said.

Petro has promised to ensure communities benefit from projects and in some cases even participate in running them.

Silva said his group did not manage to meet with Petro and his cabinet during the visit but that those Wayuu who did were left with "more doubts than certainties."

Enel indefinitely halted construction of its Windpeshi wind park, which was to generate enough energy to power 500,000 homes, in May because of protests it said caused three years of delays and cost overruns of more than $250 million.

Members of a Wayuu group blocked roads, preventing workers from accessing the project for about half of the last three years, Enel said.

But Wayuu groups say they have no choice but to use blockades to stop projects on their lands that they have not approved and that protests are the result of a lack of communication.

"We have managed to unblock some and we want to move all of them ahead," said Petro in July, though he said a goal to bring 6 gigawatts of renewable production online during his term "could have difficulties."
Denmark's ambassador to Colombia Erik Hoeg told Reuters there was "considerable interest" from Danish companies and others from Europe but added: "We are waiting a bit in some cases for clear regulation, for example for offshore wind."
Dialogue must take place with Indigenous communities, Hoeg said, and Colombia should not lose the chance to become an exporter of renewable energy.

REGIONAL CONFLICTS GROW
The situation in La Guajira echoes challenges in Chile, where Indigenous communities are resisting lithium developments, and Mexico, where dozens of projects in wind, solar and other renewables are awaiting environmental permitting.
Wayuu community members say construction threatens trees and wildlife and has damaged grazing areas for hundreds of goats, killing off a top human food source, and violated sacred territory where their ancestors are buried.
Conflicts over projects have caused at least 10 deaths in the communities he represents, Silva added, as fraudulent landowners negotiate with companies instead of actual property holders, sparking violence.
Joanna Barney, a researcher at non-governmental organization Indepaz said she was aware of the deaths associated with conflicts over renewables projects.
Renewables - even if ostensibly more environmentally-friendly - are facing hurdles similar to those confronted by oil and mining companies, long Colombia's top sources of income.
Problems with environmental licensing have also stopped projects debuting on expected timelines, said Alexandra Hernandez, president of the Colombian Renewable Energy Association (SER).
Licenses for two wind farms belonging to Portugal's EDP Renewables were denied by Colombia's environmental authority because it said the company failed to identify potential impacts in each area of the project, including road access, and failed to properly demarcate protected zones.
Wind and solar provide less than 1% - about 300 megawatts - of Colombia's current energy generation. Hydroelectric generation accounts for 70%.
Planned renewable projects could eventually produce 20,000 megawatts, enough electricity for 11 million people, nearly a fourth of the population, says SER, which represents more than 90 companies.
Each megawatt would require between $700,000 and $1 million in investment by companies, taking potential spending on renewables to up to $20 billion nationally.
About 65% have pending legal processes and some have been delayed for years.
"The projects aren't operating and it doesn't seem like they will start in the next two years," said Alejandro Lucio of Optima Consultores, which advises renewables companies. "Investors are tired of waiting."

Woodside, unions remain at odds over wages at Australia's largest LNG facility
Woodside Energy said on Wednesday "positive progress" was being made on wage disputes at Australia's largest liquefied natural gas (LNG) facility even as a union alliance said key differences remained.
Woodside's North West Shelf, along with Chevron's Australian LNG operations of Gorgon and Wheatstone, supply about 10% of the global LNG market.
About 99% of workers at offshore platforms that supply gas to the Woodside facility have voted for industrial action, with any strike potentially disrupting shipments and sending prices for the super-chilled fuel higher.
After the vote, the union can decide whether to go ahead with any action, which must take place within 30 days.
"Positive progress is being made and the parties have reached an in-principle agreement on a number of issues that are key to the workforce," a Woodside spokesperson said in an emailed statement.
"We continue to engage actively and constructively in the bargaining process."
China and Japan are the top two buyers of Australian LNG, followed by South Korea and Taiwan.
The Offshore Alliance, which combines the Maritime Union of Australia and Australian Workers' Union, however, said differences on key issues remained.
"Woodside are well off the pace on key bargaining issues including job security and remuneration," the union said in a message posted on Facebook on Wednesday.
Last week, Australia's labour regulator cleared the way for strike action for Chevron workers if they vote in favour of it.
Chevron workers will begin voting "over the next week", the union said.

Top News - Dry Freight

'Stop machine' - Russia releases video showing navy boarding cargo ship in Black Sea
Russia on Tuesday released video footage showing an armed naval inspection unit boarding a cargo ship in the southwestern Black Sea on Sunday and questioning the captain about why the ship had not stopped when demanded to by a Russian warship.
Russia said that it fired warning shots with automatic weapons at the Palau-flagged Sukru Okan vessel after it failed to respond to a demand for it to halt, though it was unclear why the ship was boarded so close to Turkey.
In a video released by the Russian defence ministry,

crew members can be seen kneeling on deck with their hands on their head as a Russian Ka-29 helicopter approaches.
What appears to be bodycam footage from the naval unit, shows Russian servicemen with automatic weapons checking the ship and entering the bridge.
"Stop machine, stop machine," one of the armed Russians says as crew members put their hands on their heads and kneel before the Russian weapons.
"Keep calm and listen to me," another Russian says.
"Good day sir. I am Russian naval officer - please don't shoot my group on video."
Firing on a merchant vessel ratcheted up already acute concerns among shipowners, insurers and commodity traders about the dangers of getting ensnared in the Black Sea - the main route that both Ukraine and Russia use to get their agricultural produce to market.
Reuters could not reach the vessel or its owners for comment.
"During the inspection activities carried out, the work of the inspection team was carried out professionally in accordance with the requirements of international documents," the defence ministry said.
"After the completion of the work of the inspection team on board the Sukru Okan, a verification protocol was drawn up, the ship continued to move to the port of Izmail." The video shows the language barriers.
In one cut, a Russian demands: "Speak English."
"Yes, I am speaking English," one of the crew replies.
The Russian officer then questions the captain through a crew translator about why the ship did not stop when asked to.
The crew member translating for the captain indicates that the captain had not understood the Russian demand to stop.
"You, bad understand," the crew member says in English.
"Thank you, you good day sir," the Russian officer says as he leaves.

Ukraine says Russian drones threatened Danube port, key for grain exports
Ukraine's air force on Wednesday said a large group of Russian army drones entered the mouth of the Danube river and headed toward the Izmail river port near the border with Romania.
Social media groups reported hearing air defence systems firing in the area near two Danube ports - Izmail and Reni.
The governor of southern Odesa region, Oleh Kiper, asked residents of Izmail district to take shelter at around 1:30 a.m. (2230 GMT) and cancelled the air raid alert one hour later.
Ukraine's Danube ports accounted for around a quarter of grain exports before Russia pulled out of a U.N.-backed deal to provide safe passage for the export of Ukrainian grain via the Black Sea. They have since become the main route out, with grain sent on barges to Romania's Black Sea port of Constanta for shipment onwards.
A Russian attack on the Izmail port sent global food prices higher in early August.

Picture of the Day

Fire damage is shown in the Wahikuli Terrace neighborhood in the fire ravaged town of Lahaina on the island of Maui in Hawaii, U.S., August 15, 2023. REUTERS/Mike Blake

(Inside Commodities is compiled by Dhanya Hegade in Bengaluru)

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

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Refinitiv
28 Liberty Street, New York, NY 10005

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