Oil | Agriculture | Metals | Carbon & Power | Dry Freight
Click on headers to go to that section

Top News - Oil

POLL- Oil forecasts revised higher as Saudi, Russian supply cuts drive gains

Saudi and Russian supply cuts are expected to keep feeding into stronger oil prices, but any runs towards the $100 a barrel level are likely to be short-lived as economic risks linger, a Reuters poll showed on Friday.
A survey of 42 economists and analysts forecast Brent crude, currently holding just above $95 a barrel, would average $84.09 a barrel in 2023, up from August's $82.45 consensus.
Brent, which has averaged around $81.94 so far this year, is projected to average $86.45 in 2024.
U.S. crude is seen averaging $79.64 a barrel this year - above last month's $77.83 forecast - and $82.99 a barrel in 2024.
"Saudi Arabia and Russia will dictate oil prices over the next three months," said Bill Weatherburn, commodities economist at Capital Economics.
"Supply cuts will probably be extended into 2024 as neither country wants prices to fall while they are grappling with higher government expenditures."
Oil prices are expected to stay well above $80 a barrel heading into next year, with Brent seen averaging $89.85 in the last quarter of 2023, the poll showed.
The much touted $100 a barrel oil looks stretched however "given the artificial nature of supply shortages in the system, and the fragile macro environment", Suvro Sarkar, energy sector team lead at DBS Bank, said.
Some analysts expect production increases through U.S. shale to help offset the OPEC+ supply cuts, albeit only marginally. Rising output from Iran and Venezuela is also seen helping.
The International Energy Agency (IEA) expects the market to remain in deficit through 2023, with oil demand seen rising by 1 million barrels per day in 2024.
However, a lack of output cuts at the start of next year could shift the balance to a surplus.
Robert Yawger, energy futures strategist for Mizuho Bank, said higher global rates may tip the global economy into a recession in 2024, impeding oil demand along with concerns over the Chinese economy.

COLUMN- Asia's crude oil imports slip in Sept as price hike bites: Russell

Asia's crude oil imports slipped for a second consecutive month in September as refinery maintenance trimmed demand and the impact of higher prices started to weigh.
The world's top importing region saw arrivals of 24.95 million barrels per day (bpd) in September, down from August's 25.22 million bpd, according to data compiled by LSEG.
September's imports were also almost 3 million bpd weaker than the 27.92 million bpd seen in July, which was the highest monthly total so far in 2023.
Imports in August and September have been the lowest two months so far in 2023, according to LSEG data.
There are two main reasons behind the lower imports, with the temporary factor being seasonal refinery maintenance, which starts in September and lasts through October.
Among the refineries currently undertaking scheduled maintenance are units at Reliance Industries' 1.24 million bpd complex in Jamnagar in India, Vietnam's Nhgi Son plant, SK Energy's Ulsan refinery in South Korea and Taiwan's CPC.
Refiners tend to increase utilisation rates ahead of regular maintenance to build up stocks of products, but then trim crude purchases for the turnaround period.
The other factor behind lower crude imports in September is likely the increase in oil prices, which gathered steam from July onwards after leading OPEC+ member Saudi Arabia said it would voluntarily cut its output by 1 million bpd.
Brent crude futures rallied from a low of $71.57 a barrel on June 28 to a high of $97.69 on Sept. 28, an increase of 36.5%.
The drop in September crude imports in Asia may only be the start of the demand response to the surge in oil prices, given that cargoes that arrived last month were likely arranged in July, just at the start of the recent rally.
It's possible that higher oil prices will see lower imports in the fourth quarter, especially since retail prices for fuels such as diesel and gasoline have risen by more than the jump in crude prices, given the robust profits margins for refining fuels and the U.S. dollar's strength, which lifts costs in other currencies.
CHINA FACTOR
The main unknown factor for Asia's crude demand is China, the world's biggest importer of the fuel, which is also believed to have large stockpiles of crude built up when prices were lower.
China added about 1.32 million barrels per day (bpd) to either commercial or strategic crude stockpiles in August, according to calculations based on official data.
For the first eight months of the year China added about 810,000 bpd to inventories, or a total of about 197 million barrels.
China doesn't disclose the volumes of crude flowing into

or out of strategic and commercial stockpiles, but an estimate can be made by deducting the amount of crude processed from the total of crude available from imports and domestic output.

China imported 11.53 million bpd in September, down from August's 12.49 million bpd, according to LSEG data.

The strong builds in inventories so far in 2023 in China give its refiners the option to trim imports while still boosting fuel exports to take advantage of the high profit margins on refined products, especially diesel.

What is also clear is that China is attempting to maximise its imports of discounted crude oil from Russia and Iran, while minimising its intake of more expensive oil from Saudi Arabia. Russia was China's top supplier in September, providing 1.81 million bpd, eclipsing the 1.44 million bpd from Saudi Arabia.

India, Asia's second-biggest importer, is also increasing its imports of Russian crude, with arrivals of 1.53 million bpd in September, up from 1.38 million in August, according to LSEG data.

The increased imports from Russia come despite the discount narrowing to around $4 to $5 a barrel from $5 to $6 the prior month.

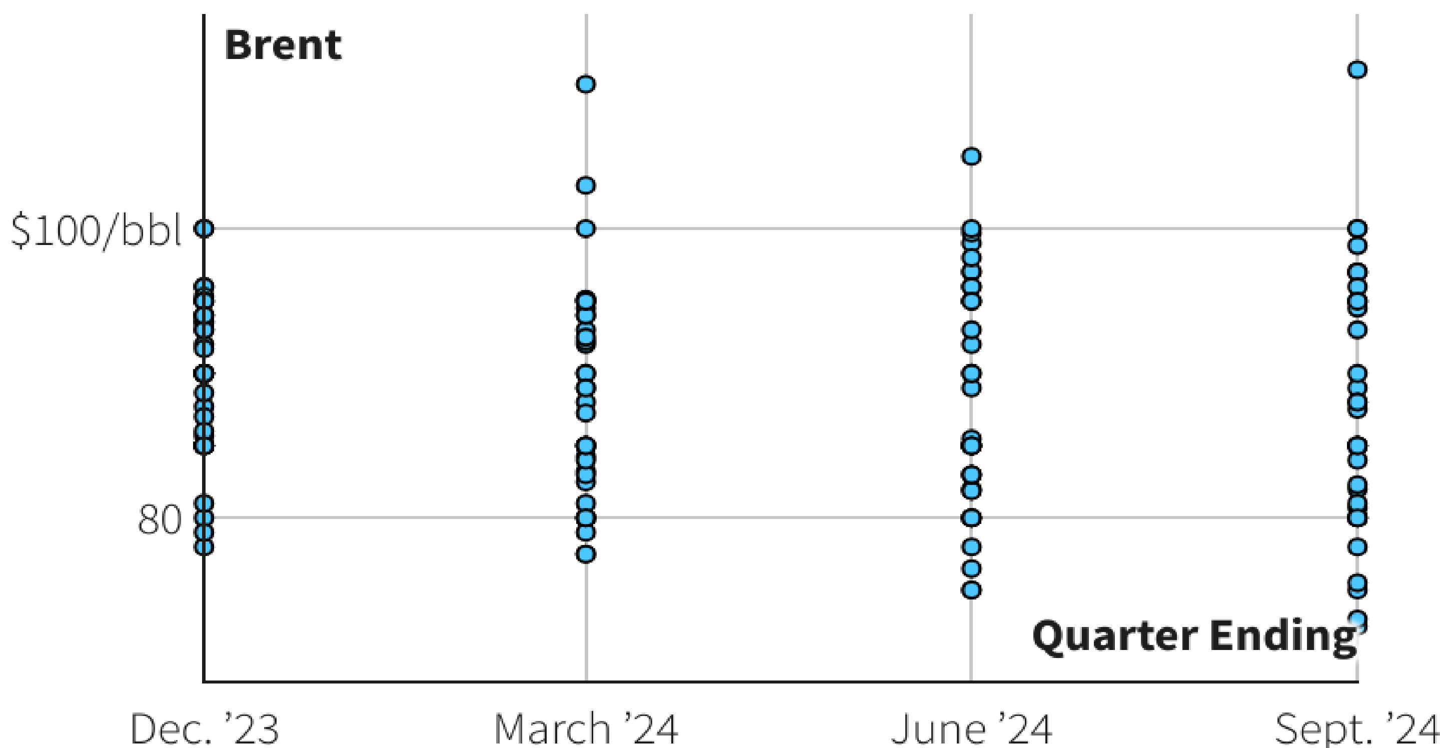
The main question for Asia's oil demand in the fourth quarter is just how hard the recent price rally will bite demand.

Higher fuel prices are likely to reignite inflation, meaning central banks may restart raising interest rates or delay any cuts, factors that are likely to strike at consumer confidence and spending.

Chart of the Day

Triple digit barrel far-fetched

Majority of the polled analysts expect prices to remain below $100/bbl despite a tight market



Note: Figures are period averages

Source: Reuters September Oil Poll

Top News - Agriculture

India's monsoon rains hit five-year low due to El Nino
India's monsoon rainfall this year was its lowest since 2018 as the El Nino weather pattern made August the driest in more than a century, the state-run weather department said on Saturday.
The monsoon, which is vital for India's $3 trillion economy, brings nearly 70% of the rain the country needs to water crops and replenish reservoirs and aquifers.
Nearly half of the farmland in the world's most populous nation lacks irrigation, making the monsoon rains even more vital for agricultural production. The summer rainfall deficit could make staples such as sugar, pulses, rice and vegetables more expensive and lift overall food inflation.
Lower production could also prompt India, the world's second-biggest producer of rice, wheat, and sugar, to impose more curbs on exports of these commodities.
Rainfall over the country during June to September was 94% of its long period average, the lowest since 2018, the India Meteorological Department (IMD) said in a statement.The IMD had anticipated a rainfall deficit of 4% for the season, assuming limited impact from El Nino. El Nino is a warming of Pacific waters that is typically accompanied by drier conditions over the Indian subcontinent.
The monsoon was uneven, with June rains 9% below average because of the delay in the arrival of rains, but July rains rebounding to 13% above average.
August was the driest on record with a 36% deficit, but again in September rainfall revived and the country received 13% more rainfall than the normal, the IMD said.
The erratic distribution of monsoon rains has led India, the world's largest rice exporter, to limit rice shipments, impose a 40% duty on onion exports, permit duty-free imports of pulses, and could potentially result in New Delhi banning sugar exports.The country is expected to receive normal rainfall during October to December, the weather department said, adding that temperatures were likely to remain above normal in most of the country during October.

US raises wheat harvest view; futures fall to 3-year low
The U.S. wheat harvest was bigger than previously estimated despite drought in key production areas of the U.S. Plains, the government said on Friday.
The surprise forecast pushed futures prices at the Chicago Board of Trade to their lowest levels in three years, adding a fresh challenge for farmers as they finalize winter wheat planting decisions.
All-wheat production for the 2023/24 marketing year was pegged at 1.812 billion bushels, according to the U.S. Agriculture Department's Small Grains Summary report. That compares with USDA's previous forecast for 1.734 billion bushels and the 2022/23 total of 1.650 billion bushels.
The forecast included winter wheat harvested over the summer and spring wheat that was just harvested.
"It was pretty much bigger across the board," said Arlan Suderman, chief commodities economist for StoneX. "It would suggest that those late-season rains helped us more than expected."
Analysts had been expecting the report to show a wheat crop of 1.729 billion bushels, according to the average of estimates given in a Reuters poll.
The harvest of the hard red winter wheat crop, the biggest class of wheat, in the U.S. Plains came in at 601 million bushels, 13% higher than a year ago and above market expectations for 584 million bushels.
In a separate report, USDA said that wheat stocks as of Sept. 1 stood at 1.780 billion bushels, up slightly from 1.778 billion bushels reported a year earlier and reflecting the poor export demand for U.S. supplies. Analysts had been expecting wheat stocks at a 16-year low of 1.772 billion bushels.
Russia has remained the world's top wheat exporter since invading Ukraine last year and closing off Black Sea ports from another one of the world's biggest suppliers of grain.

Top News - Metals

GRAPHIC- Silver to benefit from solar sector demand once rates peak
Robust demand from the solar industry and limited supply growth from mines will buoy silver prices once the period of higher global interest rates is over, analysts said.
Silver is both an investment and is consumed in the manufacture of jewellery, electronics and electric vehicles, as well as solar panels which has been gaining traction amid the global green energy transition.
However, silver prices, at $23 per troy ounce, are down 4% so far this year as elevated global interest rates discourage investment in precious metals, which do not offer interest. The U.S. Federal Reserve hardened its hawkish posture on interest rates last week.
"Once the peak of Fed tightening is confidently in place, silver should become attractive again," said Ed Moya, senior market analyst at brokerage OANDA. He expects silver to finish this year above $24 per ounce.
"Silver might see its biggest deficit in over a decade as mining production cannot keep up with demand. The solar industry has seen surging demand," he added. The silver market was undersupplied by 237.7 million ounces in 2022, according to the Silver Institute, and deficits are set to continue in the years to come. However, huge above-ground stocks and quantities of metal held by individuals and investors fill the gap.

Demand for silver from photovoltaic cells (PV), which make up a solar panel, has shown a three-fold growth since 2014 and is expected to reach 161 million ounces in 2023, according to the Silver Institute.
The sector will be responsible for 14% of total demand for silver this year compared with 5% in 2014. Demand from the sector could reach 170-180 million ounces if new PV installation exceeds 400 gigawatts (GW) by 2025, said Philip Newman at consultants Metals Focus.
However, solar panel manufacturers, having long been mindful of silver supplies after the price briefly hit $50 per ounce in 2011, will continue to reduce silver loadings through structural design improvements, Newman added.
Meanwhile, growth in mine production is largely beholden to other metals projects for which silver is a by-product, ANZ said in a note.
"We estimate the silver market is entering a period of tightness unseen for decades," ANZ said, estimating demand from the solar industry at 225 million ounces in 2025.

Supervisors at Chilean mine reject contract offer, strike possible

The union of supervisors at Chile's Escondida mine on Friday rejected a contract offer from mine owner BHP, paving the way for a strike, the union told Reuters, while the company said it would request government mediation.
The proposed contract was rejected with nearly 99% of the vote according to the union which counts over 900 members. In a statement, the union said it would continue to seek its objectives, including "pay increases, equal pay for men and women, fair payment of bonuses and respect for working hours," adding it would use "all available means to do so."
The union says BHP is looking to reduce benefits and production bonuses while extending working hours.
The parties are set to begin a five-day mediation process under government supervision that can be extended another five days if the parties come close to reaching a deal. BHP said in a statement one of the dialogue options was a mandatory mediation before labor inspectors. If BHP does not officially request mediation, the strike would begin on Oct. 4. "The company reaffirms its permanent willingness to dialogue and seek an agreement beneficial to the workers, that takes into account current challenges and long-term forecasts," it added.
Meanwhile, BHP said, the mine will keep operating as normal.
Though the sprawling Escondida mine could continue to operate even if supervisors walked off the job, a strike could lead to production bottlenecks or slowdowns.
Chile's powerful Union 1 worker union said it would stand in solidarity with the Escondida supervisors and ensure that no "illegal replacements" came on the job in the event of a work stoppage. Escondida produced 1.05 million metric tons of copper last year.

MARKET MONITOR as of 06:21 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$91.08 / bbl	0.32%	13.48%
NYMEX RBOB Gasoline	$2.35 / gallon	-2.10%	-5.21%
ICE Gas Oil	$997.75 / tonne	-0.37%	8.33%
NYMEX Natural Gas	$2.91 / mmBtu	-0.55%	-34.91%
Spot Gold	$1,842.16 / ounce	-0.33%	0.97%
TRPC coal API 2 / Dec, 23	$130 / tonne	-1.05%	-29.63%
Carbon ECX EUA / Dec, 23	€81.39 / tonne	-0.34%	-3.07%
Dutch gas day-ahead (Pre. close)	€37.40 / Mwh	-5.39%	-50.51%
CBOT Corn	$4.94 / bushel	0.51%	-27.10%
CBOT Wheat	$5.81 / bushel	1.26%	-28.20%
Malaysia Palm Oil (3M)	RM3,717 / tonne	-1.33%	-10.95%
Index (Total Return)	**Close 29 Sep**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	320.71	-0.86%	6.43%
Rogers International	29.41	-1.01%	2.60%
U.S. Stocks - Dow	33,507.50	-0.47%	1.09%
U.S. Dollar Index	106.22	0.00%	2.61%
U.S. Bond Index (DJ)	394.26	0.02%	0.44%

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Top News - Carbon & Power

Europe's solar industry warns against tariffs on imports

Europe's solar power industry has warned policymakers not to impose tariffs on imports, amid fears that disrupting supplies of products from China would seriously damage Europe's ability to rapidly install clean energy.
The call comes as Brussels and European governments consider tougher action on imports as they seek to expand clean tech manufacturing in Europe and reduce the reliance on China for products needed for the green transition. The European Commission this month launched an investigation that could lead to tariffs to protect EU producers against cheaper Chinese electric vehicle imports. Meanwhile, Germany is examining options including trade protections to shield local solar manufacturers from falling global prices, a government document seen by Reuters showed.
"Tariffs are not a good answer to the current challenges in the European solar industry," said Gunter Erfurt, Board Director at industry group SolarPower Europe, whose members include producers, large buyers and companies involved in installation. "Instead of sanctioning the entire industry through tariffs, we must incentivize solar installations that originate from resilient European solar production. This way, the deployment of solar energy can continue undisturbed while the European solar manufacturing can grow steadily," said Erfurt, who is CEO of Swiss solar cell maker Meyer Burger.
In a statement, SolarPower Europe said trade barriers on solar would be a "lose-lose strategy", and urged them to instead help local manufacturers grow - including by making it easier to support local factories under EU state aid rules.
SolarPower Europe did not explicitly mention China.
The EU gets more than 90% of its ingots and wafers for solar panels from China, according to the European Commission.
European manufacturers have been complaining of a "flood" of Chinese solar modules into the European market offered at prices below manufacturing costs and forcing them to cut theirs.
But industry fears restricting Chinese supplies would cause a repeat of the 2013-2018 period, when Europe's solar energy installations dipped temporarily - coinciding with EU limits on tariff-free imports of Chinese solar panels and cells.
The EU installed a record 40 gigawatts of solar power capacity last year.

Big Oil, heavy industry discuss emission curbs ahead of COP28

Major oil and gas company chiefs held discussions with heavy industry bosses on Sunday in the United Arab Emirates in an effort to agree a firm commitment to reduce carbon emissions ahead of a United Nations climate summit next month.
The COP28 summit is scheduled to take place in Dubai between Nov. 30 and Dec. 12.
It is seen as a crucial opportunity for governments to accelerate action to limit global warming with reports so far showing countries are off track to meet promises to limit the rise in global temperatures to 1.5 degrees Celsius.
"What we have done today is something quite unprecedented in the COP process, to bring together both the demand and supply side in terms of emissions," Adnan Amin, COP28 chief executive officer, told Reuters.
Amin said the aim was to get major industry players to make decarbonization commitments that would help limit global warming.
"We are hoping to reach this agreement before COP28 and then to align on how best this will be positioned at the COP."

PART OF THE CONVERSATION
The gathering brought together CEOs from more than 50 companies from the oil and gas sector - the supply side - and the aluminium, steel and cement industries - the energy demand side.
The meeting, convened by COP28 president Sultan al-Jaber, was attended by U.S. Climate Envoy John Kerry and tackled issues such as commercializing hydrogen, scaling up carbon capture technologies, methane elimination and increasing renewable energy, a statement by COP28 said.
The United Arab Emirates' president of the conference, Jaber, has said the oil and gas industry needs to be part of the conversation on climate change.
He has urged the energy industry to achieve net-zero emissions by or before 2050 and to accelerate an industry-wide commitment to reach near-zero methane emissions by 2030.
The inclusion of oil and gas representatives is a far cry from the 2021 U.N. climate change summit in Scotland, where energy companies complained they were shut out of the event.
Ahead of COP28, countries remain divided between those demanding a deal to phase out planet-warming fossil fuels and nations insisting on preserving a role for coal, oil and natural gas.
"If the oil and gas industry signs up to decarbonization agreements and methane abatement that is a huge contribution to the debate," Amin said.
"It will be the first COP that we can measure the carbon that we are taking off the table."
Jaber, who is also head of UAE state oil giant ADNOC, was a controversial pick to lead the climate summit because his country is an OPEC member and a major oil exporter.

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Top News - Dry Freight

Five more cargo ships head for Ukraine's Black Sea ports -deputy PM

Five more ships are on their way to Ukrainian sea ports using a new corridor opened to resume predominantly agricultural exports, an alternative arrangement to the Black Sea grain deal blocked by Russia, a top Ukrainian official said on Sunday.

"5 new vessels are waiting to be loaded in Ukrainian ports," Deputy Prime Minister Oleksandr Kubrakov said on the X social media platform.

"Bulk carriers OLGA, IDA, DANNY BOY, FORZA DORIA, NEW LEGACY are going to export almost 120,000 (metric) tons of Ukrainian grain to Africa and Europe," he added.

Kubrakov also said that three bulk carriers - Azara, Ying Hao 01 and Eneida - left Ukrainian ports earlier on Sunday using the "temporary corridor established by the Ukrainian Navy" and carrying 127,000 tons of agricultural products and iron ore.

The three cargo vessels are the latest to sail since Kyiv set up a temporary "humanitarian corridor" after Russia quit a deal allowing safe passage for Ukraine's exports.

After it invaded Ukraine last year, Moscow closed off the Black Sea ports of one of the world's biggest suppliers of grain, in what Kyiv and its Western backers called an attempt to use global food supplies as blackmail.

Moscow said the ports could be used to bring in weapons.

The ports were reopened in July 2022 under a deal brokered by the United Nations and Turkey that allowed Russia to inspect ships for arms.

Moscow quit the deal a year later and reimposed the blockade, saying its demands for better terms for its own food and fertiliser exports were being ignored.

Mississippi River near historic lows, grain exports at risk

A key stretch of the lower Mississippi River dropped this week to within inches of its lowest-ever level and is expected to remain near historic lows just as the busiest U.S. grain export season gets underway, according to the National Weather Service. Low water has slowed hauling of export-bound corn and soybean barges over recent weeks as shippers lightened loads to prevent vessels from running aground and reduced the number of barges they haul at one time to navigate a narrower shipping channel. The water woes come at the worst possible time for U.S. farmers as newly harvested corn and soybeans are beginning to flood the market and as stiff market competition from Brazil has already eroded once-dominant U.S. exports. Portions of the river have been closed 22 times since Sept. 1 for dredging or to remove barges that have run aground, and at least 36 groundings have been reported, the U.S. Coast Guard said.

The Mississippi River dropped to a reading of -10.62 feet on the Memphis, Tennessee, gauge on Thursday, just above its all-time low of -10.81 feet on October 21 last year, according to NWS data.

The river is expected to remain below the -10 foot mark into at least mid-October, according to the latest forecast, creating a choke point between heavy production areas in the Midwest and Gulf Coast terminals, where around 60% of U.S. grain exports exit the country. "October's not normally a robust precipitation month, and if we're here already ... it's a real cause for concern," said Mike Steenhoek, executive director of the Soy Transportation Coalition. Low water has also driven freight costs to the highest levels since last year's historic river woes and made U.S. grain much less competitive in the global market-

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Picture of the Day

Firefighters work at a site of grain warehouses hit during a Russian drone strike, amid Russia's attack, in Uman, Cherkasy region, Ukraine October 1. Press service of the State Emergency Service of Ukraine in Cherkasy region/Handout via REUTERS

(Inside Commodities is compiled by Anjana J Nair in Bengaluru)

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

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