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Top News - Oil

OPEC+ heads for deep supply cuts, clash with U.S.
OPEC+ looks set for deep oil output cuts when it meets on Wednesday, curbing supply in an already tight market despite pressure from the United States and other consuming countries to pump more.
The potential OPEC+ cut could spur a recovery in oil prices that have dropped to about $90 from $120 three months ago due to fears of a global economic recession, rising U.S. interest rates and a stronger dollar.
OPEC+, which includes Saudi Arabia and Russia, is working on cuts in excess of 1 million barrels per day, sources told Reuters this week. One OPEC source said on Tuesday the cuts could amount to up to 2 million barrels per day.
Sources said it remained unclear if reductions could include additional voluntary cuts by members such as Saudi Arabia or if cuts could include existing under-production by the group.
OPEC has been under-producing over 3 million bpd and the inclusion of those barrels would dilute the impact of new cuts.
"Higher oil prices, if driven by sizeable production cuts, would likely irritate the Biden Administration ahead of U.S. midterm elections," Citi analysts said in a note.
"There could be further political reactions from the U.S., including additional releases of strategic stocks along with some wildcards including further fostering of a NOPEC bill," Citi said referring to a U.S. anti-trust bill against OPEC.
Saudi Arabia and other members of the Organization of the Petroleum Exporting Countries and allied producers (OPEC+) have said they seek to prevent volatility rather than to target a particular oil price.
On Tuesday, international benchmark Brent crude rose 3% above $91 per barrel.
The West has accused Russia of weaponising energy as Europe suffers from a severe energy crisis and may face gas and power rationing this winter in a blow to its industry.
Moscow accuses the West of weaponising the dollar and financial systems such as SWIFT in retaliation for Russia sending troops into Ukraine in February. The West accuses Moscow of invading Ukraine while Russia calls it a special military operation.
Russia has formed part of the OPEC+ club since 2016. The group has cut and raised output to manage the oil market but has rarely performed cuts when the market is tight.
A significant cut is likely to anger the United States, which has pressured Saudi Arabia to pump more to pressure oil prices and reduce revenue for Russia.
Saudi Arabia has not condemned Moscow's actions and relations are strained between the kingdom and the administration of U.S. President Joe Biden, who travelled to Riyadh this year but failed to secure any firm cooperation commitments on energy.

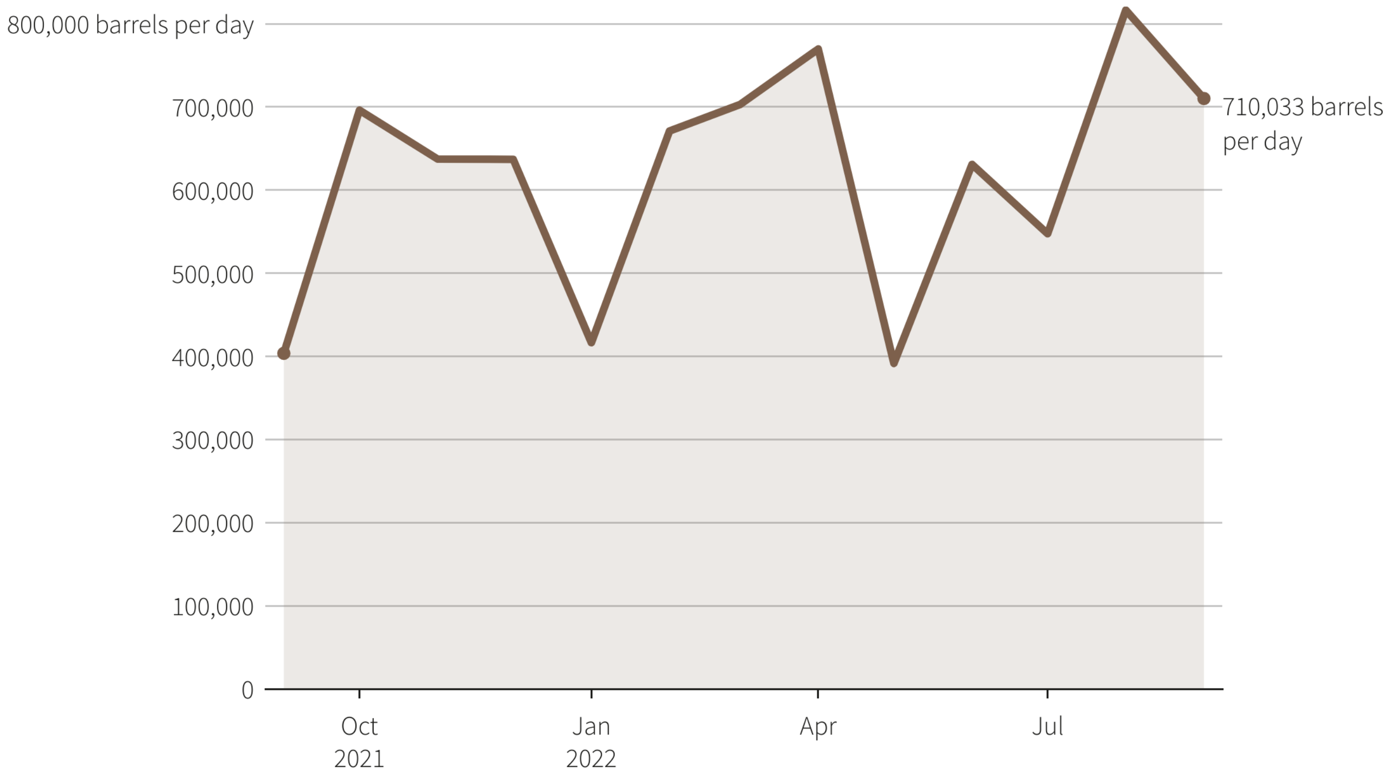
Indian refiners scout for oil deals ahead of EU ban on Russian crude
Indian state refiners plan to lock-in more of their crude supplies in term deals, worried that tighter Western sanctions on Russia, including from the EU, could curb future supplies in already tight markets, sources at state refiners said.
Indian Oil Corp, the country's top refiner, and Bharat Petroleum Corp are seeking term deals with countries, including the United States, industry sources said.
"We are preparing for a back up plan. When the world is uncertain because of Russia-Ukraine conflict we need to have all options open," said an official at one state refiner.
The move towards term deals marks a shift in refiners' purchasing strategy, which had been geared towards maximising spot purchases in past years when supplies were abundant.
"Due to the Russian-Ukraine conflict, we expect a possibility of tight oil markets and a change in flows with most Middle Eastern crude going to meet need of European markets so we need to diversify our oil sources," said a source at another state refiner.
India's dependence on spot purchases allowed Indian refiners to snap up discounted Russian oil shunned by some Western buyers over Moscow's Ukraine invasion in February.
India, which rarely used to buy Russian oil, has emerged as Moscow's second-largest oil customer after China.
But a European Union ban on Russian crude imports from Dec. 5 will drive European refiners to buy more Middle East oil, putting them in competition with Asian buyers.
To secure supplies, IOC last month signed its first six-month oil import deals with Brazil's Petrobras for 12 million barrels and Colombia's Ecopetrol for 6 million barrels.
BPCL has signed an initial deal with Petrobras as it seeks to diversify oil sources.
Supplies for IOC under the two deals will begin from October, said several of the sources who are familiar with the matter. IOC is also looking for more short-term

supplies, including a contract for U.S. oil, they added.
IOC already has an annual deal that provides an option to buy 18 million barrels of U.S. oil. Of these, IOC has already bought about 12 million barrels so far this year, they said.
Sources said BPCL, which has already ramped up U.S. oil purchases, is looking for more term contracts.
IOC and BPCL did not respond to Reuters' requests for comment. Ecopetrol could not be reached for comments outside its business hours. Western countries have imposed a raft of sanctions against Russia, and the Group of Seven nations, led by the United States, plan to impose a price cap on Russian oil exports via insurers to cut its revenue. It is unclear if the plan will work and whether Russia will cut supplies, the sources said.
"There are many uncertain elements ... so we think we should at least have engagement with more suppliers," the second source said.
India has called for an end to violence in Ukraine but refrained from outright condemnation of Russia, with which it has long-standing political and security ties.
Prashant Vasisht, vice president at rating agency ICRA Ltd, said: "To diversify and safeguard yourself from potential cuts in future such as diversion of Middle Eastern oil to Europe, signing a contract is the best option as you get preferential pricing and stable supplies."

Chart of the Day

Helped by allies, Venezuela's oil exports stood firm in Sep

Larger sales to intermediaries and a more active swap of cargoes with Iran sustained Venezuela's oil exports in September to the third highest monthly average so far this year.



Source: PDVSA's loading schedules, tanker tracking data, Refinitiv Eikon

Top News - Agriculture

StoneX trims U.S. 2022 corn production estimate but raises yield

Commodity brokerage StoneX on Tuesday lowered its estimate of U.S. 2022 corn production to 14.056 billion bushels, down from 14.168 billion in its previous monthly report released on Sept. 1.

But the firm raised its estimate of the average U.S. corn yield to 173.9 bushels per acre (bpa), from 173.2 previously.

For soybeans, StoneX lowered its forecast of the U.S. 2022 yield to 51.3 bpa from its Sept. 1 figure of 51.8. The firm forecast U.S. soybean production at 4.442 billion bushels, down from 4.515 billion previously.

StoneX bases its production figures on the U.S. Department of Agriculture's harvested acreage estimates. The government on Sept. 12 cut its estimate of harvested corn acreage to 80.8 million acres, from 81.8 million previously. The monthly acreage reduction offset the higher StoneX corn yield estimate, resulting in a lower StoneX production estimate for corn.

The USDA last month also lowered its estimate of harvested soybean area to 86.6 million acres, from 87.2 million previously. The USDA is scheduled to release updated crop estimates on Oct. 12.

Fall in fertilizer price stirs up Brazil farmer buying, analyst says

A recent fall in fertilizer prices while soybean quotes remain high has favored Brazilian farmers and even enticed them to buy crop nutrients for the 2023/2024 cycle, which is one year away, an analyst with Agrinvest told Reuters on Tuesday.

In April, farmers needed the equivalent of 20.4 bags of soybeans to buy 1 tonne of a fertilizer known as SSP. That ratio has dropped to 10 bags now, Agrinvest analyst Jeferson Souza said.

"There has been a big price reduction and this encouraged some purchases for the 2023/2024 crop," Souza said.

In the 30 days through the end of September, the price of KCl, MAP and urea fertilizers fell respectively by 13%, 12% and 7% on a cost-and-freight (CFR) basis, according to Souza's calculations. The current drop in price also favors purchase of fertilizers by Brazilian growers of second corn, which is planted after soybeans are harvested in the same areas, Souza said.

Brazilian farmers, who are currently sowing their 2022/2023 soybeans, are poised to reap a record crop above 150 million tonnes this season, according to the government and private forecasters.

Brazil is a heavy importer of fertilizer.

IIn spite of Western sanctions on key suppliers like Russia and Belarus, Brazilian imports reached a new record high in the nine months through September, owing in part to additional supplies coming from countries like Canada According to government trade data compiled by Agrinvest, Brazil, the world's biggest soy producer, imported some 30.77 million tonnes of fertilizer in the period, an increase of 4.6% compared with the first nine months of 2021.

Top News - Metals

Banks divert gold supply from India to China, Turkey - sources

Gold-supplying banks have cut back shipments to India ahead of major festivals in favour of focusing on China, Turkey, and other markets where better premiums are offered, three bank officials and two vault operators told Reuters.

That could create scarcity in the world's second-biggest market for gold, and force Indian buyers to start paying hefty premiums for supplies in the approaching peak-demand season.

Leading gold suppliers to India - which include ICBC Standard Bank, JPMorgan and Standard Chartered - usually import more gold ahead of festivals and store it in vaults.

But vaults now hold less than 10% of the gold they did a year ago, the sources said on Tuesday.

"Ideally a few tonnes of gold should be there in vaults during this time of the year. But now we only have a few kilos," said one Mumbai-based vault official.

JPMorgan, ICBC and Standard Chartered declined to comment.

In India, premiums over the international gold price benchmark have slid to $1-$2 an ounce, against around $4 this time last year.

Premiums were driven sharply lower by a now-closed loophole that led some Indian trading houses to import gold as lower-tariff platinum alloy, allowing some to even offer gold at a discount, Chanda Venkatesh, managing director of Hyderabad-based bullion merchant CapsGold, said.

That contrasts with the $20-45 premiums offered in top consumer China, helped by pent-up demand being released after COVID-related lockdowns, and $80 in Turkey, where gold imports have risen sharply against a backdrop of rampant inflation.

"Banks will sell where they will get a higher price," said a Mumbai-based official with a leading bullion-supplying bank.

"Buyers in China and Turkey are right now paying a very

high premium. There is no comparison when we equate it with the Indian market," said the official, who declined to be named due to the bank's policy.
India's gold imports in September fell 30% from a year ago to 68 tonnes, while Turkish gold imports soared 543%. China's net gold imports via Hong Kong jumped nearly 40% to a more than four-year high in August.
Indians will celebrate Dussehra, Diwali and Dhanteras in October, when buying gold is considered auspicious. After these festivals, the wedding season starts, which is one of the biggest drivers of gold purchases in India.
Thin vault stocks could force Indian buyers to pay hefty premiums to secure supplies, said a Mumbai-based bullion dealer with a bank.

COLUMN- London Metal Exchange ducks Russian sanctions pressure: Andy Home
It's clear the London Metal Exchange (LME) isn't going to be rushed into any decision on whether to continue accepting Russian metal against its contracts.
A discussion paper on the possibility of suspending Russian brands is "an option currently under active consideration," it said. But the exchange hasn't actually decided yet whether to issue such a paper.
Given the LME's protracted rule-making process - a discussion paper followed by a consultation paper followed by legal notice - there seems little prospect of an imminent change in the status of Russian metal.
The LME has already tweaked its rules slightly to abide by the limited government sanctions on Russian metal in the wake of the Kremlin's self-styled "special military operation" in Ukraine.
Metals players choosing to impose their own sanctions, so-called self-sanctioning, could have a much larger impact on Russian flows of aluminium, copper and nickel next year but it will be the market itself that determines whether the exchange needs to adjust its delivery rules.

LIMITED OFFICIAL SANCTIONS
Government sanctions against Russia have largely spared its base metals producers.
The European Union prohibited the import of Russian lead in April, prompting the LME to suspend the warranting of the "FRGT PB985R" brand produced by Fregat LLC. Luckily, LME stocks of such metal were zero at the time.
The British government's imposition of a 35% penalty duty on Russian imports of aluminium, copper, lead and nickel necessitated a suspension of Russian-brand deliveries to LME warehouses in the country. Luckily again, there was no Russian metal in either Liverpool or Hull at the time.
Export flows from Rusal's aluminium smelters and Nornickel's nickel and copper mines have been left untouched even as the oligarchs behind them have been hit by sanctions.

MARKET MONITOR as of 06:09 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$86.36 / bbl	-0.18%	14.83%
NYMEX RBOB Gasoline	$2.67 / gallon	-0.60%	19.67%
ICE Gas Oil	$1,105.00 / tonne	0.16%	65.67%
NYMEX Natural Gas	$6.76 / mmBtu	-1.08%	81.31%
Spot Gold	$1,718.23 / ounce	-0.46%	-6.03%
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)	€92.00 / Mwh	5.04%	38.35%
CBOT Corn	$6.84 / bushel	0.11%	15.25%
CBOT Wheat	$9.03 / bushel	-0.41%	17.16%
Malaysia Palm Oil (3M)	RM3,728 / tonne	3.15%	-20.63%
Index (Total Return)	**Close 04 Oct**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	301.27	2.80%	21.96%
Rogers International	31.17	1.96%	33.73%
U.S. Stocks - Dow	30,316.32	2.80%	-16.57%
U.S. Dollar Index	110.39	0.30%	15.03%
U.S. Bond Index (DJ)	384.82	-4.73%	-18.82%

Western policy-makers have been wary of repeating the mistake of 2018, when temporary sanctions on Rusal roiled both physical supply chains and exchange pricing.

SELF-SANCTIONING SOCIETY

Voluntary self-sanctioning, however, could be a much bigger issue.

Many physical buyers have continued accepting Russian metal this year, the lack of official sanctions providing legal cover for honouring existing contracts.

However, entering into a new 2023 supply deal with a Russian entity is a very different thing and several large aluminium users such as Novelis, a division of Hindalco Industries and Norsk Hydro's extrusions unit have already said they won't take Russian material.

The scale of the potential boycott is difficult to assess. Most 2023 supply contracts tend to be concluded around LME Week, the industry's annual get-together which will start on Oct. 24 this year.

But who is and isn't going to buy Russian metal was evidently the hot topic at Fastmarkets' aluminium conference in Barcelona last month.

MARKET OF LAST RESORT

Rusal, which accounts for around 6% of global aluminium production, maintains that it's business as usual in terms of negotiating 2023 contracts and that it has no intention of dumping large amounts of metal into the LME warehouse system.

That, though, is the fear, not just among aluminium traders but also in both nickel and copper markets, where Russian supply is equally significant.

If metal can't be channelled down traditional sales channels, there will at the very least be a supply bulge before alternative markets can be found. Financing metal stocks is already challenging as banks navigate fast-changing currency and interest-rate markets. Financing unsold Russian metal would be harder still with many banks also voluntarily self-sanctioning.

It's easy to understand why market participants are starting to sketch out a scenario of mass deliveries to the market of last resort. It's happened before.

LME aluminium stocks mushroomed after the global financial crisis and by March 2013 there were 2.5 million tonnes of inventory in the system categorised as Eastern European or former Soviet Union.

DISCOUNTED PRICING

The potential problem facing the LME is that a deluge of Russian metal into its warehouse network would shift the basis of exchange pricing from global to Russian.

Since Russian metal is already trading at discount to LME prices, the logical outcome would be for LME pricing to reflect that discount to the "real" price.

It wouldn't be the first time such a dislocation has been created by the LME's deliverability rules.

Consider the long warehouse load-out queues that dogged the aluminium market in the middle of the last decade. They caused the LME price to trade at a cost-of-queue discount to the physical market, manifest in soaring physical premiums and a split in the "all-in" price.

The LME aluminium market wasn't disorderly in the way that the exchange uses the word to denote a breakdown in trading such as in nickel earlier this year. But it wasn't orderly in terms of the larger supply-chain.

Neither the aluminium market nor the LME needs a repeat of this sorry saga, which attracted both a slew of negative headlines and the unwelcome interest of U.S. regulators.

KEEPING THE POWDER DRY

That said, the LME is right to kick the Russian can down the road. Right now, we don't know how big a problem the self-sanctioning movement poses for Russia's metal producers. The answer will only emerge gradually over the next few weeks as buyers lock in contracts for next year's shipments.

Even then, we won't know how easy or hard it will be for Russian operators to divert exports into other markets, China being just one obvious destination.

It's possible that physical flows will simply reconfigure and there will be no need for physical deliveries to LME warehouses.

It's also possible that the official sanctions net might tighten, particularly if U.S. and European policy-makers see consumers turning away from Russian supply anyway.

There's a lot of variables at work here and the LME is in a difficult position if it tries to pre-empt government sanctions using its own "orderly market" regulations.

Best, maybe, to think about asking the entire market about its views on whether to suspend Russian metal. At some stage.

Top News - Carbon & Power

Nord Stream operators: Authorities won't allow us to inspect damaged pipelines

The operators of two Baltic Sea gas pipelines that linked Russia and Germany until they both sprang major leaks last week said they were unable to inspect the damaged sections because of restrictions imposed by Danish and Swedish authorities.

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 2 AG, Switzerland-based operator of that gas pipeline, said on Tuesday it will examine the

condition of the leaking pipelines once a police investigation of the "crime scene" is completed and a cordon is lifted.
Later on Tuesday, Nord Stream AG, operator of the older Nord Stream 1 pipeline, said they had been told by Danish authorities that receiving the necessary permits to carry out an inspection could take over 20 working days.
"According to the Swedish authorities, a ban on shipping, anchoring, diving, using of underwater vehicles, geophysical mapping, etc. has been introduced to conduct a state investigation around the damage sites in the Baltic Sea," Nord Stream said in a press release.
Pressure in the pipeline had stabilised as of Monday, Nord Stream added.
Switzerland-based Nord Stream 2 said in emailed comments it was "cooperating with all relevant authorities".
"Copenhagen police are handling the investigation of the crime scene at the Nord Stream 2 leak in the Danish EEZ (exclusive economic zone)," it said.
"The Swedish coast guard has cordoned off the area around the leak in the Swedish EEZ." Kremlin-controlled Gazprom has 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 days before Moscow sent its troops into Ukraine on Feb. 24.

Japan companies to study making ammonia in Alaska for greener energy

Alaska Gasline Development Corporation (AGDC) said on Tuesday it will study the feasibility of producing ammonia in the state's Cook Inlet region with Japan's Mitsubishi Corp and TOYO Engineering Corp and Hilcorp Alaska.The four companies agreed to "evaluate the commercial feasibility of utilizing North Slope natural gas delivered to Southcentral Alaska via the Alaska LNG Project to produce carbon-free ammonia," AGDC said.
Carbon dioxide (CO_2) emissions from production of the hydrogen-rich fuel can be captured and stored underground in the Cook Inlet basin, which has "world-class carbon sequestration potential," Alaskan state-owned AGDC added. Japan, the world's fifth-biggest CO_2 emitter, is targeting growing its demand for fuel ammonia, which does not emit CO_2 when burnt for energy, to 3 million tonnes a year by 2030 from zero now, reflecting its 2050 goal to become carbon neutral.
The costs and emissions associated with shipping ammonia to Asian markets from Alaska are lower compared to the U.S. Gulf Coast, AGDC said. Japanese companies are also looking to invest in the Canadian province of Alberta to produce ammonia and methanol in the effort to build global supply chains of greener energy to fight climate change, a provincial minister said on Monday.

Top News - Dry Freight

Egypt's private sector wheat imports stall due to dollar shortage

The price of wheat and flour used to make unsubsidised bread has spiked in Egypt as importers struggle to pay for wheat stuck at ports amid a dollar shortage, traders and the country's chamber of cereals told Reuters this week.
Around 700,000 tonnes of wheat haven't been released from customs, causing around 80% of mills producing commercially sold bread, pasta, and other goods to "cease activity completely", according to a Sept. 26 letter from the Federation of Egyptian Industries' Chamber of Cereals to the supply minister.
While global wheat prices have fallen to their levels before Russia-Ukraine war, prices in Egypt have risen due to depleting stocks, said Hussein Boudy, the chamber's deputy head.
Egypt's importers can no longer replenish their wheat stocks amid a dollar shortage caused by a rising import bill and decreasing tourism revenues from two of its largest markets - Ukraine and Russia. Loss of confidence in the Egyptian pound by investors also contributed to the shortage.
Wheat prices rose by around 10% to EGP 9,000 ($458.02) per tonne in the last two weeks, Boudy said, while some traders reported steeper rises of up to 15%.
Flour also rose by 18% to EGP 11,500 ($585.24) per tonne, traders said.

"Bigger mills .. used to store for a month and a half or two, but today some mills have stocks for seven to five days." said Walid Diab, managing director of the Egyptian Millers Company. "We are in the red zone."
Boudy added that one company had requested to purchase from the state grains buyer's strategic reserves.
The government "will work on the issue" of declining private sector wheat stocks, Egypt's supply minister told Reuters on the sidelines of a conference on Sunday.

SUPPLY CRUNCH

As foreign currency reserves dwindled, authorities introduced rules in March that restricted access to dollars for imports.
Although wheat and other strategic goods were exempted, private sector traders say wheat import payments have nearly stopped since September and no new contracts have been signed.
Imports of corn, poultry and soybeans have also been affected, traders say.
"Suppliers understand that there's an issue with Egypt but now they don't want to do new business until the old stocks are released," said one local trader.
Since early September, only 2,000-3,000 tonnes of wheat got through customs, the Chamber's letter said. Monthly private sector needs are estimated at around 450,000 tonnes, and, according to the Chamber, mills need the

immediate release of around 300,000 tonnes.
The supply crunch has caused a spike in the price of bread in some bakeries, said Hesham Soliman, a Cairo-based private sector trader.
There were no signs of shortages at bakeries, said Attia Hammad of the Cairo Chamber of Commerce, though he said some bakeries could hike prices or decrease the weight of loaves because of rising costs. Egypt, with a population of 104 million, is typically the world's biggest wheat importer. Private sector imports recently overtook those by the state buyer, which purchases wheat for a large subsidized bread programme.

Thai rice exports could reach 8 mln tonnes this year despite floods - assoc

Thailand's rice exports could reach 8 million tonnes this year as flooding caused by Typhoon Noru has had little impact and a weak baht has helped overseas sales, the president of the Thai Rice Exporters Association said on Wednesday.
The world's third largest rice exporter shipped 6.11 million tonnes of the grain last year.
Chookiat Ophaswongse, honorary president of the Thai Rice Exporters Association told Reuters that floods resulting from the typhoon in late September and early October had caused some damage to crops, but had not impacted exports.
"We can still reach 7.5 million tonnes (of exports) this year and can reach 8 million as well due to the weak baht and India's export tax," Chookiat said.
In September, India, the world's largest exporter, banned overseas sales of broken rice and levied a 20% duty on exports on various rice grades.
Unless there is a dramatic change in the situation, he expected exports of 8 million tonnes in 2023 too.
The association in September raised its export target to 7.5 million tonnes from 7 million tonnes due to higher output and weak baht.

Picture of the Day

Wind turbines are seen at the Saint-Nazaire offshore wind farm, off the coast of the Guerande peninsula in western France. REUTERS/Stephane Mahe

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

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