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## Top News - Oil

### US crude prices above \$90/bbl ignite inflation worries

Crude oil prices above \$90 a barrel in the United States stirred worries that inflation could rise further in an economy where the Federal Reserve has already hiked interest rates steeply to control rising prices.

Higher oil prices are a burden on global economies, raising costs for transportation and manufacturing while pressuring consumer spending.

President Joe Biden's administration last week polled oil refiners about operating plans, a sign of concern about gasoline prices and fuel supplies.

U.S. West Texas Intermediate crude (WTI) for October delivery rose 1.9% on Thursday to settle at \$90.16, the first close above \$90 since Nov. 2022, as traders bet oil supplies would remain tight for the rest of the year.

"The rally in crude will eventually be met with demand destruction," said Dennis Kissler, senior vice president of trading at BOK Financial.

"I'm just not sure if that will be \$90 oil or \$100 oil that tips the scale."

Oil prices could reach \$100 per barrel by the end of the year, some market participants predict.

International Brent crude futures settled at \$93.70 a barrel on Thursday, their highest this year.

More expensive oil prices are pinching drivers at the pump.

U.S. consumer inflation in August increased by the most in 14 months on high fuel costs.

Gasoline accounted for more than half of the increase in the Consumer Price Index.

### OPEC OUTPUT CUTS

Oil supplies are tightening with top OPEC+ producers Saudi Arabia and Russia extending 1.3 million barrel per day output cuts through year-end. U.S. crude production has also flattened in recent months on a 17% drop in drilling rigs in the last 52 weeks.

Traders are bidding up near-term supplies, a factor likely to reduce U.S. oil inventories as refiners run plants at high levels to meet strong demand for gasoline and diesel.

WTI futures for October delivery traded as much as \$9.15 a barrel above crude to be delivered in October 2024.

That was the highest premium since November 2022.

Higher prices in the near term prompt traders to sell oil immediately rather than store it.

"There is absolutely no incentive to store oil in a tank," said John Kilduff, partner at New York-based hedge fund manager Again Capital.

The U.S. consumer and China's energy demands remain a wild card for oil pricing.

U.S. demand has remained strong even as fuel prices rise.

China has boosted liquidity to support the country's economic recovery.

### China oil refinery output rises to record on firmer demand, export margins

China's oil refinery throughput in August rose to a record, data showed on Friday, as processors in the world's second-largest crude consumer kept run rates high to meet summer travel demand and capitalise on strengthening export margins.

Total refinery throughput was a record 64.69 million metric tons last month, data from the National Bureau of Statistics (NBS) showed, up 19.6% from a year ago, the fastest annual growth since March 2021.

That is the equivalent of 15.23 million barrels per day (bpd), also a record on a daily basis and up from the 12.64 million bpd processed a year earlier when extensive refiners to cut runs.

August throughput was also up from July's 14.87 million bpd.

Year-to-date throughput gained 11.9% from a year earlier to 491.4 million tons, or 14.76 million bpd.

Domestic demand for gasoline and kerosene over the August vacation season was a key driver of domestic fuel consumption, with travel levels likely to be have been further boosted by "revenge travel" after the pandemic, analysts said ahead of the data.

China's aviation regulator said on Friday that air passenger numbers in August nearly doubled from a year earlier, reaching a historical high of 63.96 million.

Additionally, refiners have been incentivised by additional government fuel export quotas to maintain higher runs to ship fuel overseas and cash-in on stronger profit margins from processing crude amid tighter regional supplies of diesel fuel.

Data from China's customs administration last week showed overall refined fuel exports continued to grow last month, rising 11% from the previous month and 23.3% year-on-year to 5.89 million tons.

Regional refining margins improved last month, averaging \$12.60 per barrel versus around \$6.60 per barrel in July.

The NBS data on Friday also showed China's domestic crude oil production in August gained 3.1% from a year earlier to 17.47 million metric tons, or 4.11 million bpd.

The year-to-date volume rose 2.1% from a year earlier to 139.85 million tons, or 4.2 million bpd.

Natural gas production last month rose 6.3% from a year earlier to 18.1 billion cubic metres (bcm), the NBS said.

## Top News - Agriculture

### Strategie Grains cuts EU soft wheat export forecast

Consultancy Strategie Grains has made a sharp cut to its forecast for European Union soft wheat exports, citing a sluggish start to the season because wheat from EU origins is proving uncompetitive against Russian wheat. In its monthly report, the consultancy said it now expects EU soft wheat exports to reach 30.1 million metric tons this season, down 700,000 tons from its August forecast and well below 2022/23 exports revised upwards to 32.3 million tons.

"The prices of EU wheat origins will need to fall closer to the Russian wheat price before any significant surge in EU exports could be expected," Strategie Grains said. The Euronext soft wheat futures benchmark hit a three-month low this week as competition from Black Sea supplies hung over the market.

EU soft wheat exports so far in 2023/24 were running 27% below the level for the same period a year earlier, weekly EU data showed on Tuesday.

The consultancy raised most of its forecasts for EU cereal production, including soft wheat that is now expected at 125 million metric tons in the 2023/24 season, up from the 124.7 million tons forecast in August and slightly below an estimated 125.3 million in 2022/23.

The most important production revision was for the maize crop, mostly yet to be harvested.

The maize crop is now expected at 59.6 million tons against 58.7 million tons forecast last month and now 7.3 million tons above the previous year's crop, with Strategie

Grains citing "rather good" crop development across the EU, except in Romania and Bulgaria.

The consultancy had revised down its EU cereal crop forecasts for several months as the bloc faced drought and heatwaves.

Strategie Grains raised its outlook for the EU barley harvest to 47.4 million tons from 47.2 million tons last month, but the forecast remained 4 million tons below last year's production and would be at the lowest level since 2011.

### India tightens wheat stocks limits, no plan to axe import tax

India will reduce the limit on the amount of wheat stocks that traders and millers can hold but it has no immediate plans to abolish the import duty on the grain, a top government official said, indicating sufficient local supplies.

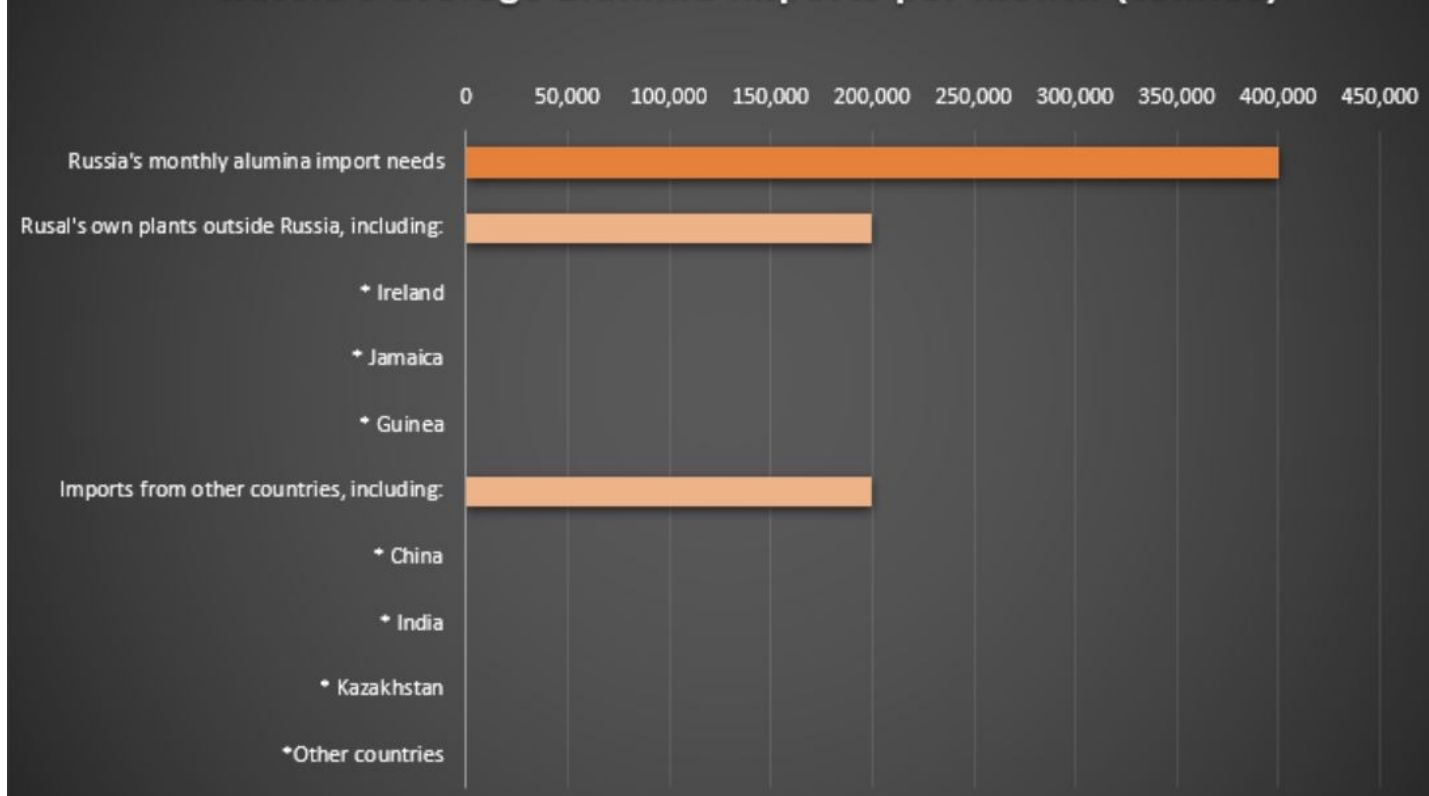
Traders, wholesalers and big retailers will be allowed to hold only 2,000 tons of wheat against 3,000 tons allowed earlier, said Sanjeev Chopra, the most senior civil servant at the Ministry of Consumer Affairs, Food and Public Distribution.

India will also release more wheat stocks into the open market if required to curb prices during the coming festive season, he said.

"There's adequate availability of wheat, rice and sugar in the country but some unscrupulous elements are trying to take advantage of rumours about supplies," Chopra said.

## Chart of the Day

Russia's average alumina imports per month (tonnes)



After a drop in output, India banned wheat exports last year, followed by a ban on non-basmati white rice this year. New Delhi capped sugar exports this year and is unlikely to allow mills to ship out the sweetener in the next season beginning October.

Chopra said recent export curbs have helped India ensure adequate availability of staples such as rice, wheat and sugar.

"Despite sufficient stocks, a sense of artificial shortage is being created in the country," he said. His comments will allay concerns about a potential squeeze in supplies during a series of festivals in October and November.

"The government is fully prepared to meet festival demands for rice, wheat and sugar," Chopra said.

He said the country's sugar inventory stood at 8.5 million tonnes in August, sufficient to fulfil the requirement of more than three and half months.

"There were some concerns about the sugar cane crop due to inadequate rains in August, but September rains in Maharashtra and Karnataka have helped the crop," he said, referring to India's top cane-growing states.

India is the world's second biggest producer of sugar, wheat and rice.

Edible oil prices have come down in the last few weeks, tracking price movements in overseas markets, but there is no proposal to raise import duty on edible oil, he said. Wheat prices are trading near their highest level in seven months, while sugar prices on Thursday rose to their highest in six years.

## Top News - Metals

### China aluminium output hits record-monthly high in August

China's primary aluminium output in August rose by 3.1% from the previous year to an all-time monthly high, data showed on Friday, as production in the southwestern province of Yunnan continued to ramp up after hydropower generation recovered.

The world's biggest aluminium producer churned out 3.6 million metric tons of primary aluminium last month, according to data from the National Bureau of Statistics (NBS).

Compared with a month earlier, output rose 3.4%. Average daily output in August was 116,129 tons, Reuters calculations showed.

During the reporting month, 390,000 tons of annual capacity, or 32,500 tons of monthly capacity, resumed production, mostly in Yunnan, according to a survey by consultancy Mysteel.

Authorities ordered firms in China's fourth-biggest aluminium producing region to cut output from September 2022 until June because of insufficient hydropower capacity brought about by drought.

Operations have increased in Yunnan during the third quarter of the year, offsetting falling output in Shandong province, where capacity was cut as planned to meet carbon emissions targets.

Production also climbed in Yunnan as profit margins rose after metal prices found support from economic measures the government issued to help the property market.

Housing, together with transportation and packaging, is the main consuming sector of the light metal.

The most-traded aluminium contract on the Shanghai Futures Exchange gained 3.8% last month, the biggest monthly increase since November.

In the first eight months of this year, China produced 27.23 million tons of aluminium, a rise of 2.9% from the same period last year, the data showed.

Output in September is widely expected to match August's level, as most capacity in Yunnan has resumed.

The southwestern region is enjoying abundant rainfall and water supply, and strong production looks set to maintain in September and October, said Li Jiahui, an aluminium analyst at local information provider Shanghai Metals Market (SMM).

It remains uncertain whether consumption will rebound firmly, otherwise the high output could push up inventories and weigh down prices, Li added.

Production of 10 nonferrous metals - including copper, aluminium, lead, zinc and nickel - rose 6.1% to 6.29 million tons from a year earlier, an all-time monthly high. Year-to-date output was up 6.8% at 48.56 million tonnes. The other non-ferrous metals are tin, antimony, mercury, magnesium and titanium.

### LME to change the way closing prices are determined

The London Metal Exchange (LME) said on Thursday that it would introduce a phased roll-out of an evolved closing price methodology to its most liquid contracts from January 2024 after a market-wide consultation.

The changes are part of sweeping measures that the LME, the world's largest and oldest metals trading venue, launched in March to strengthen its markets and revive its flagging nickel contract.

The updated methodology to the way closing prices are calculated will increase transparency and bring it further in line with industry standards, says the LME, owned by Hong Kong Exchanges and Clearing.

"We appreciate that this evolution will impact the way market participants access and interact with LME price discovery - particularly in respect of members guaranteeing closing prices to their clients," LME Chief Executive Matthew Chamberlain said in the statement.

"In response to market feedback, we will now be phasing in the implementation from January 2024 to ensure participants have adequate time to prepare for the changes." The changes will extend the volume-weighted average price (VWAP) methodology to five additional prompt dates for aluminium, copper, zinc, lead and nickel, the LME said.

## Top News - Carbon & Power

### China coal output rises in August but restrained by safety steps

China's August coal output rose 2% from a year earlier, rebounding modestly after tightened safety measures reined in operations at the major mining hubs the month before, although analysts expected the curbs would continue to constrain production.

China, the world's biggest coal producer, churned out 382.17 million metric tons of the fossil fuel last month, equivalent to 12.33 million tons per day, data from the National Bureau of Statistics (NBS) showed on Friday. That exceeded the previous month's 377.54 million tons but was lower than June's 390.1 million tons. China launched more stringent safety inspections in July after two accidents.

"Some coal mines in the mining hubs that were previously closed are resuming production, but the safety checks have not been relaxed," analysts at China Coal Transportation and Distribution Association said.

"We expect the impact of the inspections on coal production will be sustained in the near term, and it could be hard to bring China's coal output back to the level seen in the first half of this year."

More than a dozen coal mines in China's top mining province Shaanxi were temporarily shut down after a gas explosion at a coal mine in late August killed 11 people.

In the neighbouring Inner Mongolia region, authorities ordered coal mines to carry out self-inspections, putting a cap on production.

Average operating rates at 442 major coal mines in Shanxi, Shaanxi and Inner Mongolia fell to 80.6% in early September from about 81.2% in the previous month, according to figures compiled by China-based data provider Wind. The rate was hovering around 85% in April and May.

China's coal demand is expected to soften in the next few weeks as the weather cools and air conditioning use wanes. Power utilities in northern China typically start to build up coal inventories in late October for the winter heating season.

NBS data on Friday also showed that, for the eight months to August, China's total output was 3.05 billion tons, a 3.4% increase over the year-ago period.

The production of coke used in steelmaking rose 6.0% in August from the prior year to 41.58 million tons, with year-to-date output reaching 325.93 million tons, up 2.3%.

### Freeport LNG cancels four cargoes since feedgas intake fell-sources

Freeport LNG, the second-largest U.S. liquefied natural gas exporter, has cancelled four cargoes since its feedgas intake dropped below normal capacity, industry sources told Reuters on Thursday.

## MARKET MONITOR as of 06:30 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	\$90.87 / bbl	0.79%	13.22%
NYMEX RBOB Gasoline	\$2.70 / gallon	0.62%	8.78%
ICE Gas Oil	\$1,012.50 / tonne	0.20%	9.93%
NYMEX Natural Gas	\$2.71 / mmBtu	-0.04%	-39.51%
Spot Gold	\$1,917.99 / ounce	0.40%	5.13%
TRPC coal API 2 / Dec, 23	\$129 / tonne	0.39%	-30.18%
Carbon ECX EUA / Dec, 23	€82.85 / tonne	-0.32%	-1.33%
Dutch gas day-ahead (Pre. close)	€35.10 / Mwh	-5.65%	-53.55%
CBOT Corn	\$4.97 / bushel	3.33%	-26.77%
CBOT Wheat	\$6.23 / bushel	4.84%	-22.35%
Malaysia Palm Oil (3M)	RM3,796 / tonne	0.93%	-9.06%
Index (Total Return)	Close 14 Sep	Change	YTD Change
Thomson Reuters/Jefferies CRB	326.46	0.94%	8.34%
Rogers International	29.48	1.24%	2.83%
U.S. Stocks - Dow	34,907.11	0.96%	5.31%
U.S. Dollar Index	105.41	0.61%	1.82%
U.S. Bond Index (DJ)	401.85	-0.12%	2.52%

The cargoes cancelled included ones for a major portfolio player and a Japanese firm, the sources said. BP, TotalEnergies, Osaka Gas, Japan's biggest power generator JERA and South Korea's SK Gas Trading are listed as buyers of Freeport LNG cargoes.

Freeport LNG's natural gas intake at its plant in Texas inched up on Thursday but remained well below capacity for the sixth straight day, according to LSEG data. Accounting for 20% of U.S. LNG exports, an outage at the facility would add to market concerns over global LNG supply, especially as Chevron's Wheatstone facility in Australia suffered a fault affecting about a quarter of its LNG production on Thursday, the same day that workers were set to escalate strike action.

Freeport feedgas intake was at 0.9 billion cubic feet per day (bcfd) on Thursday, up from an average of 0.3 bcf over the past four days, but remained around 46.5% of its typical draw of about 2 bcf of natural gas, LSEG data showed.

Freeport LNG said it does not comment on its commercial activity, including cargo activity.

Analysts have said that least two of the facility's three gas processing trains could be idled.

An industry source said today's slight rise suggests that one train is back online and that the company could begin ramping up operations in the next few days.

U.S. natural gas futures jumped about 5% to a five-week high earlier on Thursday on a drop in daily output, a rise in oil crude futures and signs that the Freeport LNG plant started pulling in a bit more feedgas.

LNG tanker BW Pavilion Aranda, which has been anchored around the facility for the past five days was docked on Thursday, suggesting it could load a cargo in the near term.

Three other tankers - LNG Schneeweisschen, Marvel Crane and Hellas Diana - were anchored outside the facility, according to LSEG data.

Freeport LNG has had at least six emission events over the last two months tied to malfunctions, according to state environmental agency, the Texas Commission on Environmental Quality (TCEQ).

Four events affected the Train 3 processing unit, with the most recent on Sept. 5. The other two occasions in which gas usage fell were caused by events at the Train 1 unit, according to the TCEQ.

Each time there was a return to normal operations within 48 hours.

## Top News - Dry Freight

### **Cargill says it has agreed to sell stake in Russian grain terminal to Delo**

U.S.-based commodities trader Cargill said on Thursday it had agreed to sell its stake in a Russian grain terminal to Russia's Delo Group.

"In line with Cargill's earlier announcement to stop the export of Russian grain in July 2023, we can confirm we have reached an agreement with Delo to sell our 25% stake in our KSK grain terminal in Novorossiysk," the company said in a statement.

It said the sale was contingent on Russian government approval.

A company spokesperson declined to give financial details of the deal.

A representative for Delo, a transport and logistics group, said the Russian government's foreign investment

commission was reviewing the deal, and this was expected to take no more than a month.

Many Western companies have pulled out of Russia since its February 2022 invasion of Ukraine, often taking heavy losses on the sale of their local businesses.

### **Japan buys 118,490 metric tons of food wheat via tender**

Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) bought a total of 118,490 metric tons of food-quality wheat from the United States, Canada and Australia in a regular tender that closed on Thursday.

Japan, the world's sixth-biggest wheat importer, keeps a tight grip on imports of its second-most important staple after rice, buying a majority of the grain for milling via tenders typically issued three times a month.

**Picture of the Day**

*A general view shows Imi N'Tala village which was devastated by a deadly earthquake, in Morocco, September 14. REUTERS/Nacho Doce*

(Inside Commodities is compiled by Sreshtha Uniyal in Bengaluru)

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