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

Top News - Oil

Goldman says reported OPEC+ output cuts reinforce its bullish oil view

Goldman Sachs said a production cut under consideration by the Organization of the Petroleum Exporting Countries (OPEC) and its allies was justified by the sharp decline in oil prices from recent highs and supported its bullish view.
OPEC+ is discussing output cuts of more than 1 million barrels per day (bpd), sources told Reuters, and voluntary cuts by individual members could come on top of that, making the reduction the largest since the start of the COVID-19 pandemic.
Oil prices jumped more than $3 per barrel in response.
"We reiterate both our bullish oil view as well as our preference for long crude timespread positions into year-end," the bank's commodities research division wrote in note on Monday.
Despite one of the tightest markets in recorded history, Goldman said the cut could be justified by the 40% decline in prices from their June peak and enabled by the lack of supply elasticity, given slowing shale activity and exhausted spare capacity.
"The collapse in investor participation, driving liquidity and prices lower, is also a likely strong catalyst for such a cut, as it would increase the carry in oil and start to claw back investors who have instead turned to USD cash allocation following the aggressive Fed hikes."
Last week, Goldman Sachs cut its 2023 oil price forecast due to expectations of weaker demand and a stronger U.S. dollar, but said the ongoing global supply disappointments only reinforced its long-term bullish outlook.
The reported cut would also limit downside to prices should economic growth be slower than it expects for next year, Goldman said.
"This cut can help remedy the large exodus of oil investors that has left prices under-performing both fundamentals and other cyclical asset classes," the note said. While exceptional, this cut is logical as it maximizes the group's revenues today with minimal sacrifice of future profits, Goldman added.

COLUMN-Oil investors ready for recession: Kemp

Portfolio investors continued to flee from the oil market last week amid multiplying signs of an imminent recession that would cut petroleum consumption.
Hedge funds and other money managers sold the equivalent of 34 million barrels in the six most important petroleum futures and options contracts in the week to Sept. 27.
Funds have sold in 10 of the last 16 weeks with positions reduced by a total of 237 million barrels since early June, according to position records published by ICE Futures and the U.S. Commodity Futures Trading Commission.
The combined position has been cut to just 410 million barrels (18th percentile for all weeks since 2013) from 647 million barrels on June 7 (57th percentile).
Bullish long positions outnumber bearish short ones by only 3.63:1 (40th percentile) down from 6.68:1 (85th percentile).
The most recent week saw heavy sales of NYMEX and ICE WTI (-23 million barrels) and more modest sales of Brent (-4 million), U.S. diesel (-4 million) and European gas oil (-3 million), with no change in U.S. gasoline.
The combined position across all three crude contracts has dwindled to just 314 million barrels (10th percentile) from 513 million on June 7 (55th percentile), as confidence in a price rebound has evaporated.
In middle distillates, the most cyclically sensitive contracts, the combined position in diesel and gas oil has fallen to just 45 million barrels, the lowest level since November 2020, before the first successful coronavirus vaccines were announced.
Fund managers are preparing for a moderate-to-severe downturn in the business cycle cutting consumption - with the most significant impacts felt in crude and the distillates used primarily in freight transport and manufacturing.
Inventories of both crude and refined fuels remain at multi -decade lows in the major consumption centres, but a cyclical downturn is expected to stabilise and rebuild them, ending upward pressure on prices.

Top News - Agriculture

Rains slow Brazil's new soy crop planting, consultancy says

Excess rains in some areas of Brazil have slowed sowing of the country's 2022/2023 soybean crop, according to agribusiness consultancy AgRural on Monday.
As of last Thursday, the total area planted with the oilseed reached 3.8% in the world's largest producer of soybeans. This compares with 4.1% a year ago, according to AgRural.
"The progress during the week was not bad, but sowing could have been faster if it weren't for constant rains in Parana, Mato Grosso do Sul and Sao Paulo states," AgRural said.
In Mato Grosso, Brazil's top grain grower, rainfall last

week was very welcome to improve soil moisture and accelerate sowing work, according to the consultancy.
At the same time, a separate forecast from consultancy Safras & Mercado on Monday showed a slightly different picture for Brazil's soy planting.
Safras pegged domestic soy sowing at 4.5% of the estimated area through last Friday, above the 4% seen last year and higher than a five-year average of 3.1%.
Safras estimates farmers will plant soy on 42.88 million hectare (105.9 million acres) this year.
The Brazilian government predicts Brazilian growers will reap a record of around 150 million tonnes of soybeans this season and a record 125.5 million-tonne total corn crop, barring weather issues.
StoneX on Monday rose its projection for Brazil's soy production to 153.8 million tonnes and the total corn forecast to 126.3 million tonnes, in spite a drop in Brazil's summer corn forecast related to a fall in planted area. [nS0N30Q002]
AgRural said Brazil's summer corn sowing is 34% complete in the center south, where most of the country's output comes from. This compares with 32.6% at the same time a year ago, the consultancy said.

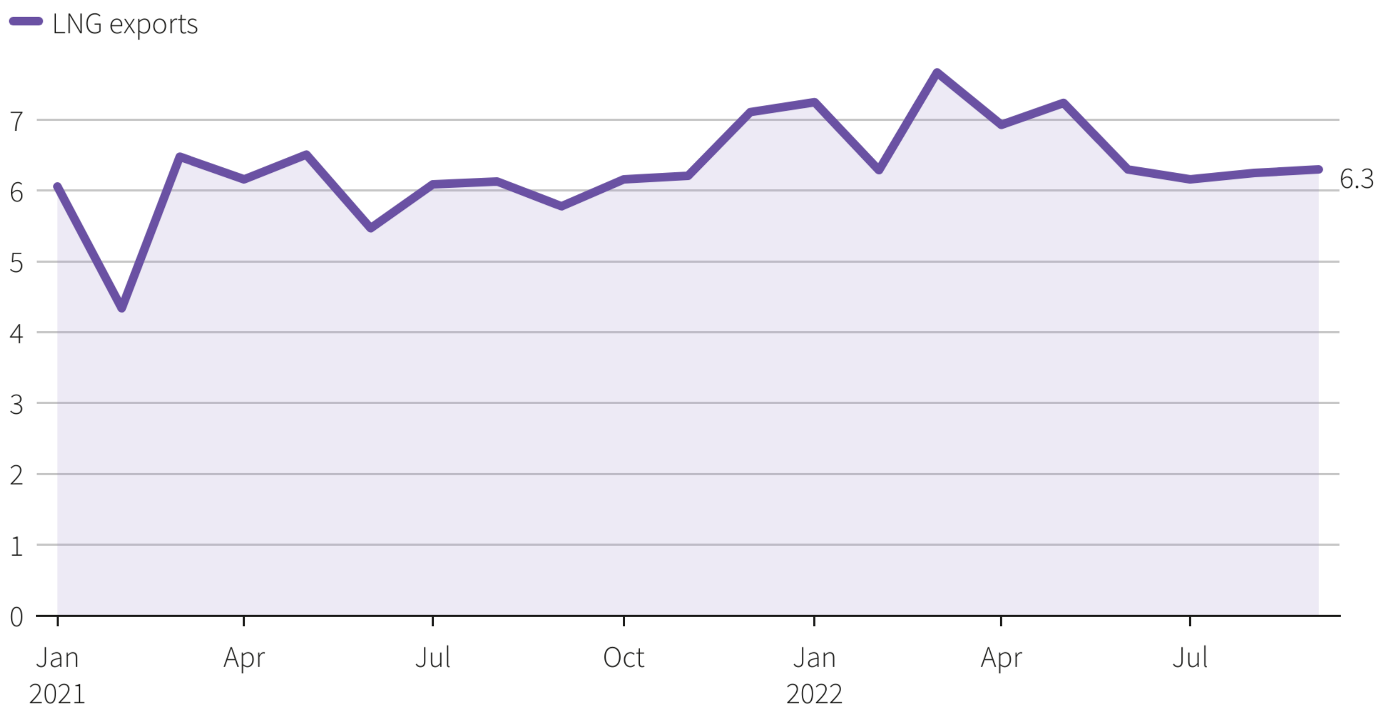
India's Sept palm oil imports jump to 1-yr high of 1.2 mln T-dealers

India's imports of palm oil jumped in September to their highest in a year, boosted by strong demand for the tropical oil ahead of the festival season and a steep discount to rival oils, six dealers told Reuters on Tuesday.
Greater buying could help top producer Indonesia cut swelling inventories and support benchmark Malaysian palm oil prices, which have nearly halved from this year's record highs.
The September imports jumped 21% from a month ago to 1.2 million tonnes, the highest since September last year, the average estimate from six dealers with trading firms showed.
"Palm oil was much cheaper than other edible oils," said Rajesh Patel, managing partner at GGN Research. "It was natural for refiners to increase buying."
Palm oil is nearly $300 cheaper than rival soyoil for

Chart of the Day

U.S. LNG producers focus on exports to Europe

Shipments of liquefied natural gas from U.S. ports increased slightly to 6.30 million tonnes in September, below the year average, as Freeport LNG's Texas facility remained shut.



Note: Figures in million tonnes
Source: Refinitiv Eikon

September shipments as Indonesia was trying to reduce its stockpile, dealers said.
Even in October, India's palm oil imports will stay robust, at about a million tonnes, as its steep discount persists and festivals fuel demand strong, a Mumbai-based dealer with a global trading firm said.
Crude palm oil is being offered at $855 a tonne, including cost, insurance and freight (CIF) in India for October shipments, versus $1,207 for crude soyoil, the dealers said.
The Solvent Extractors' Association of India, a trade body based in Mumbai, is likely to publish its September import data in the middle of October.
Soyoil imports in September rose 10% from a month ago to 270,000 tonnes, while those of sunflower oil jumped 22% to 165,000 tonnes, the dealers said.
Sunflower oil imports were rising as its premium over rival soyoil has narrowed after supplies from top exporter Ukraine resumed since August through a U.N.-brokered corridor, said Sandeep Bajoria, chief executive of leading broker Sunvin Group.
India buys palm oil mainly from Indonesia, Malaysia and Thailand, while it imports soyoil and sunflower oil from Argentina, Brazil, Russia and Ukraine.

Top News - Metals

ANALYSIS- Global metals volumes slide on recession fears, volatile markets

Industrial metal trading volumes have fallen across the world and may slide further as economic threats from higher interest rates to the war in Ukraine send buyers, especially in leading consumer China, to the sidelines.
Aggressive interest rate hikes have fuelled real concern about impending recession, while confidence is also still reeling after wild price swings during the first quarter following Russia's invasion of Ukraine.
Trading volumes of copper have tumbled by up to a third on global commodity exchanges so far this year, and those in most other industrial metals also slumped, with nickel hardest hit.
Weakening appetite for industrial metals is an ominous sign for the global economy, for which "Doctor Copper" - nicknamed for its widespread use in industrial processes from construction to power and manufacturing - is seen as a key indicator.
While the relationship is complicated by other factors such as exchange fees and margins, a comparison of copper volumes with both global growth and manufacturing show correlations which analysts estimated at 60%-80%.
"Clearly the threat of recession may well be playing a part in participants looking to reduce their exposure to metals," said independent consultant Robin Bhar.

CHINA HIT HARDEST

Exchanges in China, the world's biggest producer and consumer of commodities, have seen some of biggest erosion in activity, with copper volumes on the Shanghai Futures Exchange (ShFE) down 33% so far this year through August.
In addition to an economic slump and a property crisis, China's government has taken a tough line on COVID-19 infections, imposing severe lockdowns in the country's commercial hub of Shanghai.
People were reluctant to take big trading decisions during lockdowns, said Tiger Shi, managing director of BANDS Financial in Hong Kong. "The lack of face-to-face interaction hindered company employees making trading strategies," he added.
"Another (factor) is the slowdown of the economy. Everyone is taking a more conservative approach."
Some copper trading in China has shifted to a new international copper contract on Shanghai's International Energy Exchange (INE), but that only accounts for a small portion of the decline on ShFE, traders said.
INE volumes gained by 819,288 tonnes so far this year, but ShFE activity slid by 74.4 million tonnes.

FUNDS STAY ON SIDELINES

The U.S. Comex market is favoured by funds and speculators, but their wariness saw average daily volumes of copper skid 21% in the first eight months of the year.
"The macro is signalling you to sell or go short, but you'd be very cautious because of the ability of a short market to bite back," said Bhar. "You may lose your shirt."
Many investors are bullish about copper in the long term due to expected growing demand in electric vehicles and renewable energy, but are holding back in the short term, said Tom Nelson, a portfolio manager at investment manager Ninety One.
"Copper in the very near term is very well supplied, so you can be very bullish copper for the energy transition, but hold back for a year or two because of near-term supply trends."

PHYSICAL BUSINESS BOLSTERS LME

Volumes have also declined on the LME, the world's oldest and biggest market for industrial metals, but in most cases it has outperformed its U.S. and Chinese rivals.
The LME's status held on despite a wild spike in nickel prices in March that forced the exchange to suspend activity and cancel billions of dollars in trades, angering many investors and triggering lawsuits.
With confidence undermined, nickel activity has been knocked the most, with LME volumes dropping 17% so far this year, though that is still less than on the ShFE, where they have plummeted 70%.

The dramatic decline is because the Shanghai contract has not established itself as a global benchmark, and there has been a lack of arbitrage opportunities since the LME contract has not been open during key Asian trading times since the March crisis.

LME data shows many participants have abandoned the nickel market, a trend several traders say looks set to continue, leading to even lower volumes and more volatility as more people opt to negotiate prices directly.

Copper volumes at the 145-year-old LME have dipped just 6% year-to-date, holding up better than ShFE and Comex because the core of its business is based on physical flows including from miners and industrial users, said Marc Bailey, chief executive of broker Sucden Financial in London.

"The LME is very much underpinned by traditional trade flows. Those flows are going to be there, even if they're going to be less because economic activity is less," he said.

India's platinum imports jump to record high as refiners take advantage of tax change

India's platinum imports in September jumped multifold to a record high as refiners imported a large amount of gold containing small amounts of platinum but registered the purchases with customs as platinum alloy to avoid paying higher duties, government and industry officials told Reuters.

Such masking was possible due to what a tax official said was a loophole created by a change in policy in July whereby differential import duties were levied on gold, silver and platinum, distinct from previous policy of having the same taxes for all the three precious metals.

In July New Delhi raised import duty on gold to 15% but kept the tax on platinum imports unchanged at 10.75 %.

"The duty change allowed importers to explore loophole in the system. They initially in August imported small quantity with 3% platinum and got cleared from Delhi customs as platinum alloy," said a senior industry official, who declined to be named.

As their imports were cleared, they brought in more gold as platinum and soon other refiners and trade houses joined them, which lifted India's platinum imports to around 27 tonnes in September from 1.14 tonnes a year ago, trade and government sources said.

In entire 2021 India had imported 10.59 tonnes of platinum, according to data compiled by Ministry of Commerce and Industry. A Mumbai-based bullion dealer said refiners were taking advantage of government rule that says, "An alloy containing 2% or more, by weight, of platinum is to be treated as an alloy of platinum."

"The rule was framed when platinum prices were higher than gold. In recent years platinum prices crashed. But still traders couldn't use the rule as the import duty on both the commodities was same. After July's duty hike, refiners started using this loophole," the dealer said.

MARKET MONITOR as of 06:09 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$83.98 / bbl	0.42%	11.66%
NYMEX RBOB Gasoline	$2.54 / gallon	1.05%	13.95%
ICE Gas Oil	$1,039.75 / tonne	0.82%	55.88%
NYMEX Natural Gas	$6.47 / mmBtu	-0.03%	73.40%
Spot Gold	$1,702.97 / ounce	0.22%	-6.86%
TRPC coal API 2 / Dec, 22	$290 / tonne	2.31%	135.77%
Carbon ECX EUA / Dec, 22	€.00 / tonne	0.00%	-100.00%
Dutch gas day-ahead (Pre. close)	€132.42 / Mwh	5.04%	99.13%
CBOT Corn	$6.79 / bushel	-0.33%	14.37%
CBOT Wheat	$9.12 / bushel	-0.41%	18.33%
Malaysia Palm Oil (3M)	RM3,518 / tonne	2.69%	-25.10%
Index (Total Return)	**Close 03 Oct**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	293.06	1.71%	18.64%
Rogers International	30.57	0.30%	31.17%
U.S. Stocks - Dow	29,490.89	2.66%	-18.84%
U.S. Dollar Index	111.48	-0.24%	16.16%
U.S. Bond Index (DJ)	383.15	-5.14%	-19.99%

Dubai-based gold refiners were mixing 2% to 5% platinum in to gold bars exclusively for Indian buyers, said Dubai-based bullion dealer, who declined to be named.
The government should promptly raise the import duty on platinum to 15% to stop this practice of importing gold under guise of platinum, said Surendra Mehta, secretary at the India Bullion and Jewellers Association (IBJA).
India is the world's second biggest consumer of gold and relies on the imports to fulfil most of its requirement.
"Traders are paying 4.25% lower duty for gold imports classified as platinum. This is giving them an advantage to offer discounts over rival suppliers," said Chanda Venkatesh, managing director of CapsGold, a Hyderabad -based bullion merchant.

Top News - Carbon & Power

Sweden sends diving vessel to probe leaking Nord Stream pipelines

Sweden sent a diving vessel on Monday to the site of Russian gas pipelines in the Baltic Sea that ruptured last week following blasts in the area, to probe an incident that has added new tension to Europe's energy crisis.
Europe is investigating what caused three pipelines in the Nord Stream network to burst in an act of suspected sabotage near Swedish and Danish waters that Moscow quickly sought to pin on the West, suggesting the United States stood to gain.
Nord Stream, which runs from Russia to Germany, has been at the centre of a growing gas supply crisis in Europe, which until recently relied heavily on Russian fuel, sending prices soaring.
Several European Union states have triggered emergency plans that may lead to rationing as they race to find alternative supplies, while Britain now faces a "significant risk" of gas shortages this winter, the regulator said.
"The coast guard is responsible for the mission, but we are supporting them with units," a spokesperson for the Swedish navy, Jimmie Adamsson, told Reuters. "The only one we are naming is HMS Belos, which is a submarine rescue and diving vessel."
Sweden's prosecution authority said in a press release that it had designated the area as a crime scene.
A spokesman for the Swedish coast guard confirmed in an email that there was now an exclusion zone of five nautical miles around the leaks.
Earlier, the Swedish coast guard said Nord Stream 1 had stopped leaking, but an overflight suggested gas was still draining out of Nord Stream 2 and bubbling to the surface over a 30 metre (32 yard) radius.
The Kremlin doubled down on allegations that the West was to blame for the ruptures on Monday, saying that the United States was able to increase sales and prices of its liquefied natural gas (LNG) as a result.
Washington has strongly denied any involvement. European countries suspect sabotage, but have declined to say who could be behind it. Kremlin-controlled Gazprom also said flows could resume at the last remaining intact pipeline in the Nord Stream 2 network, a suggestion likely to be rebuffed given Europe blocked Nord Stream 2 on the eve of Russia's invasion of Ukraine in February.
"If a decision is made to start deliveries through Nord Stream 2's line B, natural gas will be pumped into the pipeline after the integrity of the system has been checked and verified by supervisory authorities," Gazprom said.
The suggestion follows remarks by Russia's deputy prime minister on Sunday that the Nord Stream network could be repaired, given time and enough funds.

NORWAY SENDS SOLDIERS

Nord Stream has been a flashpoint in the energy standoff between the West and Moscow that has pummelled Western economies and fuelled a cost-of-living crisis.
Russia steadily reduced gas flows via Nord Stream 1 this year before halting them altogether at the end of August, blaming technical difficulties caused by Western sanctions. European countries said Moscow was using energy as a weapon. Nord Stream 2 was never operational, and Western countries have resisted calls from Russia to drop their opposition to the project.
Jolted by the Nord Stream ruptures, European countries have started strengthening security and surveillance around critical infrastructure that could be vulnerable to attack.
Norway, Europe's main gas supplier and a major oil exporter, said it had deployed soldiers to guard major onshore oil and gas processing plants.
Italy has strengthened surveillance and controls on underwater energy and telecommunications cables, a source told Reuters.
Focus has also turned to the security of other gas supply lines.
Eni, the biggest importer of Russian gas in Italy, at the weekend said Russia had halted all gas flows through the Tarvisio entry point, though its chief executive on Monday blamed the halt on short-term technical issues.
The stoppage of flows through the Tarvisio entry point "has absolutely nothing to do with geopolitical factors. It is due to the fact that Gazprom would have to pay a monetary guarantee for the transport of gas from Austria to Italy that was not there before," Claudio Descalzi said.
European Union countries meanwhile are trying to forge a consensus on a gas price cap, which is opposed by some countries including economic powerhouse Germany.
EU country leaders are set to ask the European Commission to propose a cap using "workable solutions", according to a draft statement seen by Reuters.
Hungary, which has been at loggerheads with Brussels and criticised Western sanctions on Russia, on Monday secured a deferral on payments for its winter gas supply.

U.S. takes step to advance use of Cold War-era law for clean energy

The U.S. Department of Energy on Monday took a step to advance use of a Cold War-era defense law for boosting the reliability of the electric power grid, deploying clean energy, and speeding domestic production of grid technologies such as transformers.

The department issued a request for information, asking the public to determine how best to use the Defense Production Act, or DPA, to boost manufacturing and lower energy costs for consumers.

The DPA "provides us with a vital tool to make targeted investments in key technology areas that are essential to ensuring power grid reliability and achieving our clean energy future," U.S. Energy Secretary Jennifer Granholm said in a release.

In June, President Joe Biden, a Democrat, invoked the DPA to expand manufacturing of solar panels, heat pumps, transformers, and equipment for "clean electricity-generated fuels" such as electrolyzers and fuel cells. The 1950 law gives the Pentagon wide powers to procure equipment necessary for national defense.

The DOE wants to get input by Nov. 30 from industry, labor, environmental, energy justice, and state, local and tribal stakeholders on using the DPA authority to support the clean energy workforce and technologies needed to combat climate change.

Some Republicans in Congress have criticized Biden's use of the DPA. Late last month, Senator Pat Toomey, the top Republican on the Senate Banking Committee, called Biden's use of the law "irresponsible" and said that increasing use of it disrupted supply chains and violated the intent of the law to make goods available in actual national security emergencies.

Biden's predecessor, Donald Trump, a Republican, invoked the DPA in 2019 to stockpile rare earths, the specialized minerals used to make magnets found in weaponry and EVs, and again in 2020 to order General Motors to produce life-saving ventilators during the COVID-19 pandemic.

Top News - Dry Freight

Hungary imports maize from Ukraine as drought hits local crop

Hungary has imported about 1 million tonnes of maize, nearly a quarter of its annual needs in the past 12 months mostly from Ukraine as a severe drought destroyed a large part of its domestic crop, industry representatives said on Monday.

"Under normal circumstances, Hungary is a maize exporter, but this year's crop will be the lowest since the 1970s," said Andras Mahr, deputy secretary general of the National Alliance of Agricultural Producers and Cooperatives (MOSZ). According to industry estimates, Hungary will harvest 2.8-3.6 million tonnes of maize while the country needs about 4.5 million tonnes every year. Most of that is used by producers of bioethanol, high fructose corn syrup and animal feed.

Last year Hungary harvested 6.5 million tonnes of maize, according to data from the Central Statistics Office.

The farm ministry has not published this year's crop estimate and did not immediately reply to Reuters' questions.

Since last October, Hungary has imported about one million ton of maize, most of which came from Ukraine and some of it was imported from Serbia and Romania. More imports are set to come.

"According to our estimates in the next twelve months Hungary will import at least an additional 1.5 million tons of maize from Ukraine," said Zsofia Potsa, secretary general of the Alliance of Hungarian Grain Processors, Feed Producers and Traders.

In June Hungary offered its territory as a possible route for Ukrainian grain exports as usual routes via the Black Sea were disrupted by Russia's invasion.

Most of the maize that arrived under this scheme was bought by Hungarian traders and industry representatives as local crops were destroyed by the drought, Mahr said.

Maize from Ukraine is also about 10-15% cheaper than Hungarian corn, industry sources said.

Costa Rican coffee exports slump 60% in September as season ends

Costa Rican coffee growers exported 60.1% fewer beans in September compared with a year earlier, as stocks ran out in the last month of the season after a smaller harvest, the country's coffee institute ICAFE said on Monday. Costa Rica exported 28,144 60-kilo bags in September, the last month of Central America's coffee season, or 42,403 bags fewer than it had a year earlier.

"We sold everything we had," ICAFE's head of sustainable production Victor Vargas told Reuters. "It sold very quickly due to the pandemic's impact on international trade, and on top of that we had low production."

ICAFE said demand for Costa Rica's arabica beans remained high, with average prices reaching a new peak in September at $311.84 for each quintal (46-kg bag) placed in port, bringing a weighted average of $257.54 over the season. Renowned for its high-quality bean, Costa Rica sells the majority of its harvest abroad.

But the 2021-2022 harvest saw exports fall 8.8% compared to the previous year, with 102,490 fewer bags shipped, bringing its total exports to 1,055,662 bags over the October to September season.Vargas said changing weather conditions, lack of results from plantation renewals and the low end of a biannual cycle had seen production fall 11.35%, totaling 1,282,000 60-kilo bags over the season. Arabica coffee trees alternate years of higher and lower production, a natural development as trees get stressed after high fruit loads and produce less in the following season.

Picture of the Day

A view shows destroyed grain storage in the liberated village of Kamianka, amid Russia's attack on Ukraine, in Kharkiv region, Ukraine. REUTERS/Vladyslav Musiienko

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

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