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Top News - Oil

China's crude oil demand rebounds as refiners prepare to ramp up output

At least three Chinese state oil refineries and a privately run mega refiner are considering increasing runs by up to 10% in October from September, eyeing stronger demand and a possible surge in fourth-quarter fuel exports, people with knowledge of the matter said.

Chinese refiners are expecting Beijing to release up to 15 million tonnes worth of oil products export quotas for the rest of the year to support the no. 2 economy's sagging exports. Such a move would signal a reversal in China's oil products export policy, add to global supplies and depress fuel prices.

After a recent slide in benchmark Brent crude prices to below $100 a barrel, Chinese refiners have taken arbitrage opportunities to boost stockpiles, traders said, booking supertankers to haul crude oil to China from the Americas and Middle East.

An official with a state refinery said his plant is eyeing a 10% hike in runs from September to about 240,000 barrels per day (bpd). "We're raising runs next month in preparation for a possible opening in exports, though nobody has a clear idea how big the opening would be," the official said. A second official with another state refinery said his plant is also planning about an 8% hike in throughput next month, but added that the plan had been driven by firmer domestic margins. A third state refinery expects to restart a 60,000-bpd crude unit next month after maintenance, one of the sources said.

China's single largest refinery Zhejiang Petrochemical Corp, which is capable of processing 800,000 barrels per day of crude, is aiming to ramp up runs in the coming months from the current levels of 700,000-750,000 bpd, according to two sources familiar with its operations.

A ZPC representative confirmed the firm is considering a run increase due to signs of economic recovery, but declined to elaborate further. Average refining rates at China's state-owned refineries had climbed to 73.74% as of last week, up 2.56% from end-August, according to Chinese brokerage SHZQ Futures. Run rates at independent refineries in Shandong, whose combined refining capacity accounts for a fifth of China's total, also rebounded last week after falling for five weeks since mid-July.

MORE SHIPMENTS

The rebound in China's crude demand has boosted the lumpsum freight rates for Very Large Crude Carriers (VLCC) sailing from the U.S. Gulf and the Middle East to China to their highest since May 2020 at about $10 million, according to data from Simpson Spence Young on Refinitiv Eikon. "I believe that China-bound freight rates strengthen on the hope of a China demand recovery... the rumour of an extra large amount of product exports in Q4 also fueled market optimism," said Emma Li, an analyst from Vortexa Analytics.

U.S. crude arriving in China in October is expected to hit the highest since December 2020 at 450,000 bpd, up from about 300,000 bpd in the August-September period, said Vitkor Katona, lead crude analyst from analytics firm Kpler. Middle East crude shipments to China are also rising, with September loadings set to reach 4.7 million bpd, 4% higher than in August and 8% higher than July, Kpler data showed.

Onshore crude inventories in China fell to about 986 million barrels in mid-September, down 6% from a peak of 1,049 million barrels at end-June, according to data analytics consultancy Kayrros.

U.S. crude, fuel stocks rise, refining activity picks up - EIA

U.S. crude and fuel stocks rose in the most recent week, as refiners increased processing to rebuild low product inventories, the Energy Information Administration said on Wednesday.

Crude inventories rose by 1.1 million barrels in the week to Sept. 16 to 430.8 million barrels, compared with analysts' expectations in a Reuters poll for a 2.2 million-barrel rise. That was largely due to another big release of barrels from U.S. strategic reserves, which this past week came to 6.9 million barrels.

Refiners increased activity as well, boosting crude runs by 333,000 barrels per day, as refinery utilization rates rose by 2.1 percentage points to reach 93.6% of overall capacity. Distillate stockpiles, which include diesel and heating oil, rose by 1.2 million barrels to 117.3 million barrels. Industry experts have been concerned about the low level of distillate stocks, as refiners have taken advantage of high profit margins to export to Europe, which needs diesel and heating oil.

"Why you would crank up refining at this point is beyond me, but refiners are worried about the distillate situation being at multi-year lows. They're trying to make more distillate, which is building, and gasoline storage is also at a multi-month low," said Robert Yawger, director of energy futures at Mizuho. U.S. gasoline stocks rose by 1.6 million barrels in the week to 214.6 million barrels. Overall product supplied suggests that U.S. demand continues to sag, with the four-week average of gasoline product supplied at 7.7% below the year-ago pace. Prices were down on the news. U.S. crude fell 52 cents to $83.42 a barrel while Brent lost 41 cents to $90.21 a barrel as of 10:44 a.m. ET (1444 GMT).

Top News - Agriculture

Brazil's wheat crop estimate revised to 10.9 mln T, a record

Brazilian wheat production should total 10.935 million tonnes in 2022 as four states are likely to increase output in what will be a record season for local farmers, according to agribusiness consultancy Safras & Mercado on Wednesday.
The new estimate represents an increase from the 10.5 million tonnes previously expected.
The adjustment takes into account the likely rise in output in the states of Parana, Sao Paulo, Goias, Bahia and in the Federal District.
The new forecast underscores that Brazil is on track to produce all of the wheat it needs in the space of 10 years or less, as the government has predicted.
The country remains a net importer and buys most of its wheat from neighboring Argentina, but that may soon change.
If projections are confirmed, Brazil's wheat production this year will be 41.2% higher than the 7.745 million tonnes in 2021, which was already a record, Safras said.
Thanks to the development of new wheat varieties, Brazilian farmers are able to cultivate wheat plants adapted to tropical conditions.
This has boosted the country's production potential as cultivation moves to hotter and drier farms in the center of the country, in the Cerrado biome, where growers traditionally plant corn and soybeans.
Safras said Parana will be the second largest producing state this season, with 4.2 million tonnes, behind top producer Rio Grande do Sul, Brazil's southernmost state, where farmers are expected to reap 5.1 million tonnes this season.

Malaysia's palm oil stocks could hit 3-1/2-year high as Indonesia boosts exports

Malaysia's palm oil stocks could rise to a 3-1/2-year high by the end of 2022 as exports are likely to take a hit from rival Indonesia waiving export levies to bring down stockpiles, a senior government official told Reuters.
Indonesian producers are moving to lighten their stocks at cheaper prices after Jakarta recently extended its export levy waiver to Oct. 31 in a reversal of course from an export ban in May that had shut them out of global trade.
"The way Indonesia is now releasing stocks, we anticipate for the next two to three months Malaysia's exports would go down," Ahmad Parveez Ghulam Kadir, director general of industry regulator Malaysian Palm Oil Board (MPOB) told Reuters late on Wednesday.
The slowdown in exports could lift Malaysia's stocks at the end of December 2022 to 2.5 million tonnes, the highest since April 2019, Ahmad Parveez said on the sidelines of the Globoil conference in Agra, India.
Malaysia's palm oil stocks at the end of August climbed to their highest in 33 months, as output rose with peak production season getting underway.
In Indonesia, stocks have risen sharply because of the export curb from earlier in the year and actual inventories might be much more than official numbers, Ahmad Parveez said, adding that it has been offering palm oil at cheaper prices than Malaysia to ease massive stocks and help small farmers
"I won't be surprised if they extend the policy, although it depends on the stocks. They want to bring down the stocks to a manageable level," he said.
Malaysia could produce 18.5 million tonnes of palm oil in 2022, slightly higher than last year's 18.1 million tonnes, but even producing this amount would be a challenge as the planters are still not getting enough labour for harvesting, he said.

Top News - Metals

LME says no sign of metal offloading after report about Rusal

The London Metal Exchange said on Wednesday it does not see evidence of metal moving into its warehouses on a long-term basis after Bloomberg News reported that Russia's Rusal was working on a plan to deliver its aluminium to LME facilities.
Neither Rusal, nor its metal, is under sanctions imposed on other Russian companies after Moscow's invasion of Ukraine in February, which it calls a "special military operation".
According to a report on Tuesday by Bloomberg News, which cited unnamed sources, Rusal has discussed shipping some aluminium from Russia's far eastern port of Vladivostok to LME warehouses in Asia.
Rusal is currently considering delivering a small portion of its production as a pilot test, as it is mindful that large inflows of aluminium into LME inventories could push down prices, the report added. Rusal did not respond to a Reuters request for comment.
The LME said in response to query by Reuters about the report: "We do not currently see any evidence of LME warehouses being used to offload metal on a long term basis."
Metal movement has remained relatively constant over the last 12 months, the LME added.
"Our priority is to maintain an orderly market for the benefit of all market participants. We will, therefore, keep the situation under constant review," it said.

Portugal awaits assessment of two lithium mines before launching auction

Portugal will not commit to setting a new date for a long-awaited auction of lithium mining licences as it awaits the conclusion of ongoing environmental impact studies at two sites, Energy Secretary Joao Galamba said on

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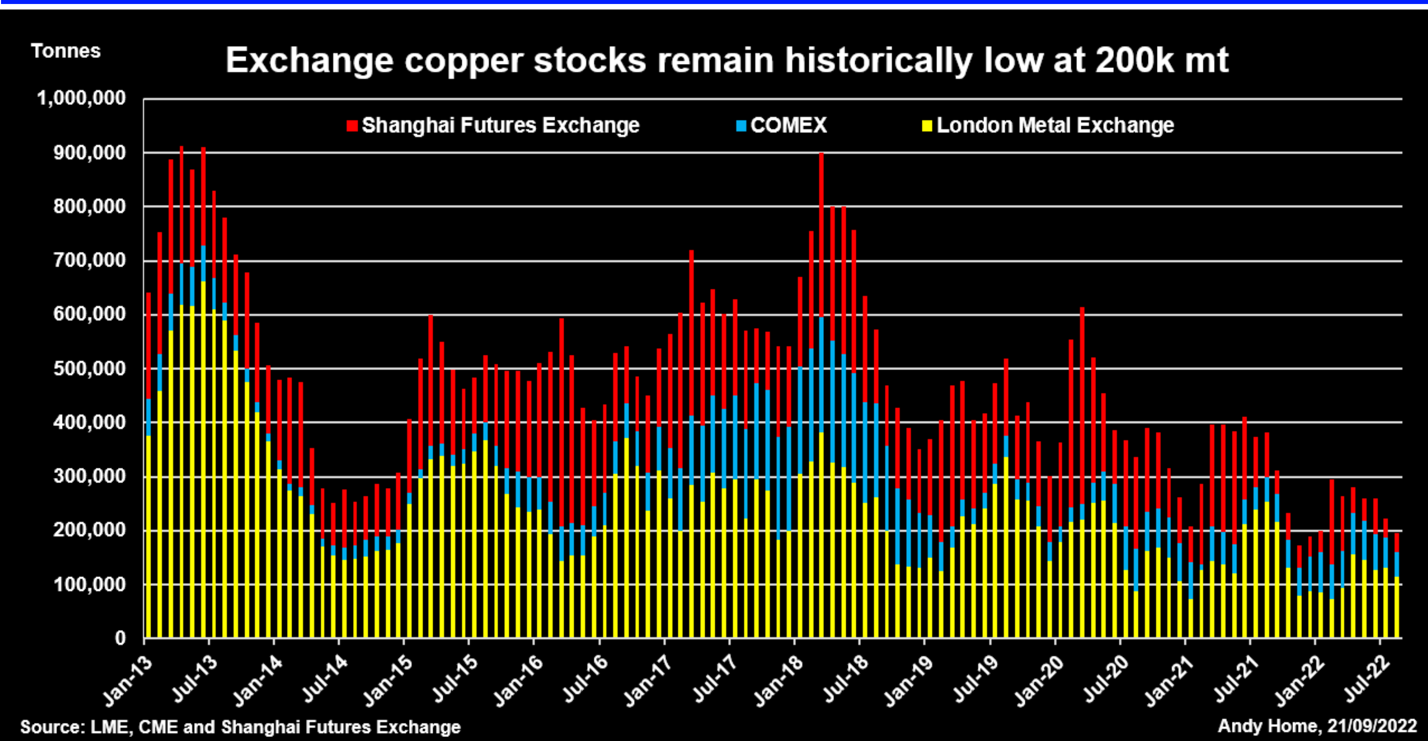
Wednesday. The southern European nation, which has 60,000 tonnes of known lithium reserves, is central to Europe's bid to secure more of the battery value chain and cut reliance on imports.
Concerns about the potential environmental and social impact of lithium mining from nature preservation groups and local communities have led to multiple delays to the auction, initially planned for 2018.
Galamba told a parliamentary committee that the "government understands that the international auction will benefit from the conclusion of these processes".
"It doesn't make much sense to launch an international public auction, when simultaneously these environmental assessment processes are underway" at the Barroso mine and the Montalegre mine, in northern Portugal, he said. The Barroso mine is owned by London-based mining company Savannah Resources and the Montalegre mine is owned by local company Lusorecursos.
Savannah said in a statement earlier on Wednesday it had "very useful and productive" meetings with Portugal's environmental agency APA. As a result, it has until March 17 to submit its revised plans to the regulator.
However, APA does not have a deadline to decide on the evaluation process, which could be interrupted if it asks for more data or clarification. The environment ministry, to which Galamba's department belongs, has said the assessment conducted by the energy and geology agency analysed eight lithium-rich areas in central and northern Portugal, concluding "there were conditions to move forward in six of them". Portugal is Europe's biggest lithium producer but its miners sell almost exclusively to the ceramics industry and are only now preparing to produce the higher-grade lithium that is in demand globally for use in electric cars and electronic devices.

Top News - Carbon & Power

UK eases pressure on business by halving energy bills this winter
The British government on Wednesday said it would cap wholesale electricity and gas costs for businesses at less than half the market rate from next month, helping relieve the pressure of soaring energy costs but adding to the government's fast-rising spending.
Wholesale prices for electricity will be capped at about 211 pounds ($239) per megawatt hour (MWh) and for gas at 75 pounds per MWh, compared to forecast market rates of 600 pounds and 180 pounds respectively.
"We have stepped in to stop businesses collapsing, protect jobs and limit inflation," said Finance Minister Kwasi Kwarteng, who is due to give a fiscal update on Friday.
Wholesale gas and electricity prices in Europe surged after Russia invaded Ukraine and have remained volatile since. The final unit prices for the scheme will be confirmed on Sept. 30.
Groups representing businesses from pubs to steelmakers welcomed the intervention, saying the government had thrown a lifeline to companies battling to survive.
The government did not publish any estimate of the cost, but Citi forecast 25 billion-30 billion pounds over the next six months and other reports have put the price at up to

Chart of the Day



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42 billion pounds. That comes on top of more than 100 billion pounds for a previously announced scheme to help households.

"The difficulty with giving cost figure is that this will depend on where the price of energy goes over the winter, and that's very difficult to forecast so I can't give you an absolute cost," Business Minister Jacob Rees-Mogg said.

"It will be in the tens of billions of pounds unquestionably," he said.

A spokeswoman for Prime Minister Liz Truss said Kwarteng's fiscal event would outline estimates of the cost of the support packages for business and households.

CRITICAL TEST

After weeks of political stasis as governing Conservatives chose a new leader and the country mourned the death of Queen Elizabeth, this week the government is making several announcements aimed at averting an impending economic crisis.

On Friday, Kwarteng is expected to set out some detail on how he will pay for the energy scheme while at the same time delivering on promises to cut taxes, although the total cost of the energy scheme will depend on market prices over the coming months.

Investors say Friday's statement will be a critical test of confidence in British public finances. Borrowing costs are rising at the same time as the government is committing to higher spending, and ministers are banking on accelerated economic growth to stop the bill growing out of control.

Kwarteng on Wednesday said he had pledged to get debt down in the medium term, but it was "absolutely right" to help families and businesses in the face of a major economic shock.

The business energy scheme will initially apply from Oct. 1 to Mar. 31, 2023, for all non-domestic energy users, including charities and the public sector such as schools and hospitals, as well as businesses.

The scheme initially gives urgent support to all such institutions that may need it, but is expected to be narrowed down in March with support targeted to the ones that most need it.

"We're going to review it after six months. We'll make sure that the most vulnerable businesses like pubs, like shops, continue to be supported after that," Truss told broadcasters.

The government also announced support for households in Northern Ireland on the same level as the equivalent scheme in the rest of the United Kingdom, taking effect from November but backdated to the start of October.

The scheme was heavily criticised by most political parties in the region who said the 100 pound additional payment to households unable to receive support through the price cap because they use alternative fuels such as heating oil was insufficient.

More than two-thirds of Northern Ireland households use oil boilers as their main source of heating, the largest percentage in Western Europe, according to Northern Ireland's Consumer Council.

European governments spend half a trillion euros on energy crisis

Governments in Europe have earmarked nearly 500 billion euros in the last year to cushion citizens and companies from soaring gas and power prices, according to research published by think-tank Bruegel on Wednesday.

Months of surging prices have seen governments roll out measures to curb retail power prices, slash energy taxes and give subsidies to bill-payers.

European gas and power prices have rocketed as Russia has cut fuel exports to retaliate for Western sanctions over its invasion of Ukraine.

The EU's 27 countries have collectively allocated 314 billion euros for measures to ease the pain, while Britain has set aside 178 billion euros, according to Brussels-based Bruegel.

If the cash governments have earmarked to nationalise, bail out or provide loans to ailing energy utilities was included, then EU governments have spent closer to 450 billion euros, the think-tank said.

Germany nationalised gas importer Uniper on Wednesday and Britain capped the wholesale cost of electricity and gas for businesses.

Many of the measures were designed to be temporary - but Bruegel said the state intervention has ballooned to become "structural".

"This is clearly not sustainable from a public finance perspective," said Bruegel senior fellow Simone Tagliapietra.

"Governments with more fiscal space will inevitably better manage the energy crisis by outcompeting their neighbours for limited energy resources over winter months."

Germany, the EU's biggest economy, is by far the biggest spender in the bloc - setting aside 100 billion euros, versus 59 billion euros in Italy, or 200 million euros in Estonia, for example. Croatia, Greece, Italy and Latvia have all earmarked more than 3% of their GDP to tackle the energy crunch. The EU last week proposed bloc-wide measures to respond to sky-high energy prices, in a bid to overlay the patchwork of national responses with a coordinated reaction.

Top News—Dry Freight

India considering exporting some stuck rice cargoes

India is considering allowing the overseas shipment of some rice cargoes stuck at ports after the world's biggest exporter of the grain imposed restrictions earlier this month, a government official said on Wednesday on the condition of anonymity.

To boost local supplies and calm prices after below-average monsoon rainfall curtailed planting, India banned

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exports of broken rice and imposed a 20% duty on various other export types on Sept. 8.
India's move to curb rice exports trapped around one million tonnes of grain at ports.
Indian exporters have requested the government permission to ship 100% broken rice piled at ports since New Delhi banned overseas shipments of this grade.
Exporters have also requested government authorization to ship white rice stocks lying at ports without the 20% export tax, as buyers are not willing to pay the extra cost.
"We are examining it," the source said in response to a question about traders' requests to the government.
At least 20 ships are waiting to load around 600,000 tonnes of rice at the ports after being trapped for nearly a fortnight, forcing sellers to pay demurrage charges, industry officials told Reuters this week.
Another 400,000 tonnes of rice are stuck at port warehouses and container freight stations even though contracts are backed by letters of credit, an industry leader said.
The stuck broken rice shipments were heading to China, Senegal and Djibouti, while other grades of white rice were bought by buyers in Benin, Sri Lanka, Turkey and the United Arab Emirates.
India's rice exports could fall by around a quarter this year as New Delhi's restrictions force buyers to switch to rival suppliers.
India's Ministry of Agriculture & Farmers' Welfare on Wednesday said the country's summer-sown rice output is expected to fall 6% in the 2022-23 crop year, as patchy monsoon rains in the country's east hit planting and crop yields.

Ukraine's grain exports down 43% so far in 2022/23 - ministry

Ukraine's grain exports are down 43.2% year on year in the 2022/23 season so far at 6.88 million tonnes, the agriculture ministry said on Wednesday.
The country's grain exports have slumped since the start of war in February because its Black Sea ports, a key route for shipments, were closed off, driving up global food prices and prompting fears of shortages in Africa and the Middle East.
Three Black Sea ports were unblocked at the end of July under a deal between Moscow and Kyiv, brokered by the United Nations and Turkey.
Ministry data showed that exports so far in the July 2022 to June 2023 season included 3.95 million tonnes of corn, 2.30 million tonnes of wheat and 598,000 tonnes of barley.
The government has said Ukraine could harvest 50-52 million tonnes of grain this year, down from a record 86 million tonnes in 2021, because of the loss of land to Russian forces and lower yields.

MARKET MONITOR as of 06:30 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$83.45 / bbl	0.61%	10.96%
NYMEX RBOB Gasoline	$2.50 / gallon	0.53%	12.17%
ICE Gas Oil	$982.00 / tonne	1.52%	47.23%
NYMEX Natural Gas	$7.73 / mmBtu	-0.64%	107.21%
Spot Gold	$1,658.93 / ounce	-0.88%	-9.27%
TRPC coal API 2 / Dec, 22	$312 / tonne	2.31%	153.66%
Carbon ECX EUA / Dec, 22	€69.57 / tonne	-0.32%	-13.74%
Dutch gas day-ahead (Pre. close)	€178.80 / Mwh	5.04%	168.87%
CBOT Corn	$6.88 / bushel	0.33%	15.93%
CBOT Wheat	$9.04 / bushel	-0.41%	17.26%
Malaysia Palm Oil (3M)	RM3,850 / tonne	-0.95%	-18.03%
Index (Total Return)	**Close 21 Sep**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	298.54	-0.46%	20.86%
Rogers International	31.01	0.52%	33.04%
U.S. Stocks - Dow	30,183.78	-1.70%	-16.94%
U.S. Dollar Index	111.72	0.98%	16.42%
U.S. Bond Index (DJ)	392.87	-2.73%	-17.24%

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Picture of the Day

Combines harvest wheat in a field near the village of Solyanoye in the Omsk region, Russia. REUTERS/Alexey Malgavko

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(Inside Commodities is compiled by Jerin Tom Joshy in Bengaluru)

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

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