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Top News - Oil

OPEC+ members line up to endorse output cut after U.S. coercion claim

OPEC+ member states lined up on Sunday to endorse the steep production cut agreed this month after the White House, stepping up a war of words with Saudi Arabia, accused Riyadh of coercing some other nations into supporting the move.
The United States noted on Thursday that the cut would boost Russia's foreign earnings and suggested it had been engineered for political reasons by Saudi Arabia, which on Sunday denied it was supporting Moscow in its invasion of Ukraine.
Saudi King Salman bin Abdulaziz said the kingdom was working hard to support stability and balance in oil markets, including by establishing and maintaining the agreement of the OPEC+ alliance.
The kingdom's defence minister and King Salman's son, Prince Khalid bin Salman, also said the Oct 5 decision to reduce output by 2 million barrels per day - taken despite oil markets being tight - was unanimous and based on economic factors.
His comments were backed by ministers of several OPEC+ member states including the United Arab Emirates.
The Gulf state's energy minister Suhail al-Mazrouei wrote on Twitter: "I would like to clarify that the latest OPEC+ decision, which was unanimously approved, was a pure technical decision, with NO political intentions whatsoever."
His comment followed a statement from Iraq's state oil marketer SOMO.
"There is complete consensus among OPEC+ countries that the best approach in dealing with the oil market conditions during the current period of uncertainty and lack of clarity is a pre-emptive approach that supports market stability and provides the guidance needed for the future," SOMO said in a statement.
Kuwait Petroleum Corporation Chief Executive Officer Nawaf Saud al-Sabah also welcomed the decision by OPEC+ - which includes other major producers, notably Russia - and said the country was keen to maintain a balanced oil markets, state news agency KUNA reported.
Oman and Bahrain said in separate statements that OPEC had unanimously agreed on the reduction.
Algeria's energy minister called the decision "historic" and he and OPEC Secretary General Haitham Al Ghais, visiting Algeria, expressed their full confidence in it, Algeria's Ennahar TV reported.
Ghais later told a news conference that the organisation targeted a balance between supply and demand rather than a specific price.
Oil inventories in major economies are at lower levels than when OPEC has cut output in the past.
Some analysts have said recent volatility in crude markets could be remedied by a cut that would help attract investors to an underperforming market.
U.S. National Security Council spokesman John Kirby said on Thursday that "more than one" OPEC member had felt coerced by Saudi Arabia into the vote, adding that the cut would also increase Russia's revenues and blunt the effectiveness of sanctions imposed over its February invasion of Ukraine.
King Salman said in an address to the kingdom's advisory Shura Council that the country was a mediator of peace and highlighted the crown prince's initiative to release POWs from Russia last month, state news agency SPA reported.
Khalid bin Salman said on Sunday he was "astonished" by claims his country was "standing with Russia in its war with Ukraine."
"It is telling that these false accusations did not come from the Ukrainian government," he wrote on Twitter.

Traders divert Europe-bound diesel to U.S. in race to re-stock

Traders are diverting Europe-bound tankers carrying diesel to the U.S. East Coast as the two regions battle for supplies amid an acute shortage and soaring prices.
At least two tankers carrying 90,000 tonnes of diesel and jet fuel are heading from Europe to the U.S. East Coast, according to traders and Refinitiv ship tracking data.
The Thundercat, carrying a cargo of diesel from the United Arab Emirates, on Thursday changed its destination from the Dutch port of Rotterdam to the New York Harbour, according to shipping data. It is currently in the Mediterranean.
Proteus Jessica, currently in the Atlantic Ocean, has in recent days changed its destination to New York from the Southwald waiting area off the southeast coast of England.
Sea Caelum, another mid range tanker carrying diesel, is also expected to reroute to New York Harbour, traders said.
The 35,000 tonne tanker Hellas Tatiana has also been provisionally booked by Exxon Mobil to deliver diesel from France to the United States, according to shipping data.

The vessel has been waiting in Port Jerome to load fuel products for nearly three weeks, since before the strike began at Exxon's 236,0000 barrel per day refinery, according to a trading source and shiptracking data.
Such diversions are rare as Europe, where refineries do not produce enough diesel to meet domestic demand, typically imports diesel from the United States as well as Asia and the Middle East.
In recent weeks European diesel refining margins hit all-time highs amid weeks-long strikes at French refineries that have shut down over half of the country's refining output and led to acute shortages at petrol stations.
But at the same time, a sharp drop in U.S. diesel inventories has pushed prices and refining margins there higher, opening up opportunities, known as arbitrages, to import diesel from Europe to the U.S. East Coast.
In the United States, political pressure is mounting for refiners to increase domestic inventories in the northeast, which are near multi-decade lows, ahead of winter.
U.S exports of distillate fuel reached a record 1.76 million barrels in September, with more than 633,000 barrels of diesel sent to Northwestern Europe, according to Refinitiv data.
The Biden administration is considering limiting fuel exports to lower consumer prices.
The prospect of a ban may be muting futures price signals that would indicate more fuel is needed in New York Harbor, traders said.

Top News - Agriculture

Argentina corn planting slowest in six years due to drought, Rosario exchange says

Argentina corn planting is progressing at its slowest pace in six years due to a protracted drought, the Rosario grains exchange (BCR) said on Friday, which will drag down the amount of early-planted corn that normally has a higher yield.
Argentina is the world's third largest corn exporter, but has been grappling with a major period of dry weather that has hit grains farmers hard in the South American nation, which is also a major producer of soy and wheat.
The Rosario exchange said that it expected early planted corn to only make up 10% of the total 2022/23 cycle in the core production areas. That would be the lowest level in a decade. Farmers are expected to plant 8 million hectares (19.8 million acres) of the grain.
"The 2022/23 campaign would have only 10% of early corn area in the core production area, leaving the rest as late corn," the BCR said in a report.
The exchange currently forecasts 2022/23 corn production of 56 million tonnes, up from a drought-hit 51 million tonnes a year earlier, though this season's number is likely to be revised down due to the current dry weather.
Late corn planted, that starts being sown at the end of the year, has lower yields than the plants planted at the beginning of the campaign, which starts in September.
Argentine farmers so far have planted 1.6 million hectares with corn, down from the 2.8 million tonnes planted in the same period a year ago, the exchange said.

NOPA September U.S. soybean crush seen at 161.627 million bushels

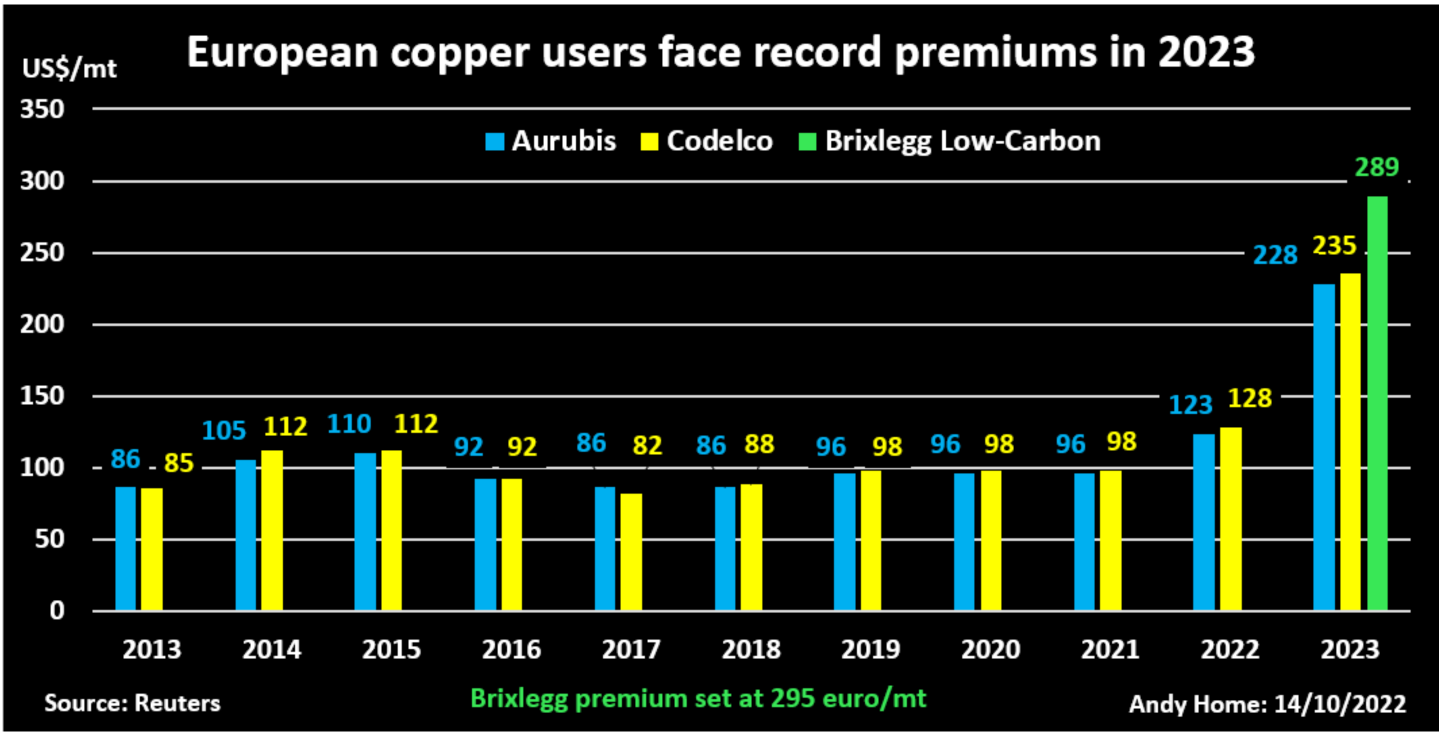
The U.S. soybean crush in September likely reached an all-time high for the ninth month of the year as processors ramped up operations with the arrival of newly harvested beans, analysts said ahead of a monthly National Oilseed Processors Association (NOPA) report due on Monday.
NOPA members, which handle about 95% of all soybeans processed in the United States, were estimated to have crushed 161.627 million bushels of soybeans last month, according to the average of estimates from eight analysts.
If realized, the monthly crush would be down 2.4% from the 165.538 million bushels processed by NOPA members in August but up 5.1% from the September 2021 crush of 153.800 million bushels. It would also be the largest September crush on record, just ahead of the September 2020 crush of 161.491 million bushels.
The September estimate implied a daily processing rate of 5.388 million bushels, which would be up from an 11-month low of 5.340 million bushels a day in August.
Estimates for the September 2022 crush ranged from 152.000 million to 170.400 million bushels, with a median of 162.108 million bushels.
The monthly NOPA report is scheduled for release at 11 a.m. CDT (1600 GMT) on Monday. NOPA releases crush data on the 15th of each month, or the next business day.
Soyoil supplies held by NOPA members as of Sept. 30 were projected to have dropped to 1.522 billion pounds, a 23-montdh low, according to the average of estimates gathered from six analysts.
If realized, the soyoil stocks would be down 2.7% from 1.565 billion pounds at the end of August and down 9.6% from the 1.684 billion pounds held by NOPA members at the end of September last year.
Soyoil stocks estimates ranged from 1.475 billion to 1.600 billion pounds, with a median of 1.511 billion pounds.

Top News - Metals

En+ says Rusal remains in full compliance with U.S. regulations
The chairman of EN+, which owns a 57% stake in aluminium producer Rusal, dismissed media reports that Washington is weighing restricting imports of Russian metal, saying Rusal remained in full compliance with U.S. regulations.
Media reports on the possibility of import restrictions of Russian aluminium were "irresponsible market speculation," EN+ Chairman Christopher Burnham said.
Global aluminium prices soared after the news because Rusal is the world's largest aluminium producer outside China, supplying the world with 6% of its needs estimated at around 70 million tonnes this year.
"The article is simply wrong ... We are committed to fulfilling our contracts in the USA and worldwide," Burnham said in a statement.
Rusal was subject to U.S. sanctions between April 2018 and early 2019, when its founder, businessman Oleg Deripaska agreed to relinquish control in exchange of removal of sanctions from the aluminium producer.
"When the U.S. sanctioned Rusal aluminium in that year, the LME price [the London Metal Exchange] jumped 29% and there was a scramble to find alternative material by U.S. manufacturers," Burnham said.
"Irresponsible market speculation of this sort only benefits our competitors who have publicly advocated for restricting our market access, but hurts the American consumer and the U.S. economy," he added.
U.S.-based aluminium producer Alcoa Inc on Thursday said it is lobbying the White House to block American imports of the metal from Russia.

COLUMN-Record European copper premiums as buyers shut out Russia: Andy Home
European copper buyers are going to be paying a lot more to get their metal next year.
German producer Aurubis will charge $228 per tonne over the London Metal Exchange (LME) cash price for term deliveries in 2023, a record high and an 85% increase on this year's premium of $123.
Chilean giant Codelco has come in higher still with a premium of $235 per tonne, while Austria's Montanwerke Brixlegg has thrown down the green gauntlet with a 295 euro (US$289) premium for low-carbon copper.
Such eye-watering premiums and the scale of increase, magnified by the recent strength in the dollar, are unprecedented and look strange given Europe's manufacturing sector is contracting under the weight of high power prices.
Aurubis cited a combination of high freight and power costs and low visible copper stocks. All of which is true. But the underlying driver is the search for metal that doesn't come with Russian branding.

Chart of the Day



SANCTIONS CREEP

There were no official sanctions on Russian copper until earlier this month, when the British government announced an asset freeze on Iskander Makhmudov. He is understood to be the ultimate owner of UMMC, one of Russia's two dominant copper producers, according to the LME, which has severely restricted the ability to warrant either of UMMC's two listed brands.

The LME has just launched a discussion paper on whether to suspend all Russian metal, including copper from Russia's other big producer Nornickel.

The exchange is reacting to what is already starting to play out in the physical supply chain, where a growing number of buyers are "self-sanctioning" by specifying no Russian metal in their 2023 intake.

SUPPLY GAP

That opens up a significant potential supply gap in the European market, since the bloc imported nearly 292,000 tonnes of Russian copper last year out of total imports of 801,000 tonnes, according to Trade Data Monitor.

The dependence on Russian metal is compounded by the composition of LME stocks. The LME's discussion paper showed that over 60% of available copper stocks in its warehouse system at the end of September were Russian brand.

Headline LME copper stocks have slowly rebuilt over the course of the year from 88,725 tonnes at the start of January to a current 145,650 tonnes.

But by historical measures inventory is still very low, equivalent to just two days of global consumption. And it's evidently a lot lower if you strip out the Russian component.

The acceptability of Russian metal in the market-place is why the LME is considering suspending deliveries into its warehouse system, fearing its international pricing benchmark will become a discounted Russian copper benchmark.

However, the scale of the producer premium rises for next year tells you that the market has already spoken with many buyers prepared to pay record prices to assure delivery of non-Russian metal.

PRODUCT GAP

It appears that some at least are prepared to pay even more for low-carbon "green" copper.

Privately held Montanwerke Brixlegg, which describes itself as a copper "upcycler" using secondary raw materials, can produce refined copper with 0.739 tonne of carbon dioxide per tonne of metal based on scope 1-3 emissions, compared with an industry average of 4.1 tonnes.

Boasting its metal is the "world's most climate-friendly copper", Brixlegg is evidently confident there is sufficient demand for such material to justify its split from the producer pack with a green premium over and above the annual supply premium.

Buyers will also be liable to a potential energy surcharge on their price, making it a challenging test of the broader appetite for differentiated green metal.

ASIAN DISCOUNT

What will happen to all the Russian copper if Europe stages a collective boycott?

The LME's concern is that it might head for the market of last resort along with a whole load of Russian aluminium and nickel if voluntary sanctions become an industry trend.

However, most analysts think that Russian copper will ultimately find a home in China, the world's largest user of the metal.

China has been importing an average 325,000 tonnes of refined copper each month so far this year and it's still hungry for more.

The Shanghai Futures Exchange is in the grip of a sharp squeeze due to low stocks. The scramble for copper has sent the Yangshan premium, a closely watched proxy for import demand assessed by Shanghai Metal Market, to a 2021 high of $137.50 per tonne over LME cash.

That plays into the hands of Codelco and other suppliers in terms of what to charge Chinese consumers for their 2023 contracts.

Codelco's Asian premium is normally discounted to its European terms. This year's, for example, was offered at $105 per tonne, compared with $128 per tonne for European customers, reflecting the scale of shipments to the world's biggest importer.

Terms for next year's Asian shipments haven't yet been announced but it will be interesting to see if producers dare lift premiums by 85% as they have done in Europe.

Just as Aurubis and Codelco aim to grab market share in Europe by replacing Russian metal, they risk losing market share in Asia if large amounts of Russian copper are displaced from the European market.

The sharp hike in next year's European premiums says much about the cost of refusing Russian metal. Premiums in Asia will say much about the price of that metal in the rest of the world.

Top News - Carbon & Power

EU leaders set to explore gas price cap options – document

European Union leaders meeting at the end of this week will explore a range of options for gas price caps, over which they have been divided for weeks, according to a new draft of conclusions for the Oct. 20-21 summit seen by Reuters.

The EU's 27 countries have been deadlocked for weeks over whether and how to cap gas prices as part of efforts to tame soaring energy prices, as Europe heads into a winter of scarce Russian gas, a cost of living crisis and a possible recession.

Gas prices have soared as Russia slashed flows to Europe following its invasion of Ukraine and the Western sanctions imposed on it - prompting most EU countries to call for a gas price cap, although they disagree on its design.

Some countries, including Germany, Europe's biggest gas market, remain opposed. They argue that capping prices could cause demand for gas to rise or leave countries struggling to attract supply from global markets.

The bloc's executive, the European Commission, is due to propose energy measures to tackle the crisis on Tuesday, ahead of the leaders' meeting.

Several countries that favour capping gas are concerned that the Commission will not put forward options they have proposed, an EU diplomat said.

"Impatience is growing with member states," they said. "So we changed gear and put everything that is being floated ... on the table. It is a way of putting pressure on the Commission to come up with the most concrete possible proposals."

The latest draft conclusions showed that the leaders would agree to "explore a temporary dynamic price corridor" on natural gas until an alternative EU gas price benchmark is in place.

Belgium, Greece, Italy and Poland want a price corridor for wholesale transactions, which would mean a price range with a central value below the market price.

The draft said the leaders would also "explore a temporary EU framework to cap the price of gas in electricity generation at a level that helps bring down electricity prices without ... leading to overall increased gas consumption."

Diplomats say a consensus could emerge on capping the price of gas used for power generation, known as the "Iberian model" after a scheme implemented by Spain and Portugal in June, though some worry it could raise EU demand for gas.

The diplomat said that having an exploration of several options in the draft conclusions for the summit did not mean any or all of them would necessarily be agreed on.

The idea was to ensure that no solutions are discarded before the leaders meet.

EU ambassadors will hold an extraordinary meeting in Luxembourg late on Monday to discuss the matter, the diplomat said.

ANALYSIS-Europe's energy security this winter? Depends on the weather

European countries are buying gas at sky-high prices and scrambling to curb energy use to avoid fuel shortages this winter, but early weather forecasts point to the risk of a cold snap that could temporarily hike demand.

Surging European gas and power prices as the result of reduced Russian supplies are stoking inflation, hampering industrial activity and inflicting record-high bills on consumers ahead of the northern hemisphere winter.

Despite high gas storage levels and steady flow of liquefied natural gas (LNG), the continent still faces risks of power shortages, blackouts and energy rationing which could worsen the economic pain.

Early winter forecasts released by the European Centre for Medium-Range Weather Forecasts (ECMWF) on Thursday said Europe could face a cold snap in December - indicating a potential extra energy squeeze, as countries attempt to cope with scarce Russian gas supplies and sky-high energy prices.

"There is still a very significant risk of having a cold outbreak. And if anything, the risk is slightly higher than usual," Carlo Buontempo, Director of the Copernicus Climate Change Service at ECMWF, told Reuters.

For the next few weeks, the weather in Western Europe is looking mild, thanks to warm westerly winds from the North Atlantic. But ECMWF's models show a higher than usual chance of a high pressure system developing over Europe in December, bringing cold air from Siberia and Central Asia and causing a drop in temperature of potentially several degrees.

"If we have a drop in temperature, we could expect an uptick in energy demand for heating," Buontempo said.

Medium term forecasts can't predict with certainty that an event will occur, or its duration - "blocking patterns" of high pressure can last just a week, or longer. But the forecast offers an early indication to companies and governments attempting to assess how much gas will be needed to heat homes.

A cold snap could increase that demand. A cold spell in late September saw gas consumption among German households and small industry jump to 14.5% above the average for the same week in the past four years.

"The demand from households will be a huge question mark," said Cuneyt Kazokoglu, director of energy economics at consultancy FGE.

MILD OR COLD

A cold spell-induced uptick in gas demand could collide with reduced renewable power generation, as high pressure systems tend to mean less wind and rain - although a trend for such systems to have less cloud cover could boost solar output.

Gas storage buffers should help, but not for all weather scenarios. EU countries have filled their gas tanks to an average of about 92% of capacity, by snapping up non-Russian gas at record prices in recent months to build a supply buffer, as Moscow progressively cut deliveries after Western sanctions in response to the Ukraine war that began in February.

But some analysts warn this alone will not compensate for the loss of Europe's main gas supplier - and a cold winter would make this worse. Russian gas now comprises less than 8% of Europe's supply, down from around 40% before Moscow invaded Ukraine - and Brussels has warned a full shut-off is possible.

"Europe is currently risking a shortfall of around 7-8% of demand over the winter, around 20 billion cubic metres (bcm). A harsh winter could effectively double that," said Emmanuel Dubois-Pelerin, a managing director at S&P Global Ratings.

"If the temperatures are mild, then Europe will not have to ration, nor have to accelerate [gas] demand reduction," he added.

NEXT WINTER

But it's not only Europe's weather that matters. As Russian supply cuts have deepened, Europe has relied on LNG to help fill the gap - snapping up cargoes in global markets where they compete with Asian buyers.

A cold winter in Europe could add 8 bcm to Europe's gas demand, said Energy Aspects analyst Leon Izbicki.

If Asia also faced a cold winter, and needed more gas for its own heating, Europe could face a gas supply gap of 19 bcm - and end winter with its storage just 18% full, a level Izbicki said could cause regional fuel shortages.

"Storage should never get that low," he said. "Demand for LNG in Asia is going to be critical as a determining factor for how much energy Europe can actually get over the course of this winter."

If cold weather depletes gas storage levels this winter, Europe will need to replenish for next winter - with far less Russian gas.

Russian gas supplies to Europe have dropped to around 85 mcm per day from 360 mcm per day in September 2021, according to Bernstein analysts, as Moscow progressively curbed flows through the Nord Stream network to Germany and through other routes.

Unexplained damage last month to the Nord Stream pipelines that run under the Baltic Sea appear to have dashed any hopes that gas flows would resume.

Marina Tsygankova, commodities research manager at Refinitiv, said Europe will only manage to refill storage in time for next winter, if this one is mild or if gas demand drops.

"You need to either pray for mild winter or more demand destruction needs to happen," she told a conference in London last week.

EU countries have agreed a 15% voluntary gas demand cut for winter - which Brussels has said would ensure enough fuel for an average winter, but not a cold one.

A document published by the European Commission last month showed EU countries' gas demand was 13% lower in May than the five-year average for the month, 7.6% lower in June and 10.7% lower in July.

Top News - Dry Freight

India allows exports of wheat flour processed from imported grain

India has allowed export-oriented units and the firms set up in Special Economic Zones to export flour made from imported wheat, a government order said on Friday, conceding to the demands of food processors to allow shipments of value-added products.

India will allow food processors to import duty-free wheat against a commitment to export flour, the order said.

After a sudden rise in temperatures in mid-March shrivelled the wheat crop, India, the world's second-biggest producer of the grain, banned overseas sales of the staple to secure supplies for its 1.4 billion people.

Wheat exports from India, also the world's second biggest consumer of the staple, surged after Russia's invasion of Ukraine hit supplies from the Black Sea region, resulting in a jump in global prices.

After banning wheat exports in May, the government of Prime Minister Narendra Modi restricted wheat flour exports in August to keep a lid on local prices.

The ban on wheat exports boosted demand for Indian wheat flour and the country's flour exports jumped 200% during April-July 2022 from a year earlier, lifting prices in the local market.

Close on the heels of the ban on overseas sales of wheat, India restricted rice exports as scant rains in the east affected planting of the most water-thirsty crop.

India's protectionist measures have stoked fears of food shortages in some of the world's most needy and vulnerable countries in Asia and Africa.

South Korea's MFG bought about 65,000 tonnes Australian feed wheat

South Korea's Major Feedmill Group (MFG) purchased about 65,000 tonnes of animal feed wheat expected to be sourced from Australia in a private deal on Friday without issuing an international tender, European traders said.

It was purchased at an estimated $354.49 a tonne c&f including a surcharge for additional port unloading. Shipment is in 2023 between Feb. 7 and March 17. Seller was believed to be trading house CJ International, traders said.

MARKET MONITOR as of 06:32 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$86.40 / bbl	0.92%	14.88%
NYMEX RBOB Gasoline	$2.65 / gallon	0.67%	18.85%
ICE Gas Oil	$1,109.50 / tonne	2.19%	66.34%
NYMEX Natural Gas	$6.31 / mmBtu	-2.26%	69.09%
Spot Gold	$1,650.74 / ounce	0.55%	-9.72%
TRPC coal API 2 / Dec, 22	$245 / tonne	2.31%	99.19%
Carbon ECX EUA / Dec, 22	€67.03 / tonne	-1.46%	-16.89%
Dutch gas day-ahead (Pre. close)	€67.00 / Mwh	5.04%	0.75%
CBOT Corn	$6.87 / bushel	-0.43%	15.76%
CBOT Wheat	$8.60 / bushel	-0.41%	11.55%
Malaysia Palm Oil (3M)	RM3,795 / tonne	-1.84%	-19.20%
Index (Total Return)	**Close 14 Oct**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	297.53	-	20.45%
Rogers International	31.44	-	34.91%
U.S. Stocks - Dow	29,634.83	-1.34%	-18.45%
U.S. Dollar Index	112.97	-0.30%	17.71%
U.S. Bond Index (DJ)	373.32	-7.57%	-20.91%

Picture of the Day

Storage tanks for crude oil, gasoline, diesel, and other refined petroleum products are seen at the Kinder Morgan Terminal, viewed from the Phillips 66 Company's Los Angeles Refinery in Carson, California, U.S. REUTERS/Bing Guan

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(Inside Commodities is compiled by Shoubhik Ghosh in Bengaluru)

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