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Top News - Oil

US oil inventories fall more than forecast, crude at 2-1/2-year low, EIA says

U.S. oil inventories fell across the board last week, the Energy Information Administration said on Wednesday, drawing down more than expected and with crude oil stockpiles hitting their lowest level in nearly 2-1/2 years.
Crude stocks dropped by 4.5 million barrels to 413 million barrels in the week ended Sept. 20, the EIA said, compared with analysts' expectations in a Reuters poll for a 1.4 million-barrel draw.
U.S. crude inventories, excluding those in the Strategic Petroleum Reserve, were at their lowest last week since April 2022.
Stocks at the Cushing, Oklahoma, delivery hub for U.S. crude futures rose by 116,000 barrels, marking their first increase since the beginning of August, the EIA said.
"Even oil bears acknowledge that the market is currently under supplied," said Josh Young, chief investment officer for Bison Interests. He warned there is still strong sentiment in the market that stocks will be over supplied next year.
Oil futures pared losses following the report. Brent crude was at $74.82 a barrel, down roughly 35 cents by 11:06 a.m. EDT (1506 GMT), while U.S. West Texas Intermediate crude was off 49 cents to $71.06 a barrel.
Refinery crude runs fell by 124,000 barrels per day, while utilization rates dropped by 1.2 percentage points to 90.9% of total capacity.
Gasoline stocks fell by 1.5 million barrels in the week to 220.1 million barrels, the EIA said, compared with expectations for a 21,000-barrel draw.
Distillate stockpiles, which include diesel and heating oil, fell by 2.2 million barrels in the week to 122.9 million barrels, more than expectations for a 1.6 million-barrel drop, the EIA data showed.
Distillate inventories on the U.S. Gulf Coast declined by the most last week since September 2021.
"The trend of falling supplies is getting too big to ignore. We hear how bad demand can be and have mixed signals" said Phil Flynn, an analyst with Price Futures Group. "The weakness of demand doesn't fit with this falling inventory situation," he added.
Net U.S. crude imports rose last week by 826,000 barrels per day, EIA said, while xports declined by 692,000 bpd to 3.9 million bpd.

EXCLUSIVE-Kazakhstan sees progress in multi-billion claims against oil firms by December

Kazakhstan expects preliminary results of multi-billion arbitration proceedings against international oil companies developing its giant oilfields by December, the country's energy minister told Reuters on Wednesday.
The central Asian country last year launched claims against groups developing its Kashagan and Karachaganak oilfields over $13 billion and $3.5 billion, respectively, over disputed costs.
Kazakhstan has a history of large claims against foreign companies, which say the government uses to increase its shares in key oil and gas projects in what amounts to "resource nationalism".
Kazakhstan's authorities have rejected such criticism saying its aim was to rein in costs inflated by Western majors.
The offshore Kashagan field, one of the world's biggest discoveries in recent decades, is being developed by Eni, Shell, TotalEnergies, ExxonMobil, KazMunayGaz, Inpex and CNPC.
Their consortium, called the North Caspian Operating Company (NCOC), has invested some $50 billion in the project.
Eni, Shell and KazMunayGaz are also partners in Karachaganak, alongside Chevron, and LUKOIL with investments at more than $27 billion.
NCOC, Eni, Shell and TotalEnergies did not respond to requests for comment.
"Everything, which relates to the subject of the claim, is confidential information. We are talking about the execution of the terms of the production-sharing agreement on Kashagan and Karachaganak," Energy Minister Almasadam Satkaliyev said.
Bloomberg News reported in April that Kazakhstan raised arbitration claims against the Kashagan consortium to more than $150 billion, Neither the government nor the companies have disclosed the details of the claims.
In 2020, Kazakhstan reached a $1.9 billion settlement with the Karachaganak partners that brought to an end a years-long dispute over sharing of profits from the giant field.
In 2011, partners in the Kashagan consortium agreed to cover $1 billion in Kazakh state energy company KazMunayGaz's extra costs to settle a dispute over the project.
A year earlier, the Karachaganak consortium agreed to hand the government a 10% stake in the field, valued at $1 billion, as part of a dispute resolution.
The landlocked Kazakhstan, Central Asia's largest economy, has pinned its hope on Kashagan for future prosperity and has for years expressed its concerns over cost overruns and delays in its development.
The oilfield's crude contains high concentrations of poisonous hydrogen sulphide, which complicates the extraction process.

Its production reached around 380,000 barrels per day last year.

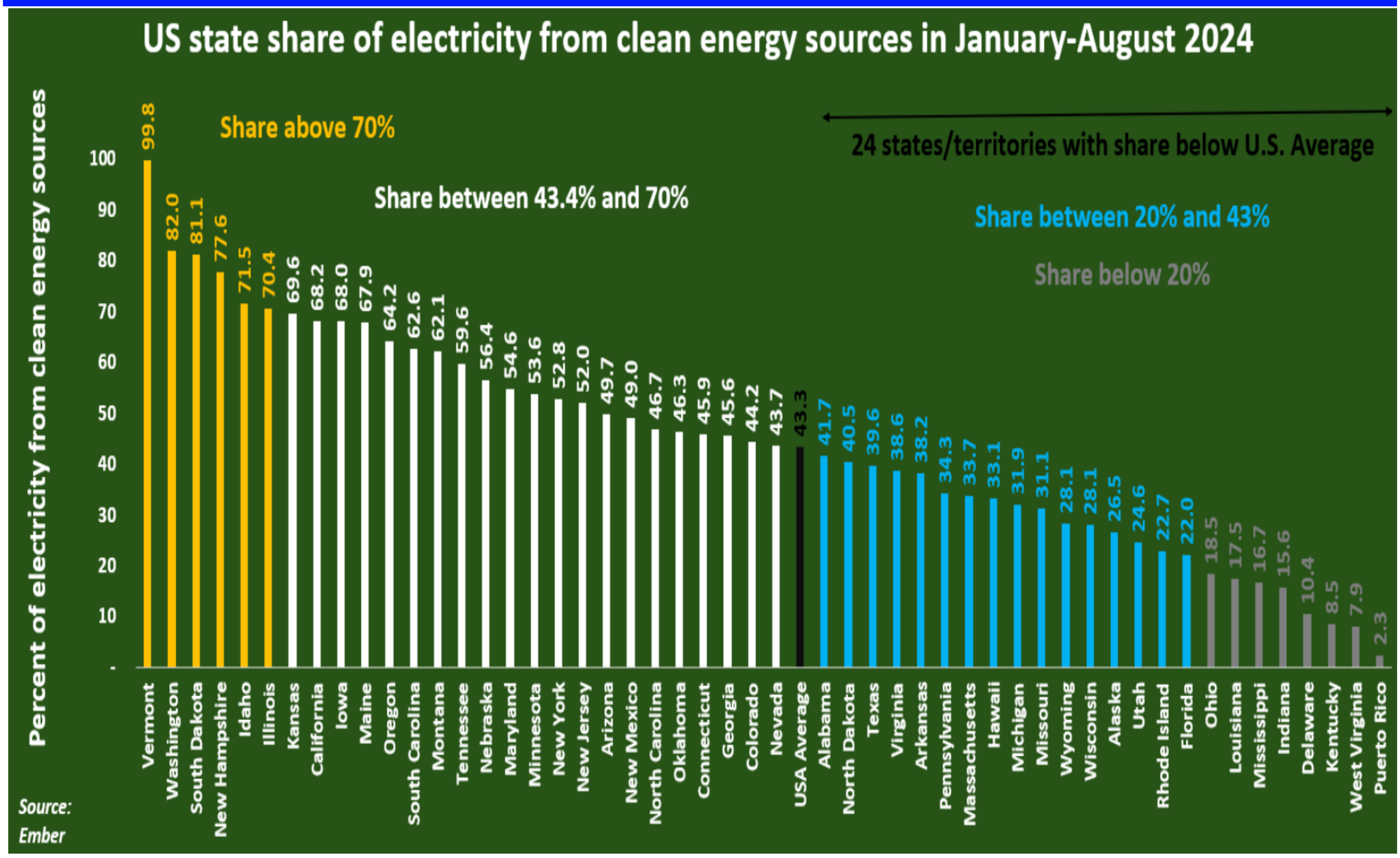
OIL EXPORTS
Satkaliyev also said that Kazakhstan's oil exports to Germany via the Soviet-built Druzhba pipeline were seen at 1.2 million metric tons (24,000 barrels per day) this year, while Germany sought to double its imports to 2.5 million tons per year.

Kazakhstan's role as an oil exporter has increased following Western sanctions against Russian oil over the war in Ukraine.
While it remains Moscow's ally it has not taken sides in the conflict or supported Moscow's claims to some Ukrainian territories.
Germany has said it was interested in expanding trade with Kazakhstan while ensuring it does not serve to circumvent Europe's sanctions on Russia.

Top News - Agriculture

Argentine farmers seen favoring soy over corn in 2024/25 season, exchange says
Argentine farmers are seen favoring soy over corn in the 2024/25 season on soybeans' profitability and as fears of a stunt disease hitting corn persist, the Buenos Aires Grains Exchange said on Wednesday.
Soy output this season is seen inching up around 3% from the previous season to 52 million metric tons, according to estimates from the exchange, while corn production should slip around 5% to 47 million tons.
Argentina is the world's leading exporter of soybean oil and flour, and the third-largest corn exporter.
"We should not be surprised (by the trend)," said Ramiro Costa, who heads economic studies for the exchange, in a presentation in Buenos Aires.
Soy and corn have the same planting period in Argentina, and therefore compete for the same growing area.
The exchange expects farmers to turn to soy "in the context of the leafhopper and an input-output relationship that is unfavorable for corn," Costa said.
Last season, corn suffered serious losses due to a bacteria carried by the leafhopper pest, which stunts the crop. Leafhoppers have no impact on soybeans.
Meanwhile, the exchange bumped up its projection for this season's wheat crop nearly 3% from a May estimate to 18.6 million tons.
Argentina is a major exporter of wheat and its harvest kicks off in November.

Chart of the Day



Low winter wheat sowing rates cloud Russia's 2025 harvest outlook
Winter wheat sowing rates in Russia have fallen to an 11-year low due to drought in key producing regions, clouding the outlook for the 2025 grain harvest, the Sovecon consultancy said on Wednesday.
"As of Sept. 20, 8.3 million hectares had been sown with winter grains, compared to 9.3 million hectares a year earlier and the five-year average.
This is the lowest figure since 2013," Sovecon said.
It said a slow sowing campaign in the southern and Volga regions, where it is lagging behind last year's figures by 0.4 million hectares, set the preconditions for a relatively low harvest next year.
Russia, the world's biggest wheat exporter, has stuck to its official grain harvest forecast of 132 million metric tons this year despite extreme weather hitting many of its key grain-producing regions.
The agriculture ministry said on Wednesday that it is targeting a harvest level of 170 million metric tons of grains and legumes by 2030.
Sovecon stressed that in the past month, less than 20% of normal rainfall has occurred in the European part of Russia. "The dry weather acts as a restraining factor for planting and poses a threat to already sown fields," the consultancy said.

Top News - Metals

U.S. Steel says arbitration board rules in favor of Nippon Steel's $14.9 billion buyout
U.S. Steel said on Wednesday an arbitration board had ruled in favor of Nippon Steel's $14.9 billion buyout of the company, but that the United Steelworkers union disagreed with the decision.
The board, jointly selected by the company and the union to settle disputes, ruled that U.S. Steel had satisfied each of the conditions of the successorship clause in its basic labor agreement with the USW. "The arbitrators accepted at face-value Nippon Steel's statement that it would assume the Basic Labor Agreement," USW said.
The union said the decision did not change its opposition to the deal. "We remain focused on forging a productive relationship with the USW, which includes fulfilling our commitments that go far beyond what is currently required in the existing BLA," Nippon Steel said in a statement.
The deal has faced political opposition since it was signed last December. Democratic presidential candidate Kamala Harris and her Republican challenger Donald Trump have supported U.S. Steel remaining American-owned.
Nippon Steel had paid a hefty premium to clinch the deal for U.S. Steel on a bet that it could benefit from U.S. President Joe Biden's infrastructure spending bill.
Earlier this month, U.S. Steel warned that a failure to conclude the deal would put thousands of U.S. union jobs at risk and signaled that it would close some steel mills and potentially move its headquarters out of the politically important state of Pennsylvania.
Nippon Steel President Tadashi Imai told reporters on Thursday in Tokyo that the U.S. Committee on Foreign Investment had extended its review of the deal until the end of December, or until after the Nov. 5 presidential elections. The extension was not reason to be overly optimistic and the company continued to seek dialog with the USW as it still aimed to close the deal by the end of December, Imai said.

Clear Street seeks to join London Metal Exchange's open-outcry trading floor, source says
U.S. broker Clear Street is seeking regulatory approvals in Britain to pursue membership of the London Metal Exchange's open-outcry trading floor, a source with direct knowledge of the matter told Reuters on Wednesday.
Clear Street's plan, first reported by Bloomberg news agency, would take the number of dealing members on Europe's last open-outcry venue back to eight after Societe Generale said last month it would leave the LME's trading floor.
Both New York-based Clear Street and the LME, the world's oldest and largest market for industrial metals, declined to comment.
A British unit of the U.S. firm, Clear Street UK Ltd, was incorporated in July 2023, according to government data.
An arm of the broker, Clear Street Futures is headed by Chris Smith, who was previously the London-based head of ED&F Man Capital Markets until it was acquired by Marex in 2022.
Smith founded ED&F Man Capital Markets, which was a ring-dealing member of the LME.
He did not reply to a Reuters' request for comment on Wednesday.
The LME, the 147-year-old exchange owned by Hong Kong Exchanges and Clearing, proposed closing its trading floor three years ago, joining other financial exchanges that have moved to pure electronic trading, but an outcry from physical LME users saved the ring.
LME now operates on a hybrid basis, with open-outcry trading for official prices used by physical users as benchmarks for their contracts and an electronic system for closing prices.
After Societe Generale's decision to leave the ring, nearly all of the seven remaining firms participating on the floor told Reuters they remained committed to the age-old practice.

Top News - Carbon & Power

Oil and gas drillers embrace electric rigs, but grid may not be ready, says Dallas Fed

U.S. shale oil and gas executives are moving to electric rigs and fracking to reduce diesel emissions but grid infrastructure and cost challenges are hurdles, the Federal Reserve Bank of Dallas said on Wednesday in its quarterly energy survey.

The survey of Texas, Louisiana and New Mexico executives also revealed third-quarter oil and gas production was mixed, with data suggesting oil production increased while natural gas production decreased.

Nearly a fifth of oil and gas executives said they have fully converted to electric-powered drilling rigs and hydraulic fracturing, a way to cut pollution from diesel-powered equipment.

Another 6% said they aim to electrify their production operations, and a further 31% said they expect to partially electrify their operations.

In addition to reducing emissions, electrification can eliminate the pollution and noise of diesel-powered rigs and fracking equipment.

Around 29% of surveyed respondents with operations primarily in the Permian basin of west Texas and New Mexico said the top challenge to electrification was uncertainty about future access to the grid. Another quarter of those polled primarily cited grid infrastructure challenges.

Oilfield service executives criticized the permitting processes for slowing the industry's move to electrifying operations. Some pointed to long lead times for equipment and the expense of electrifying production.

"Statutory requirements for utilities to approve grid interconnections have no teeth; what should take three months now takes 12 to 18 months," one service executive commented.

The survey was carried out from Sept. 11 to 19 and covered 136 energy firms, of which 91 were exploration and production firms and 45 oilfield services firms. The Dallas Fed's employment index was positive for the 15th consecutive quarter, but the low single-digit result suggested little to no overall hiring, according to the survey.

Costs for both E&P firms and oilfield service firms rose but at a slower pace compared with the second quarter, the survey said.

EQT plans to reverse some US natgas production curtailments in Oct, CEO says

U.S. energy company EQT plans to reverse some natural gas production curtailments in October and November as

MARKET MONITOR as of 07:00 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$68.14 / bbl	-2.22%	-4.90%
NYMEX RBOB Gasoline	$1.94 / gallon	-1.60%	-7.77%
ICE Gas Oil	$652.00 / tonne	-3.05%	-13.15%
NYMEX Natural Gas	$2.66 / mmBtu	0.76%	5.69%
Spot Gold	$2,661.25 / ounce	0.17%	29.02%
TRPC coal API 2 / Dec, 24	$119 / tonne	3.48%	22.68%
Carbon ECX EUA	€65.07 / tonne	-0.26%	-19.04%
Dutch gas day-ahead (Pre. close)	€37.40 / Mwh	3.03%	17.43%
CBOT Corn	$4.32 / bushel	-0.35%	-10.80%
CBOT Wheat	$6.09 / bushel	0.12%	-4.77%
Malaysia Palm Oil (3M)	RM4,075 / tonne	0.79%	9.51%
Index	**Close 25 Sep**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	340.01	-0.49%	12.81%
Rogers International	27.32	0.16%	3.78%
U.S. Stocks - Dow	41,914.75	-0.70%	11.21%
U.S. Dollar Index	100.92	0.00%	-0.41%
U.S. Bond Index (DJ)	453.95	-0.39%	5.39%

demand for the fuel and prices increase, CEO Toby Rice told Reuters on Wednesday.
EQT, the biggest U.S. gas producer, has along with other U.S. drillers curtailed output in 2024 after prices collapsed to multi-year lows in the spring following a mild winter that left a tremendous oversupply of fuel in storage.
"Production curtailments will be a normal part of our strategy when prices are low," Rice said, noting the company has already curtailed about 1 billion cubic feet per day (bcfd) of production in the spring.
"We're watching to see that come back in October and November ... We will ease curtailments in October," Rice said, noting total curtailments were around 2 bcfd across the entire industry.
Analysts have said they expect EQT and other producers to boost output in late 2024 and in 2025 to meet growing export demand as new U.S. liquefied natural gas (LNG) plants enter service.
Rice, in New York during Climate Week, made his comments after the Partnership to Address Global Emissions, an advocacy group of which EQT is a founding member, launched a new study, “Securing Europe’s Net Zero Path with Flexible LNG,” in collaboration with the Centre on Regulation in Europe.
In addition to being the world's biggest producer and consumer of gas, the U.S. is also the world's biggest supplier of LNG and its capacity to produce the super-cooled fuel will almost double over the next five years.
The seven big LNG export plants currently operating in the U.S. can turn about 13.8 bcfd of gas into LNG for export. That will jump to around 17.8 bcfd in 2025, 19.8 bcfd in 2026, 22.3 bcfd in 2027 and 24.5 bcfd in 2028 as new plants already under construction enter service.
One billion cubic feet of gas can supply about five million U.S. homes for a day.
Rice said EQT produces roughly 6 bcfd of gas and sends about 25% of its volumes to the Gulf Coast, providing access to LNG export plants operating in Texas and Louisiana.
In addition, EQT has agreements for liquefaction services with two LNG export plants under development, Texas LNG and Commonwealth LNG.
Rice said those agreements will enable the company to sell LNG directly to customers.
He noted EQT was "beginning to ramp up conversations about long-term supply agreements" with potential customers.
Rice said Texas LNG should reach a final investment decision (FID) in 2025 and hopefully send out first cargoes by 2028 or 2029.

Top News - Dry Freight

FOCUS-Shippers scramble for workarounds ahead of threatened US port strike

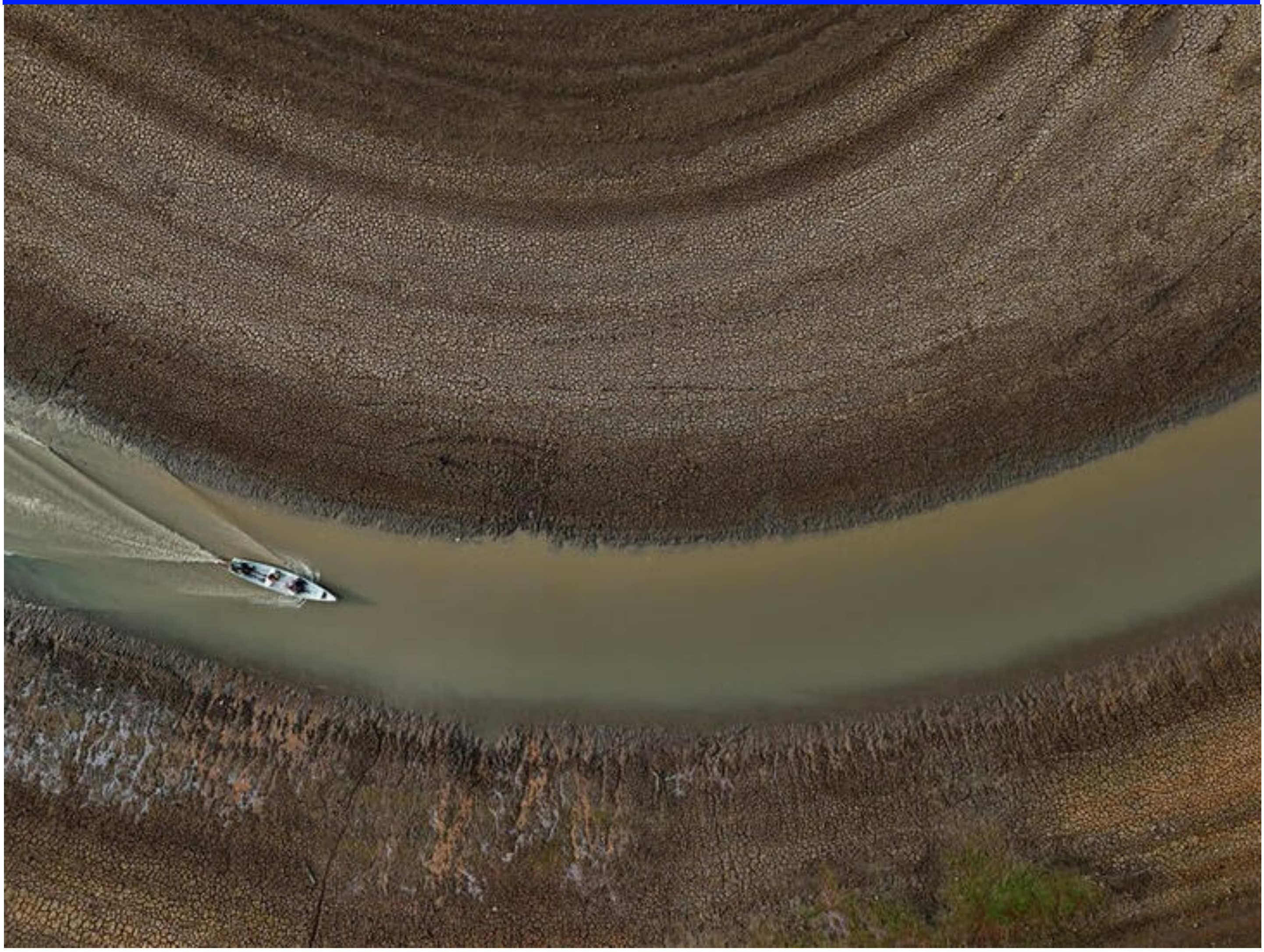
U.S. companies that rely on East and Gulf Coast seaports have been importing early, shifting goods to the West Coast, and even putting cargo on pricey flights to hedge against a threatened Oct. 1 strike that could jam supply chains and reignite inflation ahead of the U.S. presidential election.
"This is just another headache after everything else we've been dealing with," said Kenneth Sanchez, CEO of Chesapeake Specialty Products, which sends goods like metallic abrasives and foundry sand additives used to make engine blocks and transmissions to customers around the world.
His main port is in Baltimore, one of three dozen covered by an expiring contract between the International Longshoremen's Association (ILA) union representing 45,000 port workers and the United States Maritime Alliance employer group, whose renewal talks are at an impasse over pay.
The threatened walkout would come just five weeks before a presidential election between Democratic Vice President Kamala Harris and Republican former President Donald Trump that is likely to turn on pocketbook issues.
A prolonged strike, alongside an ongoing strike by 30,000 machinists at Boeing that has already started to ripple through the aircraft maker's supplier network, could put a dent in the U.S. job market next month at a critical moment. Economists at Oxford Economics last week estimated the two labor actions could reduce payrolls growth by 100,000 jobs if they stretch into mid-October.
For Sanchez, it would be the second big supply chain setback after a bridge collapse cut off most access to the Baltimore port from late March through mid-June.
"Things were just starting to get back to normal," he said.
Now, he is working on a plan to put shipments on trains to West Coast ports - should the ILA's members go on a prolonged strike at ports that stretch from Maine to Texas and handle about half of U.S. ocean trade.
German chain saw manufacturer STIHL said it is also developing contingency plans to keep exports flowing from its factory near the Port of Virginia, but didn't elaborate. STIHL's U.S. plant ships products to over 80 countries.
Retailers, manufacturers and other importers, meanwhile, have been rushing in apparel, home goods, machine parts and other items ahead of the strike deadline to avoid having cargo stuck.
That sent U.S. imports to multi-year highs in July and August - exacerbating a shipping price increase tied to rerouting vessels around Africa to avoid rebel attacks on ships near the key Suez Canal trade shortcut.
Ronnie Robinson, chief supply chain officer at DSW parent company Designer Brands, normally routes about 20% of the company's shoe imports through the East Coast. He shifted about half of those goods to the West Coast. And, he paid ten times more than a typical ocean

transit to fly in a small shipment of leather boots and dress shoes from Brazil.
"People are paying whatever they can to make sure they're in the front of the queue," said Robinson, who added his company cannot risk late deliveries to clients like Macy's, Nordstrom and Dillard's department stores.
Still, Robinson has 10,000 to 20,000 units in transit via East Coast-bound ships "that we're worried about".

STRANDED CARGO, SOARING RATES
As of Saturday, there were 42 container ships scheduled to arrive at the Port of New York and New Jersey, one of the biggest ports involved in the labor dispute, according to S&P Global's maritime tracking service Sea-web.
Thirteen of the ships are scheduled to arrive after Sept. 30. In August, the five largest ports on the East and Gulf Coasts processed about 24,766 40-foot containers of imports and exports valued at $2.7 billion each day, according to John McCown, senior fellow at the Center for Maritime Strategy.
Incoming wine and auto parts from Europe are vulnerable. Rerouting those goods to the West Coast is challenging because it could require difficult-to find transit through the Panama Canal, air freight or other time-consuming or costly measures, logistics experts said.
Ports on the East and Gulf Coasts also handle roughly 75% of the bananas that enter the United States, according to Jason Miller, interim chair of Michigan State University's department of supply chain management. He added that it doesn't make financial sense to reroute or fly in such low-value perishables.
The cost to send a 40-foot container from Shanghai to New York jumped to around $10,000 in July. Rates have since retreated, but could spike again with a strike.
"If the cost of shipping goes up ... it gets pushed onto the end consumer - whether that's someone buying a car or someone buying a metal part in a hardware store," Chesapeake's Sanchez said.

Brazil drought dries river and stops shipping on key grains corridor
A widespread drought in Brazil has halted the transport of grains through the Madeira river, an important northern waterway linking key croplands with the country's ports, regional port terminals association Amport said on Wednesday.
The Madeira river is a key corridor for shipping products from Rondonia state and parts of Mato Grosso state, Brazil's top soy producer, to export terminals located in the country's northern states.
"Grain transportation in the Madeira is currently halted as river's depth in critical points is around two meters (6.6 ft), making navigation commercially unfeasible," Amport President Flavio Acatauassu told Reuters.
Some 34% of Brazilian soy exports in 2023, and almost 43% of corn exports were shipped through the so-called North Arc region, which includes ports located in northern Brazil, according to data from the national crop agency Conab.
Brazil is the world's largest exporter of soy, and one of the largest corn exporters.
However, the shipping halt may not affect Brazilian exports as local farmers have already shipped most of the grains expected for 2024.
Local grains traders lobby Anec said on Wednesday that the lower capacity for transporting grains through northern ports has raised costs for the exporters, but added the companies had been already prepared.
"There should be no reduction in grain exports due to the drought in the northern region, as traders work with a very high level of precaution," Anec's General Director Sergio Mendes said.

Picture of the Day



A drone view shows fishermen pushing an aluminium canoe to try to go fishing, in the middle of the dry bed of the Puraquequara lake caused by severe drought in the Amazon, in Manaus, Brazil September 25, 2024. REUTERS/Bruno Kelly

(Inside Commodities is compiled by Dhanya Hegade in Bengaluru)

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