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

Top News - Oil

EXCLUSIVE-U.S. says Russia oil price cap will not be aimed at OPEC

New steps from Group of Seven countries to cap Russian oil sales at an enforced low price will not be replicated against OPEC producers, whose plans to cut output have irked consumer countries, a United States Treasury official told Reuters.

Washington has communicated to representatives of the Organization of the Petroleum Exporting Countries (OPEC) to reassure them of those limits to its plans and has maintained from the beginning that the cap would not target other oil producers, the official added.

The comments could help ease a spat between the United States and Saudi Arabia, the top oil exporter and de facto OPEC leader, over what Washington sees as collaboration with Russia to deprive markets of supply just as a global recession looms.

Tensions have simmered between consumer countries, such as the United States and oil producers over output policy, with sources telling Reuters that OPEC anger about the price cap plan was among the reasons for its decision to cut output.

OPEC+, which groups the producer bloc with allies, including Russia, announced last week that it would cut production by 2 million barrels per day to balance markets and quell volatility.

Saudi Arabia said the real reduction would likely be around 1 million barrels per day (bpd) as several OPEC members have struggled to meet their existing output targets.

The White House said the United States' analysis showed the cut could have waited until the next OPEC meeting, after the November U.S. midterm elections.

But OPEC officials did not link the move to the Russian oil price cap in their discussions with the United States, U.S. Deputy Treasury Secretary Wally Adeyemo said last week.

The United States last week said the cut would boost Russia's revenue 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.

The price cap due for Dec. 5 was designed specifically to address Russia's invasion of Ukraine and will not be carried over to other producers, the official added, as their moves to rein in output drive up prices.

Nor do the new sanctions signal the beginning of a buyer's cartel to counter the impact of OPEC policies on the oil market, the official, who declined to be named due to the sensitivity of the situation, said.

The Paris-based International Energy Agency grouping of consumer countries said last week that the OPEC+ cut has driven up prices and could push the global economy into recession.

But the U.S. Treasury official saw the cut's price impact as muted, saying it might take a $30-$40 price surge or an output cut 10 times the size of the actual cut to OPEC+ output of around 900,000 bpd to trigger a recession.

The G7 is keen to deprive Moscow of wartime revenues but seeks to avoid a global supply shock, which could raise prices and hit their own citizens as global recession fears deepen.

Agreed by G7 nations in September, the price cap plan faced clashing with much stricter European Union bans on Russian shipments ratified in June.

The EU agreed to the cap this month but regulatory details have not been ironed out, increasing anxiety over the plan in the oil industry with six weeks to go.

Strikes end at some of TotalEnergies' French refineries

Workers voted to end a strike at TotalEnergies' Donges refinery on Wednesday, bolstering the government's hopes the supply situation at petrol stations around the country will rapidly improve.

Strikes were suspended at two other refineries in the North and Bouches-du-Rhone regions, but were being maintained at a site at Gonfreville, a CGT union representative told AFP.

CGT union representatives did not respond to calls after working hours by Reuters.

With an eye on the autumn school break that starts at the end of the week, members of the French government, who forced some fuel depot staff to return to work earlier this week, repeated that a back to normal situation was within reach.

TotalEnergies has been hit by strikes at its refinery sites in France for nearly a month, as workers seek higher salary increases they say would better reflect rising inflation.

The protests have disrupted the supply of petrol to service stations, leading to long lines of motorists queuing to fill up cars and causing general public anger.

Government spokesperson Olivier Veran said earlier the number of French petrol stations facing supply problems

due to the strike was now down to 21% versus almost a third over the week-end.
"We are doing everything we can to get back to a normal situation. The way things are evolving these last days suggest that may happen soon," he told reporters after the weekly cabinet meeting.
Energy Transition Minister Agnes Pannier-Runacher also pointed at signs of a general improvement in the supply of petrol to service stations in the country but said the situation in the Paris/Ile-de-France area remained difficult.
"We are doing all we can to ensure the situation gets better," she told French radio.
Energy company EDF, which the French government is in the process of fully nationalising, has also been affected by strikes at its nuclear reactors.
France's national grid operator RTE warned on Tuesday that those prolonged strikes at EDF could have "heavy consequences" for the country's electricity supplies over the coming winter.
Pannier-Runacher said EDF remained in talks with trade unions to try and resolve that dispute.

Top News - Agriculture

Argentina grains exchange cuts wheat harvest forecast to 15 mln T

Argentina's Rosario grains exchange cut its 2022/23 wheat harvest forecast to 15 million tonnes, down from 16 million tonnes estimated last week, it said on Wednesday, after a late frost hit crops already damaged by drought.
The projected wheat harvest - which would make this year the worst in seven years - is "very critical and could still get worse," the exchange said in its monthly report.
Argentina produced a record 23 million tonnes of wheat in the last growing season.
The country is a major grains exporter, but this crop year has been hit by a drought that dates back to May, exacerbating the impact of low temperatures during the southern hemisphere spring, when many wheat fields were in key development stages.
The Rosario exchange maintained its projections for the 2022/23 corn harvest at 56 million tonnes and its 2022/23 soybean harvest at 48 million tonnes. Producers are beginning to plant corn, and soybean planting will start in coming weeks.
The exchange said that due to the drought farmers may opt to plant more land in soybeans, a hardier crop than corn, estimating that the planting area for the oilseed could reach 17 million hectares (42 million acres).
The exchange said producers so far have planted only 12% of the 8 million hectares forecast for corn, 15 percentage points behind the planting rate at the same time last season.

Russia plans grain export quota at 25.5 mln T for Feb 15-June 30

Russia's agriculture ministry has proposed setting the country's grain export quota at 25.5 million tonnes for the period from mid-February until the end of June, the minister, Dmitry Patrushev said on Wednesday.
Russia is the world's largest wheat exporter, which chiefly supplies its wheat to Africa and the Middle East. It usually sets up grain export quotas for the second half of the July -June marketing season to secure enough supply for domestic needs.
The size of the quota is equal to the one proposed by Russia's Union of Grain Exporters earlier in October, when it said that such exports would be not of a restrictive nature and would be "a compromise option".
"As for the quota, which we traditionally set in February for the second half of the season, we will certainly expand the export window," Patrushev said in a statement.
"Preliminarily, we plan that its size will be 25 million tonnes without a breakdown by individual cereals. In addition, another 500,000 tonnes will be allocated for export from the far east regions," he added.
Russia is on track to harvest a record grain crop of 150 million tonnes, including 100 million tonnes of wheat, in 2022, according to President Vladimir Putin's forecast.
Patrushev added that the ministry had already bought 900,000 tonnes of grain from the domestic market for the state stockpile this season. He expects this season's total purchases to reach 3 million tonnes.

Top News - Metals

LME WEEK-China may buy more Russian copper to blunt expected premium hike

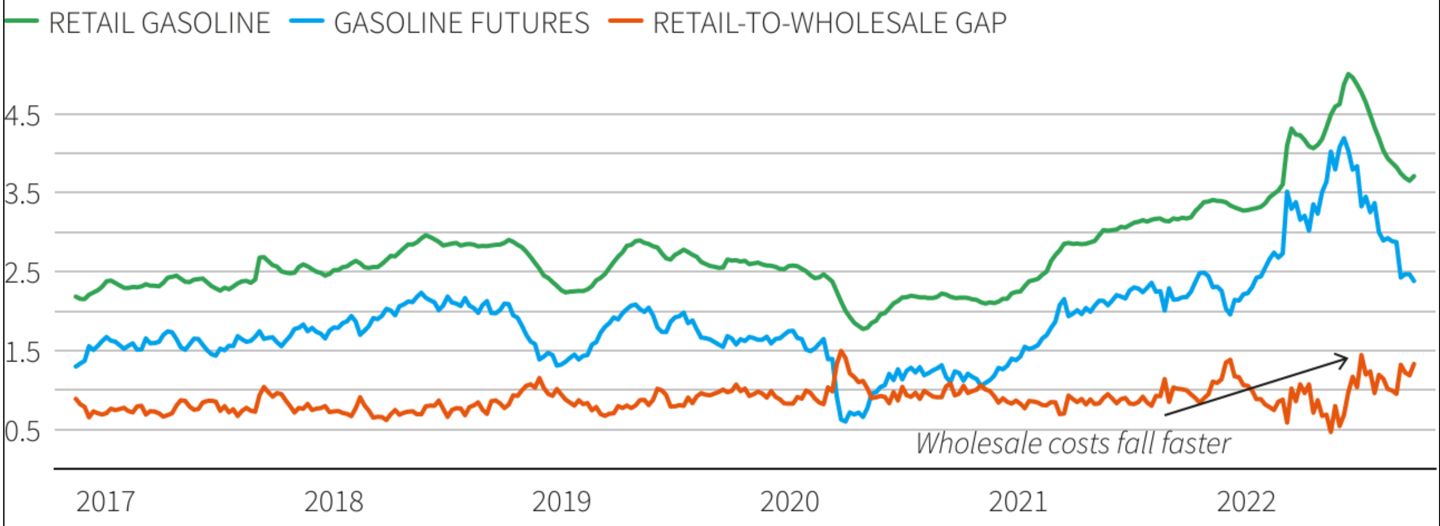
Buyers of refined copper in China, the world's biggest consumer of the red metal, may raise their purchases of Russian supply next year to reduce the impact of an expected increase in premiums from other global miners.
Premiums of physical copper sales to China in 2023 are expected to rise to between $150 to $210 per tonne over the benchmark London Metal Exchange price, according to forecasts from four market participants. That would be up from $105 this year and $88 in 2021.

Chile's Codelco, the world's top copper miner, raised their premiums for sales to Europe next year to a record $234 a tonne for 2023, up 83% from 2022.
Bracing themselves after Codelco's hike, Chinese buyers are looking at boosting their Russian shipments, which would likely increase at the expense of the Chilean, Australian and Congolese suppliers they typically use.
However, Russian imports are drawing scrutiny amid its invasion of Ukraine with the LME considering a ban on Russian metal for settling contracts and the U.S. potentially banning Russian aluminium.
"If prices did go up to above $150 (a tonne), we would just buy from the spot market instead of signing an annual contract at a fixed premium," said a China-based copper tube producer.
"We expect to see more copper from Russia flowing into China next year as buyers would be more attracted to cheaper materials they offer."
Buyers are also hesitant to pay higher premiums amid uncertain demand in China, with ongoing measures to tackle COVID outbreaks curtailing growth and a worsening property market also impacting copper consumption.
Consultants CRU Group forecast 2.2% annual demand growth for refined copper in China this year, falling to around 2% next year. That is down from the 5% growth typically seen since 2017.
At the same time, Chinese refined copper production in 2023 is forecast to rise by 6% compared with 2022, after several major copper producers launched new capacity, according to CRU.
With some buyers avoiding Russian metals because of the Ukraine conflict, Russia is expected to sell copper at a discount to offers from Chile and other origins.
"More purchases of Russian copper are very likely if their prices are a lot cheaper and stay sanction-free," said He Tianyu, a Shanghai-based copper analyst at CRU Group.
However, if the West imposes sanctions on Russian metals, Chinese importers could face barriers on making money transfers through Western banks and using the U.S. dollar to settle transactions, He said.
Russia accounted for 11% of China's copper imports in 2021 but shipments from the country have surged in recent months. Chile was the biggest supplier at 22%.
Copper arrivals from Russia were 33,033 tonnes in August, 34% higher than the same month last year, China customs data showed.
Prices for imported Russian copper were an average of $7,953 per tonne in August, $141 a tonne cheaper compared with the average price of copper imported from

Chart of the Day

The gap between retail and wholesale gasoline prices

Retail gasoline prices have been falling more slowly than wholesale futures in the last few months. For the last five years, U.S. retail gasoline has averaged an 88-cent premium over wholesale costs.



Note: All prices $ per gallon
Source: EIA, Refinitiv Eikon

Chile in the same period, according to Reuters' calculations based on customs data.
Physical premiums for copper have risen with the current price for cargoes imported through the Yangshan bonded warehouse zone at $147.50 a tonne, the highest since February 2014.

COLUMN-LME copper stocks plunge again as metal heads to China: Andy Home

The amount of available copper in the London Metal Exchange's (LME) warehouse network has halved over the last eight days.
Headline stocks of 139,000 tonnes may look healthy enough but a string of daily cancellations means that 48% of that tonnage is now awaiting physical load-out, leaving just 72,950 of live stocks.
The stocks grab looks strange, given the rapidly darkening outlook for demand as Europe heads into recession and U.S manufacturing growth brakes sharply.
But the clue lies in China, where a squeeze on the Shanghai Futures Exchange (ShFE) has generated a scramble for metal.

SHANGHAI SQUEEZE

The ShFE copper contract has been characterised by low inventory and rolling tightness for some time. But things have come to a head since the market reopened after the Golden Week holidays and in the run-up to the October contract's expiry on Monday.
Market open interest surged to 454,074 contracts at the end of last week, the highest level of participation since 2015, as the front part of the curve tightened.
Deliveries against short positions have been accelerating. Total registered ShFE stocks more than doubled over the holiday period to 63,746 tonnes with on-warrant inventory jumping from 3,729 to 25,588 tonnes.
More has arrived this week, on-warrant stocks mushrooming to 70,547 tonnes as of Tuesday.
Shanghai is now acting as a magnet on available copper units both in China and the rest of the world.

YANGSHAN YANKS THE SUPPLY CHAIN

It's clear the first point of call for Shanghai shorts has been the copper sitting in the city's bonded warehouses.
Shanghai's international copper contract, traded via the International Energy Exchange (INE), is backed up by such stocks. Registered inventory plunged from 88,861 to 28,389 tonnes over the Golden Week holidays, by some margin the biggest change in INE stocks since the contract was launched at the start of 2021.
Local data provider Shanghai Metal Market (SMM) assesses broader bonded stock levels, sometimes termed "social stock". These too have plummeted to 30,100 tonnes from a March peak of 293,500 tonnes.
As bonded stocks rapidly deplete to fill on-shore ShFE warehouses, physical premiums are in turn rising to attract more metal from the international market.
The Yangshan copper premium, a useful proxy for China's spot import demand, has soared to $147.50 per tonne over LME cash, its highest trading level since 2013.
The high premium for Chinese delivery is now sucking in metal from the rest of the world, including LME warehouses in Asia, where all the cancellation activity has taken place over the last week or so.

DISRUPTED SUPPLY?

The scramble for Shanghai metal is surprising given China's refined copper imports have been running at a fast pace in recent months. Net imports of 2.31 million tonnes in the first eight months of the year were up almost 10% on the same period of 2021.
However, these inflows have bypassed both bonded and on-shore warehouses to refill a depleted domestic supply chain after an extended bout of destocking due to record high prices earlier this year.
It is probable that troubled trade house Maike Group is also somehow in the Shanghai copper cocktail right now. The company, which is actively selling assets to forestall a liquidity crunch, is a copper powerhouse, typically handling around a quarter of China's import volumes every year.
Its ongoing restructuring, which includes the liquidation of copper stock, is likely disrupting normal trade flows through the bonded warehouse system.

LONDON'S RUSSIAN DILEMMA

China's strong call on copper is being felt in London, where falling LME stocks have rekindled time-spread volatility.
The benchmark cash-to-three-months spread has been in backwardation since the middle of September and the cash premium was valued at a hefty $60 per tonne at Tuesday's close.
The micro tightness continues to clash with the bearish macro picture, which has kept outright three-month copper under pressure close to its July low of $6,955 per tonne, last trading at $7,375.
The micro-macro divergence looks set to accentuate as LME stocks are stripped for shipment to China.
There's an extra complication for the LME, which has launched a discussion paper on whether to suspend deliveries of Russian-brand metal.
Over 60% of LME copper stocks at the end of September were Russian metal. It's quite possible that the ratio is about to go up further as total stocks fall and what's left is increasingly concentrated on the European ports of Hamburg and Rotterdam.
Both are obvious shipping destinations for Russia's two copper producers and they currently hold a combined

42,425 tonnes of live stocks, equivalent to 58% of the rapidly diminishing total.
Neither location has been touched by the recent spate of cancellation activity, which has understandably played out at Asian locations within much faster reach of Shanghai shorts.

While this week's huge flows of aluminium into LME warehouses have inevitably turned the spotlight on Russian aluminium producer Rusal, copper stocks movements may become a bigger problem sooner.

Top News - Carbon & Power

EU gas price cap still elusive as leaders meet again over energy crunch

Leaders of the 27 European Union countries meet on Thursday for the second time in a fortnight to try to bring down energy prices, though persistent divisions between them mean the bloc is unlikely for now put a ceiling on what it pays for gas.
The 27 are expected to back an alternative price benchmark for liquefied natural gas and joint gas buying, after earlier agreeing to cut consumption and introduce levies on windfall profits in the energy industry.
But they remain as split as they were months ago on whether and how to cap gas prices to stem high inflation and stave off recession, after Russia cut gas flows following its invasion of Ukraine.
While 15 countries including France and Poland push some form of a cap, they face strong opposition from Germany and the Netherlands - respectively Europe's biggest economy and gas buyer, and a major European gas trading hub.
"An agreement is extremely unlikely... Opinions seem to be really far apart," a senior EU diplomat said ahead of Thursday's talks.
They will also discuss emergency spending to mitigate the effects the acute energy crunch has on their economies and 450 million citizens.
While some countries have called for the bloc to issue new joint debt to finance that, more frugal members say hundreds of billions of euros unused from previous programmes should be spent first.
Another disagreement is whether to provide immediate relief through direct subsidies to households and businesses, or invest in green energy that would make the bloc more resilient in the future.
"Division is not a luxury we can afford," the summit's chairman, European Council President Charles Michel, said.
But given EU countries' diverse energy mix and interests, the meeting risks falling short on concrete action, with other concerns being whether a gas cap would enable Britain to buy cheaper energy or compromise stability of supplies.
"Unity among member states is dangerously under pressure, with unilateral national decisions being announced without an EU framework to keep them together," said E3G, a think-tank dedicated to climate change transition.
"This fragmentation ...could undermine the credibility of the EU's response."
EU energy ministers meet again next week but another senior EU diplomat said they did not expect more detailed decisions before November.

WAR IN UKRAINE
EU leaders will also discuss options for giving more support to Ukraine, including providing energy equipment, helping restore power supply and long-term financing to eventually rebuild the country.
As regards bringing those responsible for alleged war crimes in Ukraine to justice, some EU countries want to set up a dedicated tribunal quickly, while others are seeking to go more slowly to ensure maximum international endorsement.
"The European (Union) Council condemns in the strongest possible terms the recent indiscriminate Russian missile and drone attacks targeting civilians and civilian objects and infrastructure in Kyiv and across Ukraine," the leaders will say, according to their draft statement.
They will single out Belarus for enabling Russia's war but are not expected to support further sanctions against Moscow on Thursday.
The bloc is already moving to impose new sanctions on Iran over the use of Iranian-made drones in Russian strikes on Ukraine.

Germany to cap electricity prices by taxing excess profits

Germany's government plans to introduce a cap on electricity prices for households and industry to ease the impact of soaring energy costs, a ministry document seen by Reuters on Wednesday showed.
To help finance the cap and pay for the stabilisation of power transmission grids, Berlin is considering skimming off some electricity companies' profits, the document showed.
The scheme would also be financed by a 200 billion euro ($196 billion) relief package Chancellor Olaf Scholz's government announced late last month to help

households and companies cope with soaring energy prices in Europe's largest economy.
The document did not specify how much funds would be drawn from the package and how much from the profits levy.
The cap, which the draft did not quantify, would be based on historical annual electricity consumption. Its design would be similar to a price brake for gas, details of which the government announced earlier this month, the document showed.
But unlike the proposed relief for gas consumers, the draft does not include a one-off payment to cover one month's electricity bill this year.
As part of the plan, Berlin may skim off 90% of the power profits that electricity companies make above production costs, the paper showed. For spot prices, the levy would apply retroactively from March, and for future prices from December, it said.
Shares in RWE, Germany's largest power producer and one of the companies potentially affected, were 1.5% lower following the news.
"We see some increased earnings risk, and, in our view, any retroactive changes in Germany would be both surprising and a clear negative signal to industry investment," Jefferies analysts wrote, keeping a "buy" rating on RWE.
The document, to be presented to Germany's cabinet on Nov. 18, said prompt and future power had been affected by runaway wholesale power prices as a lack of gas drove up prices. The overall energy scarcity also stretches to crude oil and coal.
The paper, from Germany's Economy Ministry, showed that power production from hard coal, gas and biomethane would not be included in the measures, due to their higher production costs.
Italy and Britain have implemented similar levies, while Spain has introduced a temporary one.
Last month, the European Commission set the framework for windfall profit levies on energy firms, but upon Germany's insistence the Commission left a lot of leeway for the bloc's members to design their own measures.
In Germany, the levy would factor in companies' basic costs depending on the type of energy generation.
For example, it would account for around 10 euro cents ($0.098) per kilowatt hour (kWh) for renewable energies, in addition to 3 cents per kWh as a so-called security surcharge, meaning 90% of profits realised above 13 cents would be skimmed off.
Nuclear energy would get 4 cents per kWh, plus the 3 cent security surcharge.

Top News - Dry Freight

ADM sees Brazilian soybean exports up 11% for 2022/23 crop
Grain trader Archer-Daniels-Midland Co projects to grow its soybean exports from Brazil's 2022/23 crop-year by 11%, amid record production forecasts, Luciano Souza, the company's sourcing director for Latin America said on Wednesday.
Brazil's soybean output is estimated at a record 152.4 million tonnes in the 2022/23 season, a 21% increase over last year's drought-hit cycle.
The bigger harvest should be reflected in exports from Brazil, which is already the largest global soy producer and exporter.
Brazil's food supply agency Conab expects exports in the 2022/23 season nationwide to reach 95.87 million tonnes, up 22.5% from last cycle.
ADM did not disclose the volume of its planned shipments.
The company said it is particularly optimistic about the current soybean crop in Brazil's top producing state of Mato Grosso, where it estimates output will rise 6% compared to the previous crop, reaching 42.1 million tonnes.

South Korean mills buy 30,000 T wheat from U.S. - traders
A group of South Korean flour mills led by the miller SPC bought around 30,000 tonnes of milling wheat to be sourced from the United States on Wednesday, European traders said.
The purchase included several different wheat types and was all bought on an FOB basis with trading house Viterra believed to be the seller, they said.
The wheat was for shipment between Jan. 15 and Feb. 15, 2023.
The purchase involved soft white wheat of about 9.5% to 11% protein content bought in the mid $340s a tonne, soft white wheat of 8.5% protein also bought in the mid $340s a tonne, hard red winter wheat of 11.5% protein bought at just over $412 a tonne and northern spring/dark northern spring wheat of 14% protein bought at about $405 a tonne.
Two South Korean groups had on Tuesday also bought about 77,000 tonnes of U.S. wheat for December 2022/ January 2023 shipment.

MARKET MONITOR as of 06:31 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$86.84 / bbl	1.51%	15.46%
NYMEX RBOB Gasoline	$2.66 / gallon	0.47%	19.57%
ICE Gas Oil	$1,081.75 / tonne	0.60%	62.18%
NYMEX Natural Gas	$5.54 / mmBtu	1.39%	48.47%
Spot Gold	$1,629.79 / ounce	0.08%	-10.86%
TRPC coal API 2 / Dec, 22	$250 / tonne	2.46%	103.25%
Carbon ECX EUA / Dec, 22	€67.38 / tonne	0.13%	-16.45%
Dutch gas day-ahead (Pre. close)	€63.00 / Mwh	-13.10%	-5.26%
CBOT Corn	$6.78 / bushel	-0.04%	14.29%
CBOT Wheat	$8.41 / bushel	-0.97%	9.15%
Malaysia Palm Oil (3M)	RM4,125 / tonne	0.17%	-12.18%
Index (Total Return)	**Close 19 Oct**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	291.93	-0.06%	18.18%
Rogers International	30.49	-0.20%	30.83%
U.S. Stocks - Dow	30,423.81	-0.33%	-16.28%
U.S. Dollar Index	112.79	-0.17%	17.53%
U.S. Bond Index (DJ)	370.06	-1.01%	-20.80%

Picture of the Day

Ingots of 99.99 percent pure silver are cast at the Krastsvetmet Krasnoyarsk non-ferrous metals plant in the Siberian city of Krasnoyarsk, Russia. REUTERS/Ilya Naymushin

The Financial and Risk business of Thomson Reuters is now Refinitiv.

(Inside Commodities is compiled by Shoubhik Ghosh in Bengaluru)

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

To subscribe to Inside Commodities newsletter, **click here**.

Refinitiv
3 Times Square, New York, NY 10036

Please visit: **Refinitiv** for more information.

Privacy statement

REFINITIV™
DATA IS JUST THE BEGINNING