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## Top News - Oil

**OPEC+ to consider oil cut of over than 1 mln bpd - sources**

OPEC+ will consider an oil output cut of more than a million barrels per day (bpd) next week, OPEC sources said on Sunday, in what would be the biggest move yet since the COVID-19 pandemic to address oil market weakness.

The meeting will take place on Oct. 5 against the backdrop of falling oil prices and months of severe market volatility which prompted top OPEC+ producer, Saudi Arabia, to say the group could cut production.

OPEC+, which combines OPEC countries and allies such as Russia, has refused to raise output to lower oil prices despite pressure from major consumers, including the United States, to help the global economy.

Prices have nevertheless fallen sharply in the last month due to fears about the global economy and a rally in the U.S. dollar after the Federal Reserves raised rates.

A significant production cut is poised to anger the United States, which has been putting pressure on Saudi Arabia to continue pumping more to help oil prices soften further and reduce revenues for Russia as the West seeks to punish Moscow for sending troops to Ukraine.

The West accuses Russia of invading Ukraine, but the Kremlin calls it a special military operation.

Saudi Arabia has not condemned Moscow's actions amid difficult relations with the administration of U.S. President Joe Biden.

Last week, a source familiar with the Russian thinking said Moscow would like to see OPEC+ cutting 1 million bpd or one percent of global supply.

That would be the biggest cut since 2020 when OPEC+ reduced output by a record 10 million bpd as demand crashed due to the COVID pandemic. The group spent the next two years unwinding those record cuts.

On Sunday, the sources said the cut could exceed 1 million bpd. One of the sources suggested cuts could also include a voluntary additional reduction of production by Saudi Arabia.

OPEC+ will meet in person in Vienna for the first time since March 2020.

Analysts and OPEC watchers such as UBS and JP Morgan have suggested in recent days a cut of around 1 million bpd was on the cards and could help arrest the price decline.

"$90 oil is non-negotiable for the OPEC+ leadership, hence they will act to safeguard this price floor," said Stephen Brennock of oil broker PVM.

**China sets oil products export quotas at about 15 mln T -sources**

China has set the size of its latest batch of oil products export quotas for 2022 at about 15 million tonnes, trade sources with knowledge of the matter said on Friday, a shift in fuel export policy as Beijing seeks ways to boost trade.

The quotas, widely expected by the market for the last two weeks, include 13.25 million tonnes of refined products - normally gasoline, diesel and aviation fuel - and 1.75 million tonnes of low-sulphur marine fuel, two of the sources said.

The new issue of 13.25 million tonnes, the year's single largest allotment, takes total allotments of diesel, gasoline and jet fuel combined for 2022 to 37.25 million tonnes, on par with 2021. Industry and government sources have said the rushed decision to raise refined fuel exports, a change in policy after steep curbs earlier in the year, was part of Beijing's effort to lift sagging merchandise exports.

Asian oil products market fell after the news, with refining profit for 10-ppm gasoil hitting a two-week low of $32.00 a barrel over benchmark Dubai crude, versus $36.93 on Thursday. Similarly, refining margins for jet fuel also hit a two-week low of $24.85 a barrel over Dubai, down from $29.58 in the previous session, while those of gasoline slipped to 81 cents a barrel over Brent crude, from $2.13 a day earlier.

Sources said top state refiner Sinopec and CNPC together accounted for over 80% of the new permits, with the rest shared by state-run firms such as Sinochem Group and China National Offshore Oil Company, as well as privately-controlled Zhejiang Petrochemical Corp.

The commerce ministry, which is in charge of issuing quotas, did not immediately respond to a request for comment. Trading sources and analysts said the sheer size of the new quotas, amounting to 55% of the volume of the previous four issues combined, could mean some of them could spill over into 2023.

"Due to the large size and considering refiners' operational situations ... companies may be allowed to use some of the quotas during the first quarter of next year," said China-based commodities consultancy JLC.

China's exports of refined products are set for big increases during the final quarter of this year, it added.

]The new quotas, under the fifth batch of issue, included 1.75 million tonnes of very low sulphur marine fuel (VLSFO). That takes total marine fuel quotas released this year to 16.75 million tonnes, nearly 40% more than 2021.

## Top News - Agriculture

**Forecast of heavy rains in October raises concern about India's rice, wheat crops**

India is likely to receive above-average rainfall in October, an official with the state-run weather office said on Friday, posing risks for summer-sown crops such as rice and the planting of wheat.

Monthly rainfall is expected at 115% of the long-term average, Mrutyunjay Mohapatra, director general of the India Meteorological Department, told a virtual news conference.

Heavy rains in October could damage ripening crops such as rice, pulses, cotton and soybeans, and may delay wheat planting in parts of India, the world's leading producer of an array of farm goods.

Scant rain in eastern and northern India in the first half of the June-September monsoon season had already hit rice planting, forcing the government to cut output estimates and restrict exports to ensure adequate supplies for the country's 1.4 billion people.

The curbs came on the heels of a ban on overseas sales of wheat after a sudden rise in temperatures in March and April shrivelled the crop.

Although monsoon rains were patchy in Bihar, Jharkhand, Uttar Pradesh and parts of West Bengal - some of India's major rice-producing states - overall summer rains were 6% higher than average during the four-month season as central and southern regions received torrential downpours.

India is increasingly seeing uneven monsoon rains, raising concerns about food output. Rains are also getting more intense during the tail end of the season, and lingering.

This year, the monsoon could last longer than normal, especially in northern India, Mohapatra said.

Although a longer monsoon tends to help winter crops by leaving the soil moist and replenishing reservoirs, unusually heavy downpours hamper agricultural activities.

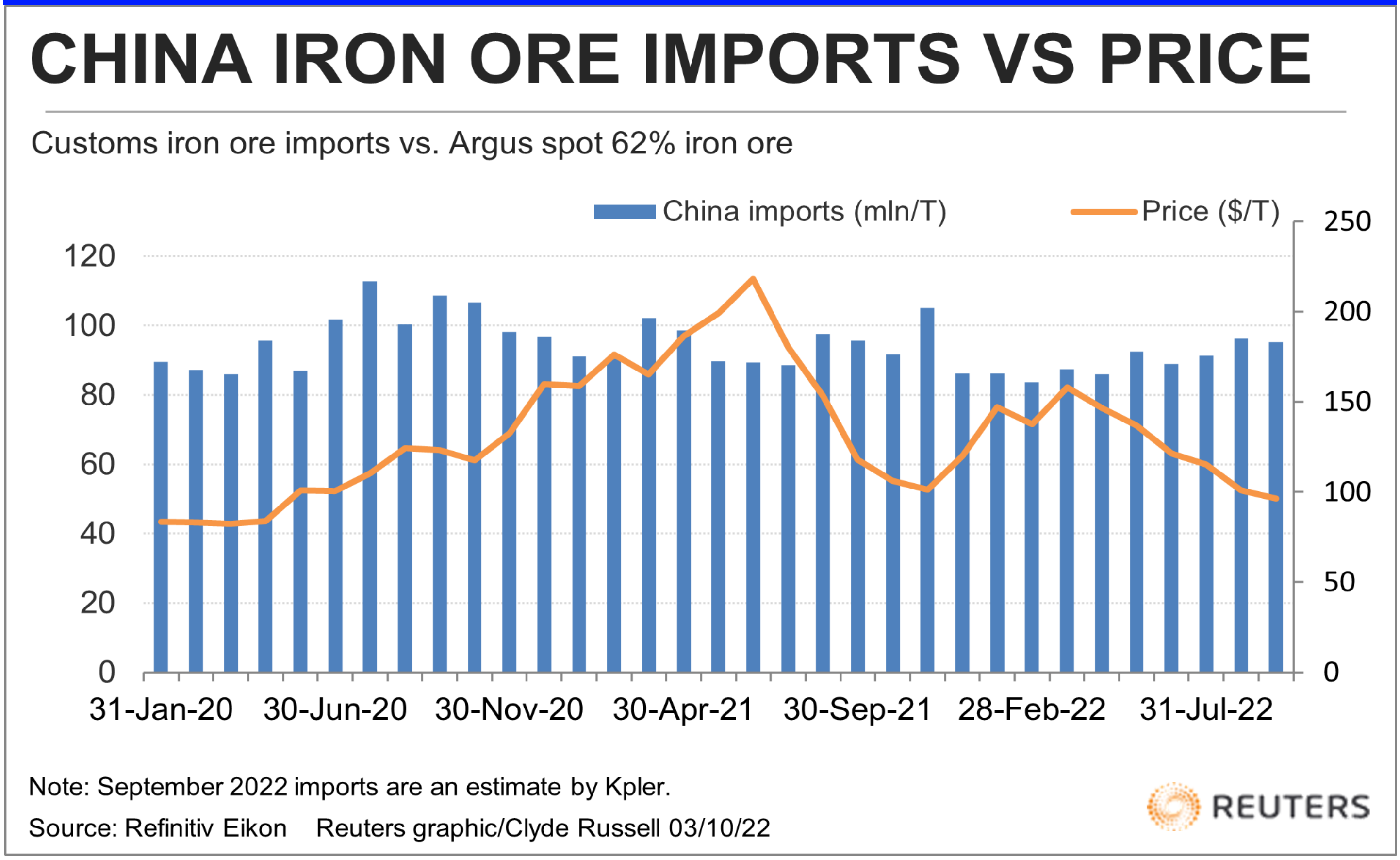
"Crops are getting ready for harvesting and they need dry weather," said a New Delhi-based dealer with a global trading firm.

"Excessive rainfall could damage crops, especially rice in Uttar Pradesh, Bihar and West Bengal," said the trader who did not wish to be identified in line with his company's policy.

Within weeks of harvesting the rice crop, millions of Indian farmers start planting wheat in October. Growers harvest the wheat crop in March and April.

Monsoon rains are critical for India's farm-dependent economy, as almost half of the country's farmland goes without irrigation. Farming accounts for nearly 15% of

## Chart of the Day



India's almost $3 trillion economy and sustains half of its population.

**Nestle to stop sourcing from Indonesian palm oil producer AAL**

Food giant Nestle plans to stop sourcing from subsidiaries of Astra Agro Lestari (AAL), a major Indonesian palm oil producer accused by environmental groups of land and human rights abuses.
The move comes as multinationals face increased reputational and legal pressure from consumers and governments to clean up their global supply chains in the fight against climate change. Nestle, maker of KitKat chocolate and Nespresso coffee, told Reuters that following a recent independent assessment, it instructed its suppliers to ensure palm oil from three subsidiaries of AAL no longer enters its supply chain.
It did not specify the claims again AAL other than to say it had been on its 'grievance' list for several months.
The Swiss-based group expects it will not be using any palm oil from the AAL subsidiaries by the end of the year.
AAL denied the accusations made against it.
"Astra Agro is very serious about implementing our sustainability policy. It is not true that Astra Agro or its subsidiaries carry out land grabbing," Mr. Santosa, president director of AAL, told Reuters.
He added that Nestle was not a direct buyer of products produced by AAL, but most probably bought from its customers.
"Astra Agro conducts daily physical spot sales, a common practice in the commodity business, so the direct impact of this issue is immaterial" he said.
The European Commission has proposed several laws aimed at preventing and, in the case of forced labour, banning the import and use of products linked to environmental and human rights abuses.
Friends of the Earth said Nestle's move to stop sourcing from AAL is an important "first step" and renewed its call on consumer majors such as Procter & Gamble, Hershey's, Kellogg's , Unilever and PepsiCo to follow suit.
"Nestle and other consumer giants now have a monumental opportunity to ensure grievances are redressed, conflicts are resolved, and justice is delivered to communities," the environmental group said in a statement.

## Top News - Metals

**China's spot copper premium to stay elevated as demand improves**

The copper spot premium in top consumer China could stay elevated in the next few months, analysts and traders said on Friday, as demand for the metal has improved on the back of government stimulus.
The spot premium for refined copper was at 605 yuan ($85.36) a tonne on Thursday, up from 50 yuan a tonne at the end of last year. Earlier this month, it hit 825 yuan, the highest since November 2021.
The premium, which is paid on top of copper prices listed on exchanges, gives an indication of the supply/demand balance in China's physical copper market.
China has in the past few months issued trillions of yuan worth of loans and spending on infrastructure, a heavy user of copper, as it seeks to revive its economy which has been battered by COVID-19 restrictions and a global economic slowdown.
"The Chinese commercial property market has been badly hurt especially for this year, but other sectors are looking good... the copper premium will still be at a relatively high level," said He Tianyu, China copper analyst at consultancy CRU Group.
Refined copper demand in China rose 5% year-on-year in the third quarter, and is seen accelerating to a 9% year-on-year growth in October-December, he said.
Average utilisation rates at copper wire-rod mills in China rose to 70% currently, from 62% at the beginning of August, and the rate at copper tube plants rose to 67% from 64% during the same period, he added.
In manufacturing industry, another major copper consumer, official data showed September factory activity unexpectedly returned to growth after two months of contraction.
"The Chinese market has found support from improving demand, which contrasts with poor demand in non-Chinese markets and would keep the import arbitrage window open," a China-based metals trader said.
The Yangshan premium, which reflects demand for imported copper into China, rose to $108 a tonne on Thursday, close to the $112.50 level hit on Aug. 19, the highest since October last year. China imported 2.37 million tonnes of refined copper in the first eight months of 2022, up 7.4% year on year, official data showed.
A Chinese copper tube maker expected more purchases after China's National Day holiday, which lasts from Oct. 1 to Oct. 7.

SUPPLY TIGHTNESS

Tight supply is also helping the premium.
Visible inventories in China, including metals in Shanghai Futures Exchange and China bonded warehouses, were at a record low of 118,697 tonnes combined.
Stockpile in ShFE and the London Metal Exchange warehouses together were 171,797 tonnes, equivalent to just 2.5 days of global consumption.
"Spot premium won't come down anytime soon as the supply in both domestic and overseas markets will remain tight," the metals trader said. In August, Chinese copper cathode output fell short of expectation due to power curbs in Zhejiang and Anhui provinces, COVID-19 restrictions and tight scrap supply, state-backed research

house Antaike said in a report on Sep. 9. Supply disruptions due to liquidity issues at Maike, China's top copper importer, also caused some tightness in the market, CRU's He said.
However, the market has remained volatile as a stronger dollar, helped by monetary tightening in the United States, could make copper more expensive to import and hurt the import premium, said another metals trader.

**Russia's Rusal denies it plans to deliver aluminium into LME warehouses**

Russia's Rusal said on Friday that speculation the aluminium producer was planning to offload metal into London Metal Exchange (LME) registered warehouses was misleading.
The LME, the world's oldest and largest market for trading industrial metals, said on Thursday it was considering a consultation on whether Russian aluminium, nickel and copper should continue to be traded and stored in its system.
Rusal, the world's largest producer of aluminium outside China, has not been directly targeted by the Western sanctions imposed on Moscow after it sent thousands of troops to Ukraine on Feb. 24.
But some market sources have said they were concerned that Rusal would not be able to sell its metal used in the transport, packaging and construction industries and would deliver it to LME warehouses instead.
The suggestion "does not correspond to our physical sales, where we continue to service our global customers, including negotiating and planning 2023 offtakes," Rusal said.
Some buyers have said they are shunning Rusal's metal, while others are securing price discounts at the same time as the aluminium industry negotiates supply deals for 2023.The LME said no final decision had been taken on whether to issue a discussion paper to ask for views on Russian metal, but that it was under consideration.
"A discussion paper could also lay out potential options which could be pursued on the basis of market feedback gathered, including the option to take no action," Chief Executive Matthew Chamberlain said in the statement.
The LME did not detail the options that would be considered in a consultation. Rusal is expected to account for 6% of global aluminium supplies this year.
Benchmark aluminium jumped 8.5% to $2,305 a tonne on Thursday as the possibility of the LME banning new Russian metal from the list of brands that can be delivered against its contracts triggered a buying frenzy. It was last down 0.5% at $2,185 a tonne on Friday.

**MARKET MONITOR as of 06:12 GMT**

| Contract | Last | Change | YTD |
|---|---|---|---|
| NYMEX Light Crude | $81.70 / bbl | 2.78% | 8.63% |
| NYMEX RBOB Gasoline | $2.43 / gallon | 2.39% | 8.88% |
| ICE Gas Oil | $1,010.50 / tonne | 1.74% | 51.50% |
| NYMEX Natural Gas | $6.67 / mmBtu | -1.43% | 78.79% |
| Spot Gold | $1,667.15 / ounce | 0.45% | -8.82% |
| TRPC coal API 2 / Dec, 22 | $290 / tonne | 2.31% | 135.77% |
| Carbon ECX EUA / Dec, 22 | €66.24 / tonne | -0.73% | -17.87% |
| Dutch gas day-ahead (Pre. close) | €163.50 / Mwh | 5.04% | 145.86% |
| CBOT Corn | $6.84 / bushel | 0.89% | 15.21% |
| CBOT Wheat | $9.22 / bushel | -0.41% | 19.56% |
| Malaysia Palm Oil (3M) | RM3,424 / tonne | 0.23% | -27.10% |
| **Index (Total Return)** | **Close 30 Sep** | **Change** | **YTD Change** |
| Thomson Reuters/Jefferies CRB | 288.12 | -1.05% | 16.64% |
| Rogers International | 30.48 | -0.16% | 30.79% |
| U.S. Stocks - Dow | 28,725.51 | -1.71% | -20.95% |
| U.S. Dollar Index | 111.82 | -0.27% | 16.51% |
| U.S. Bond Index (DJ) | 377.67 | -6.50% | -19.98% |

## Top News - Carbon & Power

**Germany's RWE buys Con Edison clean energy in $6.8 bln U.S. shift**

Germany's largest power producer RWE has agreed to buy Con Edison's Clean Energy Businesses for $6.8 billion, nearly doubling RWE's renewables portfolio in the United States, the world's second-biggest renewables market.

The purchase will be partly funded by RWE issuing a $2.43 billion convertible bond to a Qatar Investment Authority unit, through which the QIA will become a 9.1% shareholder in RWE.

Con Edison said it was scrapping plans to issue up to $850 million in new shares this year and withdrawing equity guidance for the next two years. It said the deal would allow it to focus on its core utility business and New York's clean energy shift.

The transaction will nearly double RWE's U.S. renewables portfolio to more than 7 gigawatts (GW) and grow its regional project pipeline by 7 GW to more than 24 GW.

After the takeover, solar will account for 40% of RWE's U.S. portfolio, up from 3% now, presentation slides showed.

"Our equity capital measure is the basis for financing the acquisition of Con Edison CEB and of the additional green growth in the years to come," RWE Chief Executive Markus Krebber said.

"I am delighted that QIA is supporting RWE's accelerated growth ambitions with their capital commitment," Krebber added in a statement released late on Saturday.

The deal, which is expected to close in the first half of 2023, will make RWE the fourth-largest renewables player in the U.S. market, which plays a key role in its green expansion, though still far behind largest player NextEra, which has some 58 GW of generating capacity.

U.S. EXPANSION

RWE's expansion in the United States comes as Germany is battling the impact of a complete halt in Russian gas supplies, which has already triggered the nationalisation of its smaller competitor Uniper.

Activist energy fund Enkraft Capital, which owns 0.15% of RWE, said it was "incomprehensible" how RWE could spend 7 billion euros on an M&A deal in the U.S. "amidst the biggest energy crisis Germany has ever seen".

But QIA CEO Mansoor bin Ebrahim Al-Mahmoud said it was proud to support RWE's efforts to become a global renewables leader.

QIA's investment expands Qatar's relationship with Europe's largest economy, which already includes stakes in Volkswagen, Deutsche Bank and Porsche.

The deal, the biggest for RWE since the break-up of former division Innogy announced in 2018, will be earnings accretive right away, giving RWE additional core earnings (EBITDA) of $600 million a year.

It comes nearly a year after RWE fleshed out its global renewables roadmap, which includes 50 billion euros ($49 billion) of gross investments by 2030, with 15 billion earmarked for the United States.

Con Edison CEO Timothy Cawley said RWE was "well-positioned to accelerate the growth of renewable energy across the United States."

Con Edison was advised on the deal by Barclays and Latham and Watkins.

RWE also confirmed plans to pay a dividend of 0.90 euro per share for 2022.

**Yancoal Australia to prepay $1 billion debt as surging coal prices boost cashflows**

Coal miner Yancoal Australia Ltd said on Friday it would prepay $1 billion in debt by October, as persistent strength in coal prices support strong cash inflows.

Western sanctions on Russia, the world's third-largest exporter of coal, have sparked a scramble for alternate supplies, sending prices of the commodity to record highs. (

"Yancoal's scale of production provides substantial cash inflows during periods of elevated coal prices," Yancoal Chief Executive Officer, David Moult said.

The planned prepayment will be made on Oct. 4 and is part of the miner's repayment towards its syndicated facility and its unsecured related-party loans, Yancoal added, without disclosing when the debt was originally scheduled to be repaid.

The prepayment combined with previously fulfilled mandatory repayments would result in Yancoal clearing over $2 billion in debt in the last 12 months, it said.

Yancoal, which this month terminated a deal involving a takeover by its largest shareholder, China's Yankuang Energy, said the prepayment will help it cut down finance costs by $207 million over the loan periods.

After the payment, the company's total debt will be down to$792 million, with mandatory repayments of the majority of the debt due in the second half of 2024 and 2026, Moult added.

# Top News - Dry Freight

**Ukraine's Sept grain exports fall 23.6% y/y to 4.3 mln T -ministry**

Ukraine's grain exports fell by 23.6% year on year in September to 4.278 million tonnes, but reached the highest level since the Russian invasion, agriculture ministry data showed.

The country's grain exports have slumped since February as the invasion closed off Ukraine's Black Sea ports, 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.

September's exports included 2.08 million tonnes of corn, 1.75 million tonnes of wheat and 432,000 tonnes of barley.

In August, Ukraine exported around 3 million tonnes of grain, including 1.85 million tonnes of corn and 900,000 tonnes of wheat. The ministry's data also showed that Ukraine's grain exports are down 40.3% year on year so far in the 2022/23 season, at almost 8.6 million tonnes, but the pace of shipments is increasing gradually.

Exports so far in the current July to June season have included 4.8 million tonnes of corn, 3 million tonnes of wheat and 762,000 tonnes of barley, according to the data.

**Algeria said to have bought about 300,000 T wheat, mainly Russian**

Algeria's state grains agency OAIC is believed to have bought about 300,000 tonnes of milling wheat in an international tender which closed on Thursday, European traders said on Friday.

The purchase was expected to be largely sourced from Russia, although technically supplies are optional origin, they said.

Talks had continued on Friday but it was unclear if more had been bought. Most traders on Friday estimated the tonnage bought at about 300,000 tonnes, above most earlier assessments of 150,000 to 200,00 tonnes.

Estimates of the purchase prices were at $369, $370 and $372 a tonne cost and freight (c&f) included, although some traders put the highest price at $373 a tonne c&f.

The wheat was sought for shipment in two periods from the main supply regions including Europe: Nov. 1-15 and Nov. 16-30. If sourced from South America or Australia, shipment is one month earlier.

Algeria is usually the largest export market for European Union wheat, with France the main EU supplier. Algeria does not release results of its tenders and reports are based on trade estimates.

However, increased political tension surrounding Russia's seven-month-old war in Ukraine have revived uncertainty about Black Sea grain trade.

News on Thursday that sanctions-hit Russian bank VTB has urged President Vladimir Putin to curb the activities of Western grain traders in Russia, in a letter seen by Reuters, added to caution about sourcing supplies from Russia, traders added. Some non-Russian companies were unwilling to offer Russian wheat in the tender, they said.

## Picture of the Day

*A farmer harvests a sugar beet field in Abancourt, France. REUTERS/Pascal Rossignol*

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

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