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Top News - Oil

US FTC allows Chevron-Hess deal, bars John Hess from board

The U.S. Federal Trade Commission allowed Chevron's $53 billion purchase of Hess Corp, in an order that barred Hess CEO John Hess from Chevron's board.

The FTC's order leaves Exxon Mobil's challenge to the deal, which is expected to stretch deep into next year, as its final hurdle. The proposed merger included a Chevron board seat for Hess when it was first announced last October, and the FTC sent a second information request to Chevron two months later.

Chevron Chairman and CEO Mike Wirth welcomed the completion of the FTC's review on Monday, but called it unfortunate that John Hess would not be allowed to join the board. "I have the utmost respect for John, the company he has built, and the contributions he has made to our industry," he said.

The FTC alleged that Hess -- the son of Hess Corp founder Leon Hess -- had communicated publicly and privately with members of the Organization of the Petroleum Exporting Countries (OPEC) group of oil producers, and encouraged high-level representatives of the group "in their stated mission to stabilize global oil markets." Allowing him to join Chevron's board "would amplify Mr. Hess's supportive messaging to OPEC and others, thereby meaningfully increasing the likelihood that Chevron would align its production with OPEC's output decisions to maintain higher prices," the FTC said.

Hess' board believes the claims are meritless, the company said in a statement.

"Mr. Hess' public and private communications with OPEC officials were consistent with his communications with U.S. government officials, the International Energy Agency and global business leaders on what will be needed to ensure an affordable and orderly energy transition," the company said.

The allegations are similar to the FTC's claims against former Pioneer Natural Resources CEO Scott Sheffield, who was barred from joining Exxon Mobil's board when the FTC reviewed its $60 billion acquisition of Pioneer.

Sheffield has sought to have the claims withdrawn.

The two cases are "an important step towards ensuring that U.S. oil producers are serving as a competitive check on OPEC+ rather than subordinating their independent decision-making to the goals set by a cartel," FTC Chair Lina Khan and the Commission's two other Democratic members said on Monday.

The FTC's two Republican commissioners voted against the Chevron-Hess action, calling it politically motivated and lacking basis in antitrust law.

"The proposition that Mr. Hess's comments could move global oil markets is laughable," said Commissioner Andrew Ferguson.

The deal will still need to clear a challenge by Exxon Mobil and CNOOC Ltd , Hess's partners in a Guyana joint venture, who claim a right of first refusal to any sale of Hess's Guyana assets, the prize in the proposed merger.

A three-judge arbitration panel is due to consider the case next May. Chevron and Hess say a decision is expected by August, while Exxon Mobil expects it by September 2025. John Hess will be allowed to advise Chevron on discussions with Guyanese government officials, according to the FTC order.

The proposed all-stock acquisition is one of the largest in a consolidating U.S. oil and gas industry where several multibillion-dollar deals have been disclosed.

POLL-Oil forecasts cut for 5th straight month on demand, OPEC uncertainty

Analysts have cut their 2024 oil price forecasts for a fifth consecutive month, citing weaker demand and uncertainty over OPEC’s plans, with prices expected to remain under pressure despite geopolitical risks, a Reuters poll.

A Reuters poll of 41 analysts and economists conducted in the past two weeks projected Brent crude would average $81.52 per barrel in 2024, the lowest poll projection since February and down from $82.86 projected in August. U.S. crude prices are expected to average $77.64, below last month’s forecast of $78.82.

"The recent weakness in oil prices is partly attributable to market concerns over how and when OPEC will return barrels to the market, alongside weaker Chinese demand indicators," said Roger Read, Senior Energy Analyst at Wells Fargo.

Global oil demand is now expected to grow by 0.9 to 1.2 million barrels per day (mbpd) in 2024, down from previous estimates of 1 to 1.3 mbpd, as per the poll.

Both OPEC and the International Energy Agency (IEA) have cut their forecasts, citing slower Chinese demand, with OPEC reducing its 2024 oil demand growth outlook for the second time. "Slower economic growth in major economies such as China and Europe, coupled with expectations of weak demand, are pushing prices down despite geopolitical uncertainty," said Sehul Bhatt, Director of Research at CRISIL Market Intelligence and Analytics.

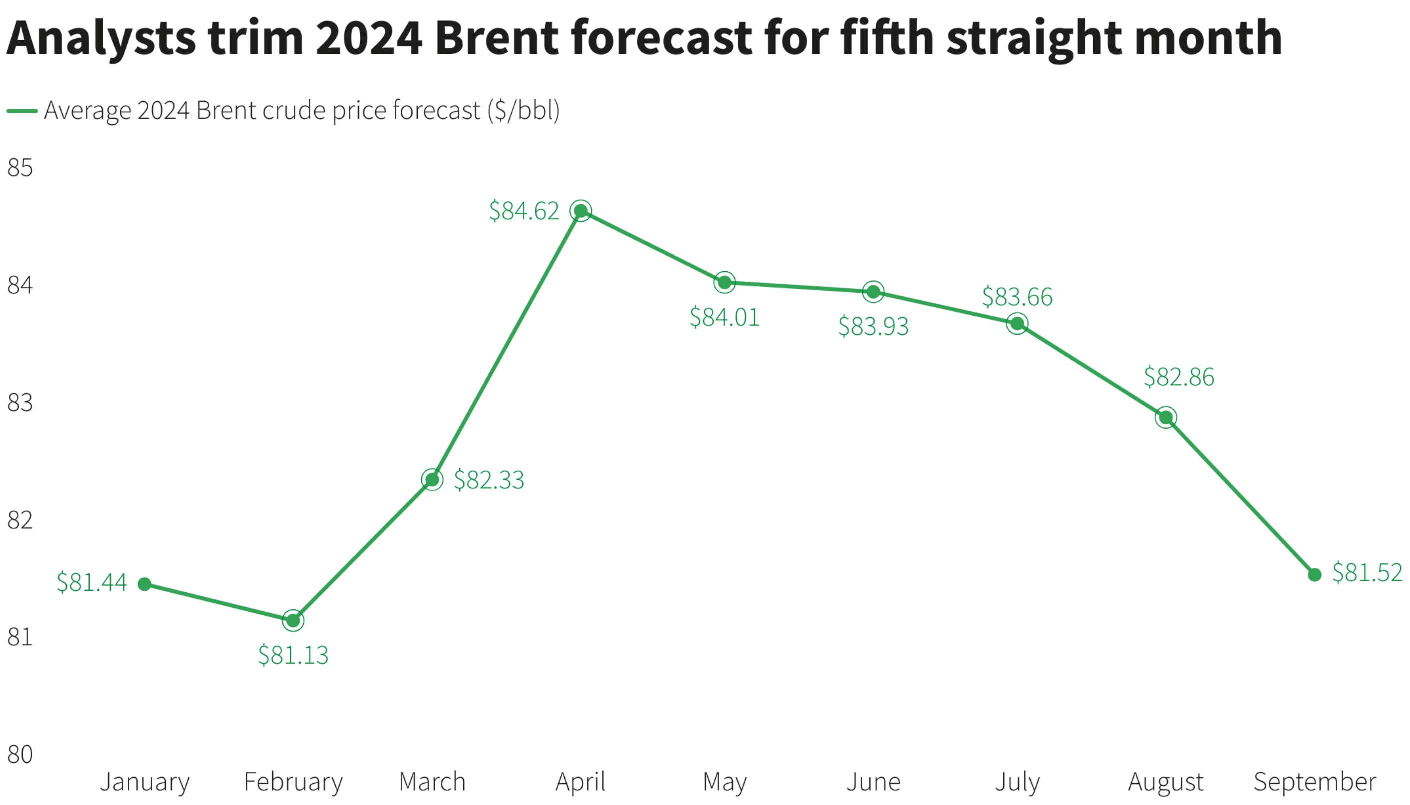
Most analysts believe that the war-related risk premium in

oil prices has diminished due to plentiful supply, but some analysts said the premium could return if tensions escalate, particularly in the Middle East.
Florian Grunberger, senior analyst at data and analytics firm Kpler, said if hopes for a ceasefire (in Gaza) remain unfulfilled a higher risk premium for oil could return.
Oil prices surged past $90 a barrel in April, driven by Middle East tensions and OPEC+ supply cuts. But they have sharply reversed course, dipping below $70/bbl this month, as weak demand trends have led to an supply overhang.
OPEC+ is still expected to move forward with a planned production increase in December, but output cuts are needed first to address overproduction by some members. "We expect OPEC+ to go ahead with a production increase in December," said Societe Generale commodity strategist Mike Haigh.
"However, given the disappointing demand outlook and rising OECD commercial stocks, the full cuts cannot be completely unwound as prices will begin to deteriorate."
Currently, OPEC+ is cutting output by 5.86 million bpd, or about 5.7% of global demand. Earlier this month, the group delayed its plan to boost output after oil prices hit a nine-month low.

Top News - Agriculture

US corn, soy stocks reach four-year highs as farmers harvest massive crops
U.S. farmers and merchants are sitting on the highest stocks of grains and soybeans left over from previous harvests in four years as they start gathering what are expected to be two of the largest soybean and corn crops on record.
In the final figures for soy and corn still in storage bins from last year, the U.S. Department of Agriculture said on Monday that stocks for both crops were up 29% from a year ago on Sept. 1.
Farmers harvested a record corn crop in 2023 and kept much of it in storage as grain prices this year dropped to their lowest levels since 2020. The slump has dragged down farmers' net estimated incomes by 23% from a record high just two years ago.
Growers have also faced stiff competition for global export sales from Brazil, keeping more supplies at home. The United States is the world's largest exporter of corn and the No. 2 soybean supplier after Brazil.

Chart of the Day



Average 2024 Brent crude price forecasts polled from Jan-Sept 2024
Source: Reuters Polls

Corn stocks were 1.76 billion bushels on Sept. 1, up from 1.36 billion a year ago, and soybean stocks were 342 million, up from 264million a year earlier, USDA said. Analysts had expected 1.844 billion bushels of corn and 351 million bushels of soybeans.

Although stocks fell short of expectations, supplies are set to expand. Farmers this autumn are expected to harvest a record soybean crop and the second biggest corn crop in history, according to USDA.

The government next week is slated to update its forecasts for how much grain and soy will be in storage before the 2025 harvests, a key metric in the price of two of the world's biggest agricultural crops.

When the combines have finished this year's harvests and all the crops have been delivered for customer and exporter needs, the leftover corn and soybeans should exceed the amount that has sat in U.S. silos for six years, according to USDA data.

The corn harvest was 21% complete as of Sunday and soybeans were 26% harvested.

For wheat, U.S. stocks were 1.986 billion bushels on Sept. 1, up 12% from a year earlier and also a four-year high, USDA said. Analysts expected 1.973 billion.

In another report, USDA pegged U.S. wheat production at 1.971 billion bushels, down from its previous forecast for 1.982 billion. Analysts had expected 1.966 billion.

ANALYSIS-Australia could be canola trade winner if China gets over fungus worries

Australia would be the likely winner from a shift in global canola trade flows should China impose tariffs on Canadian imports of the oilseed, but Beijing will need to overcome their worries about a fungus.

China, the world's biggest canola importer, has disrupted the market by announcing an anti-dumping investigation into canola from Canada, the world's biggest exporter of the oilseed used for cooking oil, fuel and animal feed and China's biggest supplier.

The canola trade between the two countries is worth about $2 billion a year. However, to access canola from Australia, the world's second-biggest exporter, as a replacement, China would have to reconsider requirements for testing of cargoes for blackleg, a fungal disease present in Australian crops. Chinese quarantine rules designed to stop blackleg spreading in China have blocked Australian canola shipments since 2020.

"China doesn't have many options," said Ole Houe, director of advisory services at IKON Commodities in Sydney. "They'd pretty much have to come to Australia for canola. Supplies in the European Union and Ukraine are tight. Russia has a bigger crop but not enough to satisfy all Chinese demand." China says its investigation should be complete before Sept. 9 next year but could be extended for six months.

Chinese canola buyers are already shying away from signing new contracts for Canadian imports, with two trade sources saying that no new deal has been signed since Beijing announced the investigation in early September.

"It has completely paralysed canola trade between China and Canada," said one of the sources, a trader at an international trading company that sells canola to China. "Importers are worried about existing deals."

Canola, known in Europe as rapeseed, is widely grown in Canada, Europe and Australia, where its distinctive flowers turn fields into carpets of yellow.

It is crushed to produce cooking oil and other products, including renewable fuels, and meal for animal feed.

Around 40% of Canada's canola exports typically go to China, accounting for 90% of China's imports of the oilseed.

Blackleg, a fungal disease that damages plants and reduces the oilseed yield, has been at the centre of several disputes over Chinese canola imports from Canada and Australia. Before the most recent halt, China stopped Australian imports from 2011 to 2013 over blackleg while Canadian shipments were limited in 2009 over concerns about the fungus, which does not harm humans. China could quickly tap the Australian canola market by adjusting its rules.

"China would have to amend their blackleg requirements in their import specifications. They could easily do this. It's just a matter of changing it," said Rod Baker, an analyst at Australian Crop Forecasters in Perth. Canberra is working with China to resume canola exports and the two governments agreed in June to conduct trial shipments, an agriculture ministry spokesperson said.

These trials involve processing imported canola near its port of arrival to stop potentially blackleg-contaminated material crossing rural land, said an Australian industry source, something already done for Canadian imports.

Australian trade data show 500 metric tons were sent to China in June.

BLACKLEG PROBLEMS

Blackleg is present in Canadian canola as well, but exporters sieve their seeds before shipping to China to remove chaff, broken seeds and other material that can be infected with blackleg, which Australia does not do.

China requires 1% or less of these impurities, known as admixture, in its canola imports, said Nick Goddard, CEO of the Australia Oilseed Federation.

Australian delivery standards allow up to 3% admixture but most farmers produce levels closer to 1%-1.5%, said Andrew Weidemann, a director at Grain Producers Australia.

At the same time, analysts note that Australian producers don't need to ship to China as they currently export to other markets at higher prices. "We have other options than China," said Vitor Pistoia, an analyst at Rabobank in Sydney. "A large share of Australian canola is not genetically modified, which means it's a premium product and markets like the European Union will pay more for it."

Almost all Canadian canola is genetically modified. Still, China has few options outside Australia to replace Canadian canola if its investigation eventually leads to a

ban. Imports of canola oil and meal would be more costly and impact its seed-crushing industry. China could import canola seeds from Ukraine and Russia, but they ship less than Australia and most Ukrainian shipments are sent to the EU, whose import demand rivals China.
Blocking Canadian canola imports would likely mean China pays more for cargoes to draw them away from the EU and other markets. "We would expect to see an increased demand for our product and a positive pricing outcome," said Mark Fowler, who grows crops including canola in Western Australia.
Australian canola is currently more expensive than Canadian.
Australia's shipments are typically pegged to the European market, said Goddard at the Oilseed Federation. European Commission data assessed Australian canola exports at 448.76 euros ($501) a ton as of Sept. 25, versus Canadian exports at 436.56 euros.

Top News - Metals

Copper output at Freeport's Manyar smelter delayed until November
Copper production at Freeport-McMoRan's new giant Manyar smelter in Indonesia will be delayed until November due to water and steam leakage during an initial test period, two sources with knowledge of the matter said.
Further delay from the $3.7 billion smelter, one of the world's largest, could potentially support prices as analysts expect new supplies to hit the market soon. Manyar was expected to produce its first batch of output in September, with samples due to be delivered to potential clients in October for quality testing ahead of annual negotiations to buy and sell the copper for delivery in 2025, the sources said. The samples would now be delivered around November, they added. Construction of Manyar was completed in June. At the time U.S. copper miner Freeport said it would start producing copper in the following months and that it was targeting a full ramp up of production by the end of 2024.
Freeport did not give a date for the start of production.
"The startup of the new copper smelter in Indonesia continues to progress. Teams are addressing issues uncovered during startup and remediation activities are advancing," Freeport said in response to a request for comment. "The issues being addressed are not unusual in the context of a large, complex smelter startup, and we do not anticipate material delays in reaching full capacity." Manyar was built to process copper concentrate from Freeport's Grasberg mine which is the

MARKET MONITOR as of 06:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$102.60 / bbl	-4.84%	36.42%
NYMEX RBOB Gasoline	$3.20 / gallon	-3.67%	43.73%
ICE Gas Oil	$1,055.00 / tonne	-2.99%	58.17%
NYMEX Natural Gas	$5.54 / mmBtu	-1.25%	48.39%
Spot Gold	$1,926.16 / ounce	-0.36%	5.35%
TRPC coal API 2 (Dec '22)	$200.25 / tonne	10.03%	62.80%
Carbon ECX EUA (Dec '22)	€78.31 / tonne	-4.15%	-2.90%
Dutch gas day-ahead	€115.75 / Mwh	6.83%	74.06%
CBOT Corn	$7.40 / bushel	0.24%	24.69%
CBOT Wheat	$10.27 / bushel	0.66%	33.28%
Malaysia Palm Oil (3M)	RM5,895 / tonne	-0.59%	25.51%
Index (Total Return)	**Close 30 Mar**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	320.5436	2.25%	29.76%
Rogers International	30.45	2.01%	30.66%
U.S. Stocks - Dow	35,228.81	-0.19%	-3.05%
U.S. Dollar Index	97.88	0.09%	1.99%
U.S. Bond Index (DJ)	433.57	0.00%	-8.14%

world's second biggest. Two other sources with knowledge of the matter said Freeport currently has no plan to sell the copper concentrate it does not use to other smelters which have faced severe shortages this year and negative treatment charges (TCs), fees paid to smelters for converting concentrate to metal. Manyar will have capacity to process 1.7 million metric tons of copper concentrate annually to 480,000 tons of copper a year, nearly 3% of global mined supplies of the metal used to conduct electricity. One source with knowledge said Freeport halted production at Manyar to focus on mending the leaks. "There are always teething problems with the start-up of a big, complex facility that have to be fixed for safety reasons," the source said, adding that Grasberg's concentrate feedstock would be stored for processing later. "Freeport is big on safety, they aren't going to take any risks." In May, Reuters reported Freeport was preparing to export up to 900,000 tonnes of concentrates this year, with the exact quantity depending on the ramp up of Manyar.

Refined zinc market on track for supply deficit in 2024, says ILZSG

The global refined zinc market could see a 164,000 metric ton deficit in 2024 due to reduced output in Europe and elsewhere, rather than a surplus as forecast previously, the International Lead and Zinc Study Group (ILZSG) said on Monday. In its April forecast, the ILZSG had forecast a 56,000 ton surplus for the year. Prices for zinc, used to galvanize steel for the construction and auto sectors, have risen 16.5% so far this year. European output is forecast to decrease by 11.4% this year, primarily as a result of reductions in Ireland and Portugal, the group said. Reductions are also forecast in China, Canada, South Africa, the U.S. and Peru, where output at the Antamina mine is seen falling "substantially", but these declines could be offset by increases in Australia, Mexico and Congo, the ILZSG added. Global refined zinc metal production will be limited by the availability of concentrates, the ILZSG said, forecasting a 1.8% fall to 13.67 million tons in 2024. The Group anticipates a surplus of 148,000 tons in 2025. Global demand for refined zinc is forecast to rise by 1.8% to 13.83 million tons in 2024, with usage seen rising by 0.7% both this year and in 2025 in top consumer China.

The refined lead market, meanwhile, could see supply exceeding demand by 63,000 tonnes in 2024, with the surplus widening to 121,000 tons next year. Global lead supply is expected to rise by 2.4% to 13.51 million tonnes in 2025, the ILZSG added.

Top News - Carbon & Power

Britain launches National Energy System Operator on road to net zero

Britain launched a National Energy System Operator (NESO) to oversee the country’s electricity and gas systems as it seeks to move towards its 2050 net zero climate target.

As part of efforts to meet the climate goal, Britain’s Labour government aims to decarbonise the electricity sector by 2030, which will require an increase in the use of renewables, such as wind and solar, less gas use and a ramp up in infrastructure and power grid investment. “NESO will sit at the heart of the energy industry ensuring that a holistic, whole system approach is taken in delivering decarbonisation across energy, heating, transport and beyond in order to deliver net-zero,” Fintan Slye, NESO chief executive said in a statement.

The independent NESO body will be responsible for managing the country’s electricity system in real time, planning future development of the gas and electricity systems and advising the government and regulator Ofgem on how the climate targets can be met.

PJM's record high power capacity auction draws fresh scrutiny

U.S. state utility regulators and environmental groups are contesting the process grid operator PJM Interconnection used to determine the record high capacity payments it plans to make to power generators, according to separate filings made this month. PJM Interconnection, which is the largest U.S. grid operator and covers 13 states and the District of Columbia, in July released the results of its annual capacity auction with prices that were 833% higher than the previous year.

The PJM market makes capacity payments to power plants to run during times of high demand, and determining the payout depends largely on PJM's estimate of available power supply and demand. The Sierra Club, Earthjustice, National Resources Defense Counsel and other environmental groups filed a complaint with the Federal Energy Regulatory Commission on Friday, accusing PJM of driving up capacity prices partly by excluding certain power plants from its most recent auction. "PJM is misrepresenting the current level of energy supply and costing consumers billions of dollars in energy bills," Justin Vickers, Senior Attorney with the Sierra Club, said in a statement.

PJM representatives said they were reviewing the complaint and plan to file an answer. The plants that were not included in the auction have contracts, known as Reliability Must-Run agreements, to run past planned retirement dates. Including such plants would have lowered capacity costs by roughly $5 billion annually over the next three years, the complaint said, citing a study by the Maryland Office of People's Counsel. The Organization of PJM States, Inc., which is made up of state utility regulators representing more than 65 million power customers, expressed similar concerns in a letter to PJM, also filed on Friday.

The complaint and the letter called for Reliability Must-Run agreements to be accounted for in PJM's capacity market process. The grid operator plans to hold another auction in December.

Top News - Dry Freight

US East Coast dockworkers strike, in blow to shipping imports and exports

Dockworkers along the U.S. East Coast and Gulf Coast began a strike, halting the flow of about half the nation's ocean shipping after negotiations for a new labor contract broke down over wages.

The strike blocks everything from food to automobile shipments across dozens of ports from Maine to Texas, in a disruption analysts warned will cost the economy billions of dollars a day, threaten jobs, and stoke inflation.

The International Longshoremen's Association (ILA) union representing 45,000 port workers had been negotiating with the United States Maritime Alliance (USMX) employer group for a new six-year contract ahead of a midnight Sept. 30 deadline.

"As a result of the expiration of the master agreement between United States Maritime Alliance (USMX) and the International Longshoremen's Association (ILA), there is a work stoppage at The Port of Virginia and other ports along the U.S. East and Gulf coasts," the Virginia port authority said, announcing the stoppage.

The USMX and union did not immediately respond to requests for comment. But the ILA's fiery leader, Harold Daggett, said earlier employers like container ship operator Maersk and its APM Terminals North America had not offered appropriate wage increases or agreed to demands to stop port automation projects. The USMX said in a statement on Monday it had offered to hike wages by nearly 50%. The ILA said in statements on Sunday and Monday that a port strike would go ahead, starting on Tuesday at 12:01 a.m. ET.

The strike, the ILA's first since 1977, is worrying businesses across the economy that rely on ocean shipping to export their wares or secure crucial imports. The strike affects 36 ports that handle a range of containerized goods from bananas to clothing to cars. The union is "holding the entire country over a barrel," said Steve Hughes, CEO of HCS International, which specializes in automotive sourcing and shipping. "I'm really afraid that it is going to be ugly." The dispute is also wedging labor-friendly U.S. President Joe Biden into a virtual no-win position as Vice President Kamala Harris runs a razor-tight election race against Republican former President Donald Trump. Biden administration officials had met with both USMX and ILA ahead of the strike to encourage a deal.

But Biden's administration has repeatedly ruled out the use of federal powers to break a strike in the event of an impasse. U.S. Chamber of Commerce President Suzanne Clark urged Biden on Monday to reconsider, saying it "would be unconscionable to allow a contract dispute to inflict such a shock to our economy." Retailers accounting for about half of all container shipping volume have been busily implementing backup plans as they head into their all-important winter holiday sales season.

Many of the big players rushed in Halloween and Christmas merchandise early to avoid any strike-related disruptions, incurring extra costs to ship and store those goods. Retail behemoth Walmart, the largest U.S. container shipper, and membership warehouse club operator Costco say they are doing everything they can to mitigate any impact. New York Governor Kathy Hochul said on Monday the state expects no immediate impact on food suppliers or essential goods.

BNSF rail to resume issuing grain shuttle permits to Mexico, company says

Berkshire Hathaway-owned BNSF Railway will resume issuing permits for grain shuttles heading to Mexico starting Tuesday, the company told Reuters on Monday, in a move that could help ease some delays impacting agricultural exports.

The news comes as U.S. East and Gulf Coast port workers are set to go on strike on Tuesday, with no talks currently scheduled to head off a stoppage. Rail backlogs have been disrupting export trade between the United States and Mexico and snarling agricultural supply chains as the fall harvest is under way.

In late August, BNSF stopped issuing permits for grain shuttle trains going into Mexico, in part because booming demand outstripped the system's capacity, creating heavy congestion and a growing backlog of loaded trains, according to the company and agricultural export sources.

BNSF said it will resume issuing the permits, except for a small number in early October. Some permit requests still may not be fulfilled, and BNSF is monitoring the situation, the company said in an email to Reuters. "BNSF's actions are a great first step to getting ag commerce flowing freely between the countries again," National Grain and Feed Association President Mike Seyfert said Monday. "Until this bottleneck is fully addressed and trains are moving without delay, U.S. carriers and shippers could still face unexpected delays."

BNSF said it has continued to move agricultural trains of grains and grain products to Mexico during this process. "We only limit shuttles due to congestion," the company said. Union Pacific Corp also has stopped issuing permits for grain shuttle trains to Mexico, according to its website.

Ferromex (FXE), the Mexican railroad that interchanges with BNSF and Union Pacific, has embargoed permits for grain trains at border crossings at Eagle Pass and El Paso, Texas, USDA said.

A UP spokesman said the company is closely monitoring the situation. Ferromex did not respond to a request for comment.

Picture of the Day

A bird of prey flies over a burned field on a farm in Cristalina, Goias State, Brazil, September 30. REUTERS/Adriano Machado

(Inside Commodities is compiled by Arya Sinha in Bengaluru)

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