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

Top News - Oil

China's September oil refinery throughput surges to record daily rate

China's oil refinery throughput in September hit a record daily rate, data showed on Wednesday, up 12% from a year earlier as refiners increased run rates to cater for strong demand for transport fuel over the Golden Week holiday and improving manufacturing. Total refinery throughput in the world's second-largest oil consumer was 63.62 million metric tons last month, data from the National Bureau of Statistics (NBS) showed.
That was equivalent to 15.48 million barrels per day (bpd), the highest on record. Processing rates rose month-on-month from August's 15.23 million bpd, which had been the highest on record.
Run rates were particularly strong at state-owned refiners, analysts said before the data was released.
Refiners had been widely expected to build stocks ahead of the Golden Week travel period, which started at the end of September and ran through the first week of October.
Domestic travel over the holiday was resurgent, with 826 million trips made within mainland China, up 71.3% from a year ago and 4.1% higher than in 2019, according to data released by the Xinhua state media outlet.
International travel picked up to 85% of pre-pandemic levels, according to data from the National Immigration Administration, helping to drive demand for jet fuel.
Improving manufacturing activity in September will also have supported demand for fuels such as diesel. The September manufacturing PMI edged up to 50.2, above the 50-point level demarcating a contraction in activity from expansion.
Customs data last week showed solid crude imports into China in September, which though down month-on-month were still well above 2022 levels. The NBS data also showed that domestic crude oil production in September was 16.87 million metric tons, or 4.1 million bpd, up 0.3% from 16.8 million tons in 2022.
Natural gas production was up 9.3% from a year earlier to 17.9 billion cubic metres (bcm), from 16.4 bcm last year.

Russian oil freight rates jump as US boosts scrutiny of price cap compliance

Oil freight rates from Russia's Baltic ports to India are up some 50% since last week as more shipowners quit the market after the first U.S. sanctions on shipowners carrying Russian crude priced above a G7 cap, three sources said on Tuesday. The Group of Seven (G7) countries imposed sanctions in December last year prohibiting shippers or insurers domiciled in member countries from offering services to facilitate Russian oil exports when the price is above $60 a barrel.
The sanctions do not apply to shipping companies or insurers from other countries, regardless of the price.
"Freight rates rose to some $7.5 million per voyage on Monday from $4.5 million-4.8 million last week," a source with a trading firm involved in Russian oil sales told Reuters.
"Some vessels were put on subs above $7 million as more shipowners, especially Greek, decide to exit Russian business. Some have quit a month ago, but today the number of such companies went up," the source said.
"The freight market is bullish in general, with rates going up for West Africa-U.S. Gulf, West Africa-Mediterranean and cross Mediterranean routes, tempting shipowners to seek safer alternatives," the source added.
Higher shipping rates and payment issues amid rising U.S. control over Russian oil shipments may put Moscow's plan to trim discounts for its oil on the global market on hold, one of Reuters' sources said.
"Urals discounts (on a cost, insurance and freight basis) may widen due to higher freight, transaction costs and sanction risk," another trader in the Russian oil market said. Russian crude discounts to global benchmarks have stabilised at $11-12 per barrel from $35-38 per barrel in early 2023, Russian Deputy Prime Minister Alexander Novak said in an interview broadcast last Friday.
Shipping costs for Russian oil have been gradually declining since winter, when the price cap was implemented, amid growing vessel numbers and as many shipowners, including in Europe, were attracted to the market by high rates. The decline in shipping costs helped Russian oil exporters to increase profits. The U.S. and its partners in the G7 were committed to denying Russia any energy revenues, U.S. Assistant Secretary for Energy Resources Geoffrey Pyatt said on Friday.

Top News - Agriculture

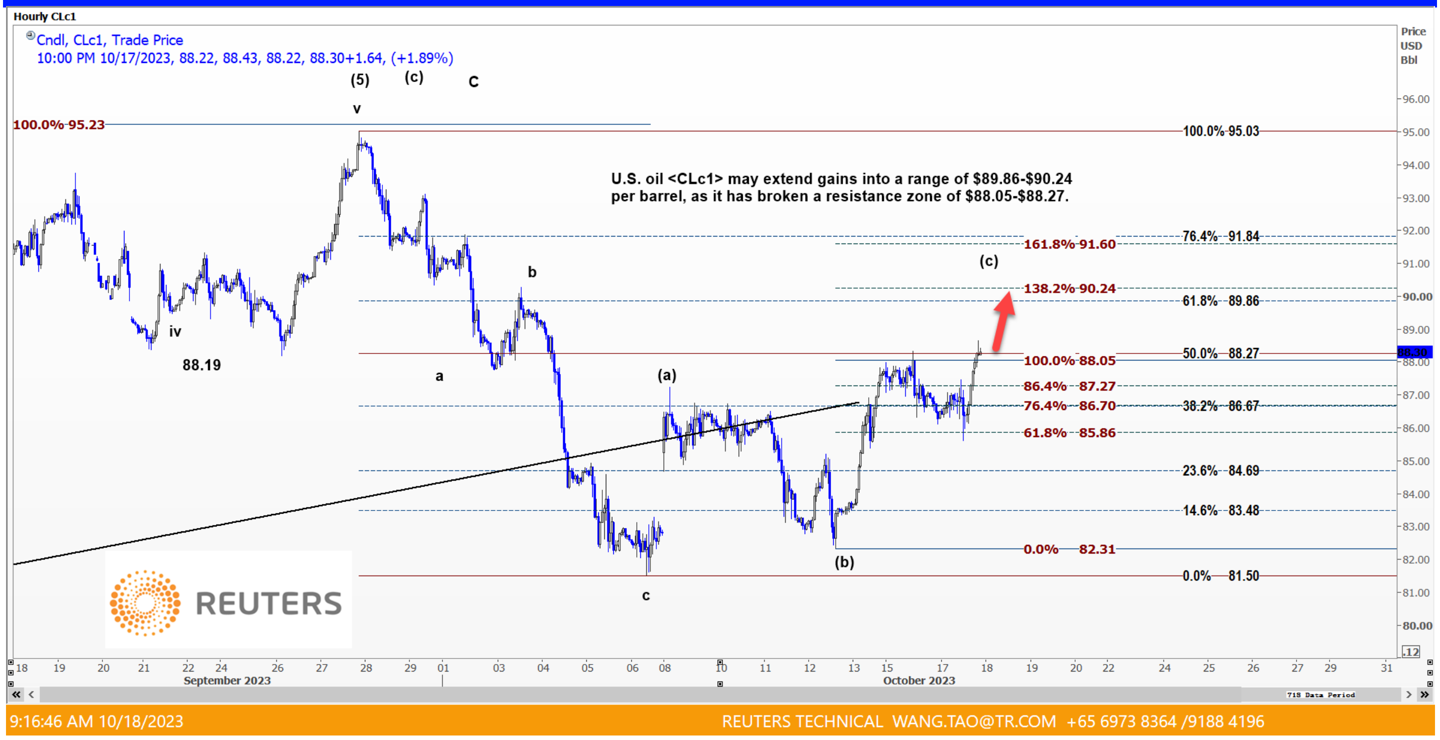
Drought across Ukraine affects winter sowing – forecasters

The prolonged absence of rain across most Ukrainian regions has created unfavourable conditions both for the ongoing sowing of winter crops and for the plants already sown, APK-Inform consultancy quoted weather forecasters as saying on Tuesday. Ukraine is a traditional grower of winter wheat, barley and rapeseed.
"Due to the drought, unfavourable conditions for timely sowing of winter crops were maintained in most regions,

the optimal terms of which expired in the first ten days of October in most regions," state weather forecasters said in a report. Farmers have sown 3.02 million hectares (7462582.52 acres)of winter wheat as of Oct. 16, 2023 compared with 2.5 million hectares at the same date a year ago, agriculture ministry data showed.
Farmers continue to sow despite the fact that optimal terms for sowing already expired and 666,000 hectares of wheat were sown over the past week.
Drought has become a common condition in Ukraine and farmers sow even in dry soil in the hope that winter precipitation and mild weather will allow the grain to germinate and survive. Forecasters said the worst situation in terms of soil moisture was in the Odesa, Kherson, Mykolaiv, Kirovohrad, Vinnytsia, Cherkasy, Kharkiv regions where up to 20 cm of upper soil layers were completely dry. "In most districts of these regions the rainless period started in early August and as of 10 October its duration reached 50-60 days," forecasters said. They noted that the drought had a negative impact on the initial growth and development of already sown winter crops as in many areas of Odesa, some areas of Mykolaiv, Kharkiv, Cherkasy and Vinnytsia regions the arable soil layer was completely dry.

Indian wheat prices at 8-month high on festival demand, tight supply
Indian wheat prices surged to an eight-month high on Tuesday, propelled by strong demand for big festivals, limited supplies and as import duty makes overseas buying unfeasible for domestic flour mills. The increasing prices may prompt the government to release more stocks from inventories and eliminate import duties on the cereal to bolster supplies and control prices ahead of important state assembly elections and a general election next year.
Rising wheat prices could contribute to food inflation. Wheat prices in New Delhi jumped by 1.6% on Tuesday to 27,390 rupees ($329) per metric ton, the highest since Feb. 10. Prices have surged by nearly 22% over the past six months.
"Festival season demand is driving up wheat prices. The government needs to permit duty-free imports to reduce prices," said Pramod Kumar S, president of the Roller Flour Millers' Federation.
India has no immediate plans to abolish a 40% import tax on wheat, Sanjeev Chopra, the most senior civil servant at the food ministry, said last month.
As of Oct. 1, wheat stocks in government warehouses stood at 24 million metric tons, sharply down compared with a five-year average of 37.6 million tons.
Domestic wheat prices are rising in the absence of imports and less than targeted procurement by the government, said Ashwini Bansod, head of commodities research at Phillip Capital India Pvt Ltd.
India managed to procure 26.2 million tons of wheat from farmers in 2023 against a target of 34.15 million tons.
The market is also factoring in concerns over the El Nino weather pattern that could lead to warmer than normal temperatures during winter, and could have a negative impact on the upcoming wheat crop, Bansod said.
The government estimates wheat output jumped to a

Chart of the Day



record 112.74 million metric tons in 2023, but a leading trade body said the harvest was at least 10% lower than the farm ministry's estimate.
"The supply situation is poised to tighten further in the coming months, and there's a real risk of prices surging beyond 30,000 rupees unless the government opens the door to imports," said a Mumbai-based dealer with a global trade house.

Top News - Metals

Global steel demand growth downgraded to 1.8% in 2023 on high rates
Global steel demand is expected to rise by 1.8% in 2023 as infrastructure projects in top consumer China help to offset weakness elsewhere, the World Steel Association (WSA) said on Tuesday, downgrading its forecast.
The industry group revised its April forecast, which estimated steel consumption would rise by 2.3% this year.
"Steel demand has been feeling the impact of the high inflation and interest rate environment," Maximo Vedoya, chairman of the WSA economics committee, said in a statement.
"Considering the delayed effect of the tightening monetary policy, we expect steel demand recovery in 2024 to be slow in the advanced economies."
Global steel demand is expected to gain 1.9% next year to 1.85 billion metric tons after sliding by 3.3% in 2022, according to the group of producers that accounts for about 85% of global steel output. Steel demand in China, which accounts for about half of global consumption, is forecast to rise by 2% in 2023 while the outlook for next year was uncertain, WSA said.
"We expect the situation in China's property market will stabilise in the latter part of the year (2023)," it added
Globally, high interest rates have hit demand especially in the construction and consumer durables sectors, while recovery in auto production is expected to continue. Steel demand is forecast to shrink by 5.1% this year in the European Union and Britain, shed 1.1% in the United States and fall 2% in Japan, but bounce back in 2024 by 5.8%, 1.6% and 0.6% respectively.

China's Sept crude steel output falls further, surprising market
China's crude steel output fell 5% in September from August, official data showed on Wednesday, confounding some market expectations for a rise after steelmakers had lifted utilisation rates amid the peak construction season. The world's largest steel producer manufactured 82.11 million metric tons of the ferrous metal last month, down from 86.41 million tons in August, data from the National Bureau of Statistics (NBS) showed.
Output was down 5.6% from a year ago.
"The data is surprisingly low, much lower than our previous estimate," said Pei Hao, a Shanghai-based analyst at the international brokerage FIS, without providing details of his estimate.
Two other China-based analysts had predicted output of around 95 million tons. They declined to be identified because of the sensitivity around discussing official data.
"It's really hard to find a solid reason to explain such a drastic drop, as output last month should be higher both year-on-year and month-on-month based on the data available," Pei said.
The capacity utilisation rate of 247 blast-furnace-based steel mills surveyed by consultancy Mysteel averaged 92.76% in September, up from 91.16% in August and 88.19% in September 2022.
Iron ore stocks at ports are at a seven-year low, which also points to strong consumption by steel mills, analysts said.
However, some mills probably cut output last month to offset losses resulting from higher raw material prices and disappointing downstream demand, said Xu Xiangchun, content director at Mysteel.
Average daily steel output in September was 2.74 million tons, down 1.8% from 2.79 million tons in August and down 5.6%from 2.9 million tons in September 2022, according to Reuters calculations based on NBS data.
China churned out 795.07 million tons of crude steel in the first three quarters of 2023, up 1.7% from a year before, NBS data showed.
Crude steel output will likely be lower in October as falling margins push more mills to lower production this month, said analysts.

Top News - Carbon & Power

EU countries break deadlock on power market subsidies
European Union countries' energy ministers struck a deal to reform power market subsidies, Spain's energy minister said on Tuesday, defusing a stand-off between France and Germany over the future competitiveness of industrial sectors. The European Commission proposed changes to the EU's electricity market in March after EU power prices soared to record levels last year as Russian gas supplies were cut following the invasion of Ukraine.
The new rules seek to shift to longer term, fixed-price contracts to protect consumers from volatile energy markets. They were also aimed at improving the investment climate for new renewable energy projects

and in turn improve the bloc's energy security.
The deal struck on Tuesday focused on a section of the law spelling out how state aid can be used to support power projects. Talks had stalled for months because of concerns, especially from Germany, that the scheme could distort competition and favour France, which has the world's second biggest nuclear fleet after the U.S.
"It should help protect consumers against a future emergency and future crises. The most significant factor is that there was almost unanimity," Spain's Energy Minister Teresa Ribera told reporters. Only Hungary abstained.
A compromise proposal by Spain, which holds the EU's rotating presidency and chaired Tuesday's meeting, said future state aid for new renewable and nuclear power plants must take the form of "contracts for difference" subsidies based on a set price for energy.
These contracts guarantee a minimum price for energy produced but also allows governments to recover excess revenues if prices jump past a set threshold.
However, a preamble was added to the law that said governments can use such contracts for existing power plants when significant investments are made in the plant to expand its capacity or extend its life.
The preamble was a concession to France which wanted to be able to apply the new rules to its existing nuclear plants, which produce 70% of its electricity.
But in a nod to Germany, the proposals said the subsidies must be designed so that use of revenues raised, such as support for local industries, does not distort competition or trade in the EU.
Berlin had feared that France's nuclear fleet would allow the country to offer fixed-price power contracts to its ageing nuclear energy fleet - then spend revenues generated by these government-backed contracts on subsidising industries.
"Despite great stress, we managed to do it together," Germany's environment and economy minister Robert Habeck said in a statement.
"With the new electricity market design ... consumers in particular will benefit from the cheap production costs of non-fossil fuel energies.
This is also important to ensure the transition to competitive prices in Europe."
Germany, Europe's biggest economy, is on the edge of a recession after losing access to the ample supply of cheap Russian gas it received before Moscow invaded Ukraine last year.
"The situation for European consumers was pretty delicate because ... as a whole the gas price dictated the price of electricity without taking into account real production costs," the French presidency said.
The agreement struck on Tuesday represents a "major victory for France", it added, as its citizens to benefit from the competitive costs stemming from nuclear power.

MARKET MONITOR as of 06:30 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$88.53 / bbl	2.16%	10.30%
NYMEX RBOB Gasoline	$2.30 / gallon	1.34%	-7.07%
ICE Gas Oil	$927.00 / tonne	2.83%	0.65%
NYMEX Natural Gas	$3.08 / mmBtu	0.00%	-31.20%
Spot Gold	$1,936.93 / ounce	0.72%	6.17%
TRPC coal API 2 / Dec, 23	$130 / tonne	0.00%	-29.63%
Carbon ECX EUA	€82.14 / tonne	-0.50%	-2.18%
Dutch gas day-ahead (Pre. close)	€45.40 / Mwh	-4.42%	-39.92%
CBOT Corn	$5.07 / bushel	0.60%	-25.26%
CBOT Wheat	$6.05 / bushel	1.04%	-99.24%
Malaysia Palm Oil (3M)	RM3,823 / tonne	1.03%	-8.41%
Index	**Close 17 Oct**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	319.92	0.27%	6.17%
Rogers International	28.84	-0.81%	0.59%
U.S. Stocks - Dow	33,997.65	0.04%	2.57%
U.S. Dollar Index	106.06	-0.18%	2.45%
U.S. Bond Index (DJ)	390.53	-0.79%	-0.49%

EXCLUSIVE-Natgas producer Chesapeake explores buying Southwestern Energy -sources

U.S. natural gas producer Chesapeake Energy Corp has approached Southwestern Energy, a peer valued by the stock market at $12 billion including debt, about a potential acquisition, people familiar with the matter said.
Were the two companies to combine, they would overtake EQT Corp as the largest natural gas-focused exploration and production company in the U.S. by market value, at a time when shale companies are seeking scale and efficiencies.
Southwestern's shares ended trading on Tuesday up 8.3% at $7.33 on the news, at their highest finish in almost a year. Chesapeake's shares closed up 0.7% at $89.59.
Chesapeake's talks with Southwestern are preliminary, with no certainty the two sides will reach a deal, the sources said. Chesapeake could explore other potential acquisitions, and may end up pursuing a different target, the sources added.
The sources asked not to be identified because the matter is confidential. Chesapeake and Southwestern did not immediately respond to requests for comment.
An acquisition of Southwestern would be transformative for Chesapeake, which has been snapping up small rivals in the last two years. The two companies are neighbors; most of Southwestern's production is in Appalachia's shale formations and the Haynesville basin in Louisiana, where Chesapeake also operates.
The deal would also be a reversal of sorts. Southwestern acquired some of its acreage in West Virginia and Pennsylvania from Chesapeake for $5.4 billion in 2014.
In 2021, Chesapeake emerged from a bankruptcy which epitomized the boom and bust of debt-laden exploration and production companies that expanded aggressively in the shale patch. Since then, Chesapeake has been shedding oil-producing assets to focus on its competence in natural gas. It has a market value including debt of about $13 billion.
Kimmeridge Energy Management, the activist investment firm that pushed Chesapeake last year to move away from oil drilling and remains a shareholder with a 2% stake, welcomed the deal talks.
"A potential merger between Chesapeake and Southwestern aligns with our views on industry consolidation, given the high degree of operational overlap, opportunity for material synergies and valuation re-rating opportunity," Kimmeridge managing partner Mark Viviano said in a statement.
U.S. natural gas prices have been sluggish in recent months, as oversupply and warmer weather erode producers' profitability. Some analysts expect prices to go up in the next few months, as a pick-up in U.S. natural gas exports creates more domestic scarcity.
Dealmaking in the energy-producing sector has been heating up as companies race to secure the most lucrative acreage. Exxon Mobil Corp last week agreed to acquire Pioneer Natural Resources for $60 billion in stock, placing a big bet on the Permian basin, the biggest U.S. oilfield.

Top News - Dry Freight

Romanian Black Sea port shipped 10.5 mln T of Ukrainian grain Jan-Sept

Ukraine exported 10.5 million metric tons of grain through the Romanian Black Sea port of Constanta in the first nine months of the year, the port authority told Reuters on Tuesday. Ukraine is one of the world's biggest grain exporters and Constanta is the main route out for Kyiv's crops since Russia quit a deal allowing safe passage from Ukraine's own Black Sea ports.
The nine-month data compares with 9.2 million tons shipped in the first eight months of the year and the 8.6 million tons shipped in 2022. It does not include volumes handled by Romania's smaller Danube ports such as Galati, which bring monthly average volumes to more than 2 million tons. The Romanian government has said it aims to double the monthly transit capacity for Ukrainian grain to 4 million tons in coming months, with investment in infrastructure ongoing. Port operators are also investing in equipment to increase loading speeds.
Ukrainian grain competes for space in Constanta, which traditionally handles Romania's crop exports and those of its landlocked neighbours, including Hungary and Serbia.
Overall, the port shipped 25.1 million tons of grains in the first nine months, the authority said, matching its previous annual record high.
Kyiv has relied heavily on export routes along the Danube but Moscow has repeatedly struck Ukrainian river ports since quitting the Black Sea safe-passage deal in July, with exporters also turning to road and rail routes.
Earlier this month, on his first trip to Romania since Russia's invasion, Ukrainian President Volodymyr Zelenskiy said a "corridor" would be soon be established to take Ukrainian grain to Romania via Moldova.

EU 2023/24 soft wheat exports reach 8.81 mln T, down 22%

Soft wheat exports from the European Union since the start of the 2023/24 season in July had reached 8.81 million metric tons by Oct. 15, down 22% compared with 11.34 million a year earlier, data published by the European Commission showed on Tuesday. EU barley exports totalled 2.31 million tons, down 10% against 2.56 million tons in the corresponding period in 2022/23.
A breakdown of the data showed Romania remained the biggest EU soft wheat exporter so far in 2023/24, with 2.48 million tons shipped, followed by France with 1.78

million, Poland with 1.58 million, Bulgaria with 937,000 and Lithuania with 763,000.
EU wheat shipments this season have been curbed by large exports of cheaper Russian supplies, though recent sales of French wheat to China may boost EU exports in the coming months.

Picture of the Day

Boats and houseboats are seen stranded in a dry area of the Igarape do Taruma stream which flows into the Rio Negro river, as the water level at a major river port in Brazil's Amazon rainforest hit its lowest point in at least 121 years on Monday, in Manaus, Brazil October 16. REUTERS/Bruno Kelly

(Inside Commodities is compiled by Soumya Chatterjee in Bengaluru)

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

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