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Top News - Oil

Saudi Arabia, Russia extend voluntary oil cuts to year -end, markets jump

Saudi Arabia and Russia on Tuesday said they would extend voluntary oil cuts to the end of the year, despite a rally in the oil market and analyst expectations of tight supply in the fourth quarter.

Oil prices rose sharply following the news, with Brent rising above $90 a barrel for the first time since November, despite steady increases in Iranian and Venezuelan oil exports as the market believes the United States is not enforcing sanctions as stringently as in previous years.

"The Saudis previewed such an outcome last month with their longer, deeper statement but today's move still managed to catch many market participants by surprise. Once again proves that Prince Abdulaziz remains firmly in whatever-it-takes mode," said RBC Capital Markets analyst Helima Croft, referring to Saudi Energy Minister Prince Abdulaziz bin Salman.

The decision is a fresh blow to U.S. President Joe Biden, with tighter supply boosting prices and as he faces re-election in 14 months.

The U.S. has argued that the world needs lower prices to support economic growth and prevent Russian President Vladimir Putin from earning more revenue to fund the Ukraine war.

Biden last year failed on a visit to Saudi Arabia, the de facto leader of the Organization of the Petroleum Exporting Countries, to secure a boost in production, with allies led by Russia, collectively known as OPEC+, instead announcing production decreases in October and further surprise cuts in April.

The U.S. and Western allies have urged OPEC+ to raise output to secure lower energy costs and help the global economy.

OPEC+ producers argue they are acting to maintain market stability and being preemptive.

Abundant money-printing by Western central banks over the past decade is seen by OPEC+ members as having dampened the value of their main export product, which accounts for a large share of their revenues.

The Saudi and Russian voluntary cuts are on top of the April cut agreed by several OPEC+ producers, which extends to the end of 2024. Saudi Arabia will extend its voluntary oil output cut of 1 million barrels per day (bpd) for another three months until the end of December 2023, state news agency SPA said on Tuesday, citing an energy ministry official.

Russia extended its voluntary decision to reduce its oil exports by 300,000 bpd to the end of this year, Deputy Prime Minister Alexander Novak said in a statement on Tuesday. Both countries will review the cut decisions monthly to consider deepening cuts or raising output depending on market conditions, SPA and Novak said.

Russia joining Saudi Arabia in extending the voluntary curbs allows the Kremlin to collect more revenues amid its war in Ukraine and despite European Union attempts to limit Moscow's income with a cap on Russian oil prices. Most Russian oil is trading above the price cap.

G7 shelves regular Russian oil cap reviews as prices soar – sources

The G7 and allies have shelved regular reviews of the Russian oil price cap scheme, people familiar with the matter told Reuters, even though most Russian crude is trading above the limit because of a rally in global crude prices.

Russian producers have found ways to sell oil using fewer Western ships and insurance services, making it difficult for the West to enforce the existing price cap because the companies facilitating the trade are outside of their remit.

The Group of Seven (G7) countries along with the European Union and Australia imposed the price cap mechanism on Russian oil last December, followed by a cap on fuel from February.

Initially, EU countries agreed to review the price cap every two months and to adjust it if necessary while the G7 would review "as appropriate" including "implementation and adherence."

The G7 has not reviewed the cap since March, however, and four people familiar with G7 policies said the group had no immediate plans to look into adjusting the scheme.

"There were some talks in June or July to do a review, or at least talk about it, but it never formally happened," one diplomatic source said.

The sources said that while some EU countries were keen for a review they said that there was little appetite from the United States and G7 members to make changes. The sidelines of the upcoming U.N. General Assembly later this month could serve as an informal platform for talks on the cap. The mechanism allows third countries to buy Russian fuel using Western ship insurance if there is proof the purchase does not exceed price limits of $60 per barrel for crude, $45 per barrel of heavy fuel and $100 per barrel of light fuel such as gasoline and diesel.

The idea was spearheaded by Washington to cut Moscow's revenues amid its war on Ukraine while avoiding market disruptions as a result of an EU ban on Russian oil. Benchmark Brent oil futures are trading at their highest this year at above $90 a barrel, raising the value of global crude, including Russian Urals.

Russia's finance ministry said the average price on its flagship crude grade Urals has recovered to $74 a barrel on average in August - well above the $60 a barrel cap - and up from an average $56 in the first six months of the year.

Russia was forced to cut exports of oil and products immediately after the price cap imposition as it struggled to find enough ships to transport all of its output.

However, the country has managed to move most of its exports into the hands of domestic or non-Western

foreign shippers, which do not require Western insurance coverage.
Reuters calculated that at least 40 middlemen, including companies with no prior record of involvement in the business, handled at least half of Russia's overall crude and refined products exports between March and June.
While mostly "dark fleet" of tankers with murky ownership was being now used to transport Russian crude, Western ships were still involved in moving products since those were harder to police, an industry source said.
According to LSEG data, Russian crude has been trading above the cap since mid-July and is currently being traded at around $67 a barrel at Russian crude terminals. Russian refined products such as fuel oil and diesel have also surpassed their caps.
A U.S. Treasury official said this week the cap was still effective as it had helped cut Russian revenues.
He said the group would stay nimble but added there was no plan for an immediate revision.

Top News - Agriculture

More rain may delay crops in top Chinese corn, soy region - weather bureau
Heavy rain in northeastern China's Heilongjiang province this month could delay grain ripening and harvesting, the country's weather bureau said on Tuesday, after flooding in August also hurt the area's crops.
Precipitation in eastern part Heilongjiang is expected to be 20% to 50% higher than normal in September, the China Meteorological Administration said at a monthly briefing.
Heilongjiang is China's top producer of soybeans and corn. Its eastern area was hit by two typhoons in August, with heavy rain flooding grain fields and paddies.
China, the world's No. 2 corn producer, is expecting a 2023/24 crop of 282.34 million metric tons, according to its agriculture ministry, although some analysts expect a slightly smaller crop because of last month's rain damage.
Up to 50% more rain than usual in most parts of northwestern China's Xinjiang region this month may also reduce the quality of cotton and slow harvesting, said Jia Xiaolong, deputy director of the National Climate Center.
Xinjiang produces about 20% of the world's cotton. The U.S. Department of Agriculture cut its forecast for China's 2023/24 cotton production to 5.9 million tons in August.
Despite some rain that will alleviate ongoing drought in western China, dryness will continue in northeastern Xinjiang, western Inner Mongolia, and western Gansu.
Moderate to severe droughts are under way in western China, including parts of Xinjiang, Qinghai, Gansu, Ningxia, Shaanxi, and Inner Mongolia, with extreme drought in central Gansu, Jia said.
The drought since June has threatened safe supplies of drinking water for humans and large livestock in the western regions, and curbed the growth of autumn crops, Jia said.

Turkey's Erdogan says to discuss grain deal with UN's Guterres this month
President Tayyip Erdogan said Turkey is in close contact with the United Nations on reviving the Black Sea grain initiative and he will discuss it with Secretary-General Antonio Guterres at its general assembly this month, Turkish media reported.

Chart of the Day

REFINITIV
An LSEG Business

Speaking to reporters after talks in Russia with Vladimir Putin, Erdogan was quoted as saying the latest U.N. proposal sought to address some Russian demands, and he repeated he believed a solution could be found soon.
Russian demands include a return of its Agricultural Bank to the SWIFT payments system and insuring the ships involved in the grain initiative, he was quoted as saying by TRT, Haberturk, and other Turkish broadcasters.
"On August 28, U.N. Secretary General Guterres, in the letter he sent, proposed an intermediary mechanism that would result from the SWIFT transaction, not directly SWIFT as the Russians wanted," Erdogan said. "They said work was underway on the insurance issue too."
He added that Moscow was putting these two demands forth as "musts" to revive the initiative, and that Putin had told him he would not take steps on this until "Europe keeps the promises they made me", according to Turkish media.
NATO member Turkey is seeking to convince Russia to return to the so-called Black Sea Grain Initiative, brokered by Ankara and the United Nations. Moscow withdrew in July, ending a year of protected exports from Ukrainian ports amid the war.
On Monday, Putin repeated that Russia could return to the initiative, but only if the West stopped restricting Russian agricultural exports from reaching global markets.
Erdogan will participate in the G20 summit in India on Sept. 9-10 before attending the U.N. General Assembly in New York on Sept. 18-26.
"We will have meetings with Guterres there to discuss these issues," Erdogan was cited as saying.

Top News - Metals

Copper giant Codelco raises $2 billion in bond offering

Chile's Codelco raised $2 billion in a bond offering in New York on Tuesday, as the world's top copper producer seeks to fund an investment drive to revive flagging output.
The company offered 10-year and 30-year notes. The 10-year was for $1.3 billion with a yield of 5.966%, or 210 basis points over the comparable U.S. Treasury rate.
The 30-year, meanwhile, was for $700 million with a yield of 6.331%, or a spread of 195 basis points.
The state-run miner is not only battling to reignite copper production, which is at its lowest level in 25 years, but is also facing calls to rein in its debt, which has ballooned as costs have overrun at some of its key mines in the Andean country.
"This financing seeks to ensure the availability of resources for the development of a demanding portfolio of investments that for this year will need a total of $4.1 billion," Codelco said in a statement.
"This magnitude of capital is consistent with the higher level of activity of the structural projects, which are resuming their construction pace and which will help increase the firm's production level to 1.7 million (metric) tons in 2030."
Late last month, rating agency Moody's said it was reviewing a possible ratings downgrade for Codelco amid weakened production, rising costs and growing financial pressure. It said the firm would need to lift its investments to about $4 billion from $3.3 billion to boost its "structural projects."
Banks BNP Paribas, Citi, J.P. Morgan, Santander and Scotiabank are the joint bookrunners on the offer, IFR said.
Codelco's production slipped last year to about 1.45 million metric tons, the lowest in around a quarter of a century, and output has slipped further this year with the miner expecting to produce between 1.31 million to 1.35 million metric tons of copper.

Platinum market faces record deficit, WPIC says

Platinum will register a 2.2% bigger supply deficit than previously expected for 2023 at a record 1 million troy ounces, driven by strong demand and flat supply, the World Platinum Investment Council (WPIC) said on Wednesday.
Demand for platinum, which is used in catalytic converters to reduce harmful emissions from vehicle exhaust systems among other applications from jewellery to glassmaking, is on track to grow 27% to 8.2 million troy ounces in 2023, the WPIC said in a quarterly report.
Rising vehicle production, with use of more metal per vehicle and substitution by automakers of palladium for cheaper platinum, is helping to drive demand.
Supply, meanwhile, is expected to remain at last year's 7.2 million ounces, partly owing to ongoing electricity shortages in major producer South Africa.
That will leave the market undersupplied by 1 million troy ounces this year, said the WPIC, which three months earlier predicted a deficit of 983,000 ounces.
The WPIC expects automotive and industrial consumption to underpin total demand growth for platinum in 2024 and availability of above-ground stocks to decline.
"By the end of 2023, above-ground stocks will represent only five months of annual demand, with most of these stocks held in China and not readily able to be exported to meet global shortfalls, increasing concerns over metal availability," it said.
In the second quarter, the platinum market was undersupplied by 348,000 ounces to chalk up consecutive quarters of deficit for the first time since the second half of 2020.

Top News - Carbon & Power

Chevron, unions in final talks ahead of planned Australia LNG strikes
Chevron and a union alliance will hold a final round of talks on Wednesday ahead of planned strike actions at two major liquefied natural gas (LNG) facilities in Australia as ongoing disputes over pay and conditions remained unresolved.
Workers are set to begin brief work stoppages and ban certain tasks from Thursday at Chevron's Gorgon and Wheatstone facilities and plan to escalate to a total strike for two weeks from Sept. 14 if their terms are not met.
Work will stop for seven hours on Thursday, escalating to 10 hours from Sept. 8 to 13. There will be a single day with an 11-hour stoppage on Sept. 9.
Australia's industrial arbitrator, the Fair Work Commission, has been hosting mediation talks since Monday, and negotiations are scheduled to run on all days this week.
Australia is the world's biggest LNG exporter and the ongoing dispute has stoked volatility in natural gas markets, as traders worry about the risk of long-term disruption.
Dutch and British gas prices slipped on Tuesday as high gas inventories and weak demand helped the market shrug off low supply from Norway and the threat of a strike at the Australian LNG facilities.
Chevron's Gorgon, Australia's second-largest LNG plant, and its Wheatstone operations account for more than 5% of global LNG capacity.

Enbridge set to be top US gas supplier with $14 bln bid for Dominion utilities
Enbridge will buy three utilities from Dominion Energy for $14 billion including debt, the Canadian pipeline operator said on Tuesday, creating North America's largest natural gas provider and doubling its gas distribution business.
The deal is seen as a bet on the future of natural gas in a regulated market even as energy companies and consumers are transitioning to a greener future by phasing out fossil fuels.
The deals for East Ohio Gas, Questar Gas, and Public Service Co of North Carolina will consist of $9.4 billion in cash and $4.6 billion of assumed debt.
U.S.-listed shares of Enbridge fell 6.5% to $33.01 in extended trading after the company also announced a C$4 billion ($2.9 billion) bought-share sale to fund a portion of the deal.
The divestments are the latest by Dominion following a strategic refresh announced last year aimed at focusing on its regulated operations. In July, Dominion agreed to sell its 50% stake in Cove Point LNG to the energy arm of Berkshire Hathaway for $3.3 billion.
Enbridge President and CEO Greg Ebel described the assets the company is acquiring as "must-have" infrastructure for providing safe, reliable and affordable energy.
The deal is expected to close in 2024, subject to approvals from the Federal Trade Commission and

MARKET MONITOR as of 06:32 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$86.49 / bbl	-0.23%	7.76%
NYMEX RBOB Gasoline	$2.52 / gallon	0.22%	1.69%
ICE Gas Oil	$952.75 / tonne	0.11%	3.45%
NYMEX Natural Gas	$2.56 / mmBtu	-0.70%	-42.70%
Spot Gold	$1,926.23 / ounce	0.02%	5.58%
TRPC coal API 2 / Dec, 23	$124.5 / tonne	-0.80%	-32.61%
Carbon ECX EUA / Dec, 23	€83.65 / tonne	-0.24%	-0.38%
Dutch gas day-ahead (Pre. close)	€32.80 / Mwh	5.81%	-56.60%
CBOT Corn	$4.86 / bushel	-0.10%	-28.39%
CBOT Wheat	$6.00 / bushel	0.17%	-24.98%
Malaysia Palm Oil (3M)	RM3,877 / tonne	-0.62%	-7.12%
Index (Total Return)	**Close 05 Sep**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	320.00	0.26%	6.20%
Rogers International	29.04	1.10%	1.31%
U.S. Stocks - Dow	34,641.97	-0.56%	4.51%
U.S. Dollar Index	104.81	0.55%	1.24%
U.S. Bond Index (DJ)	400.82	0.72%	2.88%

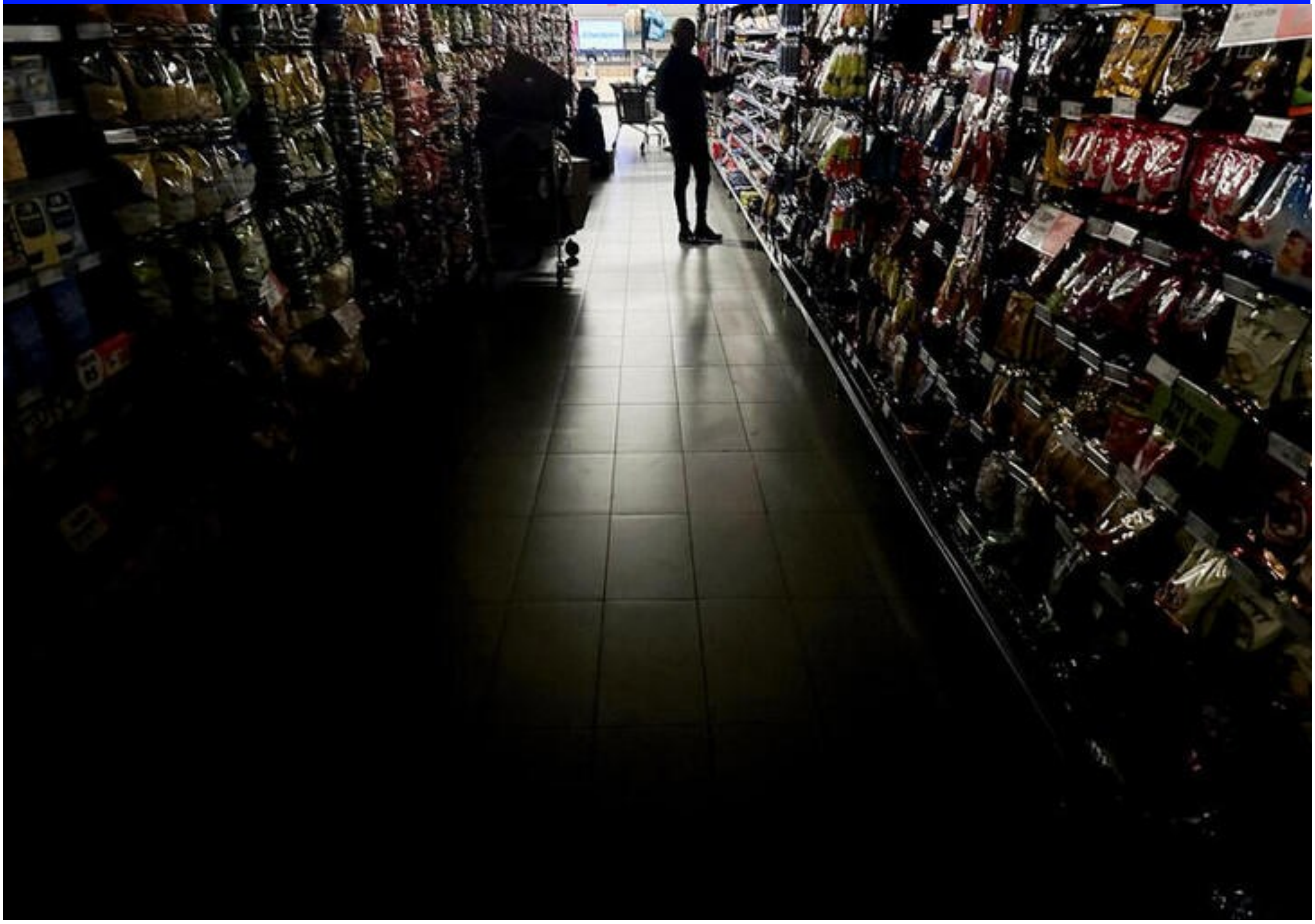
Committee on Foreign Investment in the United States, among others.
Upon closing, Enbridge would supply over 9 billion cubic feet per day (bcfpd) of gas to about 7 million customers in Ohio, North Carolina, Utah, Idaho and Wyoming, making it the largest gas utility business by volume in North America.
It would give the Calgary-based company access to a bigger chunk of cash from U.S. consumers as they buy gas for cooking and heating from an Enbridge-owned utility.
"Enbridge is currently the only major pipeline and midstream company that owns a regulated gas utility and we've further strengthened that position today by doubling the size of our GDS (gas distribution and storage) business," Enbridge's Chief Financial Officer Patrick Murray said in a statement.
Ratings agency Moody's swiftly downgraded the outlook for Enbridge and four subsidiaries to negative from stable, saying the deal would add pressure to an "already weak financial profile that we expect to persist following the transaction close."
The modest improvement in Enbridge's business risk profile is not enough to "offset ongoing pressure on the company's financial profile," said Gavin MacFarlane, vice president and senior credit officer at Moody's, in a statement.
U.S. utilities have zeroed in on their regulated operations as they provide the steady returns preferred by investors, compared with unregulated assets whose returns are dictated by market dynamics.
Morgan Stanley & Co LLC and RBC Capital Markets acted as financial advisors to Enbridge, while Sullivan & Cromwell LLP and McCarthy Tétrault LLP were legal advisors.

Top News - Dry Freight

Argentina launches currency sweetener to spur soy exports
Argentina's government will open a loophole in strict capital controls to allow grains exporters to freely use a quarter of their foreign currency income to buy soybeans after a major drought hit local production.
The South American country is a major soy producer and for years was the world's top exporter of processed soy oil and meal, crushed in huge plants along the Parana River. But it has been forced to import more beans due to the ravaged harvest.
In the official gazette, the government said exporters could this month use 25% of their foreign income to restock on soybeans rather than directly converting it into local pesos. This would encourage more exports to bring in much needed dollars.
Exporters have to convert their foreign currency to pesos at a currently unfavorable exchange rate, artificially held in place by capital controls. The government has previously offered the sector targeted preferential exchange rates to boost sales.
The decree formally confirms comments from the agriculture secretariat last week which had flagged the new measure, seen as key to shore up the depleted net dollar reserves of Argentina's central bank, which are deep in negative territory.
A Reuters calculation suggests the new measure equates to offering the export sector a preferential exchange rate of some 455 pesos per dollar, stronger than the official 350 peso rate.
Dollars trade in popular parallel markets at close to 700 pesos.
Grains exporters could exchange 25% of their foreign currency in these markets, getting a large return in pesos.
Analysts estimated that the temporary measure for September should enable it to bring in $2.5 billion in foreign currency.
Argentina's 2022/23 soybean harvest was 25 million metric tons, down from 44 million harvested in the previous season. According to the Secretary of Agriculture Juan Jose Bahillo, current reserves of soybeans total around 8 million tons.

South Korea’s MFG bought around 55,000 metric tons feed wheat
South Korea's Major Feedmill Group (MFG) purchased about 55,000 metric tons of animal feed wheat thought likely to be sourced from the Black Sea region in a private deal this week without issuing an international tender, European traders said on Wednesday.
One consignment was purchased at an estimated $275.30 a ton c&f including a surcharge for additional port unloading.
It was believed to have been bought from trading house Cofco. Traders expected the wheat to be sourced from the Black Sea region with shipment between Nov. 1-Nov. 30, 2023, with arrival in South Korea around Jan. 5, 2024.
The wheat is technically optional origin, but Russia, India, Denmark and China are excluded as source countries.
The wheat may not be loaded in ports in Russia and Ukraine, traders said.

Picture of the Day



A man stands in a grocery aisle after the lights went out at a supermarket due to South Africa's struggling power utility company Eskom implementing regular power cuts, called 'load-shedding', in Cape Town, South Africa, September 5. REUTERS/Esa Alexander

(Inside Commodities is compiled by Sreshtha Uniyal in Bengaluru)

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