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Top News - Oil

PREVIEW-Saudi Arabia may cut December oil prices for Asia, sources say

Top oil exporter Saudi Arabia may cut prices for most of the crude grades it sells to Asia in December, tracking weakness in Middle East benchmark Dubai, trade sources said. Price cuts for Saudi oil would signal weak demand and provide more evidence for the Organization of the Petroleum Exporting Countries, led by Saudi Arabia, and its allies including Russia, a group known as OPEC+, to potentially delay plans to increase production from December.

The official selling price (OSP) for flagship Arab Light crude may fall by 30 to 50 cents a barrel in December from the previous month, a Reuters survey of six refining sources showed, in line with a similar drop in Dubai price spreads last month.

Spot premiums for Middle East crude fell last month as the Asia market was well supplied while demand from key buyers such as China remained lacklustre despite a rebound in refining margins.

Still, some of the respondents expect smaller price cuts for heavier grades of Saudi crude such as Arab Medium and Arab Heavy in December on support from strong margins for high-sulphur fuel oil.

Complex refining margins in Singapore, the bellwether for the region, rebounded to above $4 a barrel in the second half of October, up from September's average of $2.12, the lowest this year. OPEC+ could delay December's planned increase to oil production by a month or more, four sources close to the matter told Reuters on Wednesday, citing concern about soft oil demand and rising supply.

A decision to delay the increase could come as early as next week, two of the sources said.Saudi crude OSPs are usually released around the fifth of each month, and set the trend for Iranian, Kuwaiti and Iraqi prices, affecting about 9 million barrels per day (bpd) of crude bound for Asia.

State oil giant Saudi Aramco sets its crude prices based on recommendations from customers and after calculating the change in the value of its oil over the past month, based on yields and product prices. Saudi Aramco officials as a matter of policy do not comment on the kingdom's monthly OSPs.

ConocoPhillips reports third-quarter profit beat, hikes production forecast

Oil and gas producer ConocoPhillips surpassed Wall Street's third-quarter profit expectations on Thursday and elevated its full-year output forecast, crediting the increase to operational efficiencies enhancing production. Benchmark Brent crude averaged $78.3 a barrel in the reported quarter, nearly 9% lower than last year, but still favorable enough for oil and gas producers to drill profitably. Production for the quarter stood at 1.92 million barrels of oil equivalent per day, up 6% from 1.8 million boepd in the year-ago quarter, due to higher volumes in the Permian and Eagle Ford basins. The higher production was down to operational efficiencies, the company said. It also said it expects 5% overall output growth for Lower 48 areas this year, which include the Permian, Eagle Ford and Bakken basins. "Data suggests the company continues to bring online improved Permian wells that will continue to provide a notable boost," Truist analysts said in a note. ConocoPhillips forecast its full-year output to be between 1.94 million and 1.95 million boepd, compared with 1.93 million to 1.94 million boepd previously. The beat comes as it waits to wrap up its $22.5-billion takeover of rival Marathon Oil. The deal, which was approved by Marathon shareholders in August, is still under U.S. Federal Trade Commission review. Plans to close the deal this quarter remain on track and the company said it expects to significantly exceed its initial synergy forecast. "We now expect to at least double the initial $500-million target, driven by capital optimization," CEO Ryan Lance said in a post-earnings call. The combined company is expected to grow at a low-single-digit rate in 2025, with capital expenditure of less than $13 billion, he said. ConocoPhillips also reiterated its target of $2 billion in non-core asset dispositions. "Activities are well underway on multiple disposition candidates at this stage," it said. The company increased its existing share repurchase authorization by up to $20 billion and reiterated its $9 billion minimum shareholder return for 2024. On an adjusted basis, it reported a profit of $1.78 per share for the reported quarter, compared with analysts' average estimate of $1.64 per share, according to data compiled by LSEG.

Top News - Agriculture

Russia's tacit grain export curbs cause market confusion

Russia's measures to curb grain exports are causing confusion in international markets as the absence of clear government instructions creates loopholes and potential friction with key buyers, traders said. Russia, the world's largest wheat exporter, has attempted to limit grain supplies to global markets to prevent a price spike at home, as President Vladimir Putin seeks to combat inflation partly fuelled by military spending.

The government has not commented officially after meeting with grain exporters earlier this month to discuss export restrictions. The only statement so far has come from Russia's Grain Exporters and Producers Union, or Rusgrain, which claims to represent firms exporting up to 80% of Russian grain. The union stated that from now on, only Russian grain companies will be able to sell directly to sovereign buyers. The new rules exclude international dealers unless they have long-term off-take agreements with Russian companies. A source in the Russian government told Reuters that it was fully aware of Rusgrain's actions and that the union was relaying the official message. "They are an association with which the ministry of agriculture has an agreement. They inform the market but do not regulate it. That is, they convey certain decisions made to the market participants," the source said. This measure would exclude some major international traders from offering Russian wheat although it is not publicly known who can no longer do so as the list of approved foreign firms with off-take agreements has never been made public.

The government has not officially backed the union's announcements and actions so far and the agriculture ministry did not immediately respond to a Reuters request for comment. "The market has been confused by the many semi-official announcements about export restrictions from Russia, without detailed regulations being published by the authorities," one European trader said.

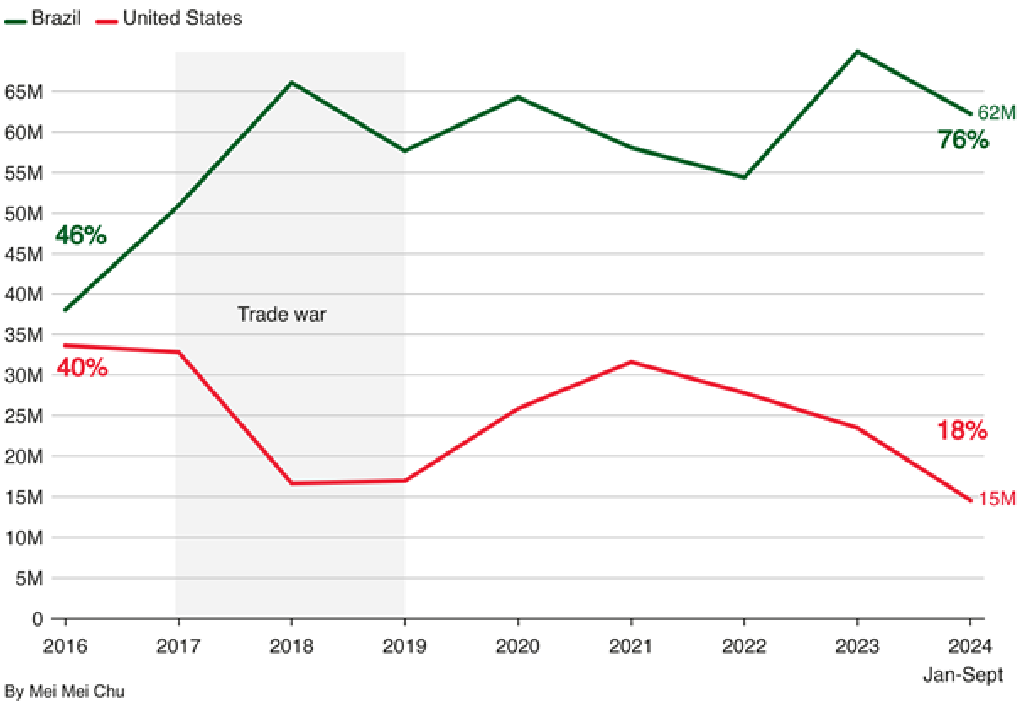
The Union's head Eduard Zernin told Reuters that Russian grain exporters were private companies that "conduct their business in accordance with legal requirements and established business practices".

"We do not plan to disclose any information regarding our business practices, considering ongoing attempts to hinder the supply of Russian grain to countries in need," Zernin added, referring to Western sanctions over Russia's military action in Ukraine that complicate cross-border payments with Russia and hinder Russian companies' access to international markets.

Chart of the Day

China soybean imports in metric tons and market share

Half of US soybeans are shipped to China, making them the single-biggest US export item to the country, but US market share in the world's biggest soybean buyer has plunged from 40% to 18% in the past decade.



By Mei Mei Chu

Source: Trade Data Monitor, Chinese customs | REUTERS

POTENTIAL FRICTION

The confusion about the grain export curbs became evident on Oct. 22 when Bangladesh, an emerging major buyer of Russian wheat, held its first international tender since the restrictions were announced. At the tender, two international dealers, Agrocorp and SMC Food DMCC, were among three participants. They offered grain on an optional origin basis that could have included Russian wheat. Some 24 hours after the tender, Russia's Grain Exporters Union sent a letter to Russian traders urging them to adhere to the new rules. In its message, the union stated that two out of three companies in the Bangladesh tender were not on its list of foreign dealers with off-take agreements with Russian companies.

"Our list of offtakers does not include Agrocorp and SMC Food DMCC," said traders citing the letter. Reuters could not obtain the letter.

The Union confirmed to Reuters that the letter has been sent and that it mentioned Agrocorp and SMC Food DMCC. "The fact that this warning about the Bangladesh tender was sent out so quickly and specifically seems to show Russia is serious about imposing the new system quickly despite the lack of official regulations," another international trader said. Besides export restrictions, the Russian government has already officially increased export taxes on grain and introduced an unofficial minimum selling export price, according to Reuters sources.

New export restrictions could cause frictions with importers, including political allies like Egypt, which would face higher bills for food imports, traders said. "The Arab and African buyers have to pay more for their critical food wheat imports (when shipments are restricted)," a German trader said.

EU lowers most of its 2024 grain crop estimates

The European Commission on Thursday lowered virtually all its estimates for this year's grain crops in the European Union, which would lead to much tighter stocks at the end of the 2024/25 season in the 27-member bloc. In supply and demand data, the Commission put this year's production of common wheat, or soft wheat, in the EU at 112.6 million metric tons, down two million from a month ago and 10% below the volume produced last year. The EU's soft wheat production in 2024 would be a 12-year low and the estimate is now close to the low volume of 2012/13. In a similar move, the Commission lowered its soft wheat export outlook by one million tons to 25.0 million and cut its forecast for the endings stocks to 10.4 million tons, down from 11.7 million seen last month and 17.2 million at the end of 2023/24. The EU harvest has been hit in particular by the smallest crop in France in 40 years, as well as a sharp fall in German production as the bloc's two biggest wheat growers endured repeated heavy rain in the past year. The Commission also lowered its estimate for barley production this season to 49.8 million tons, down from 50.4 million projected last month. Barley ending stocks are now seen at 3.2 million tons, down from 3.8 million last season. In maize, harvesting of which is under way, the Commission lowered its production forecast for 2024/25 to 58.0 million tons from 60.1 million in late September, now more than 5% below 2023/24. Maize crops have been hurt by summer drought and heatwaves in the east of the bloc before being hit by torrential rainfall. For sunflower seed, which has also suffered from drought in eastern Europe, the Commission sharply cut its production forecast to 8.1 million tons from 9.5 million, now 17% below the previous crop.

Top News - Metals

UBS expects copper price to average $10,500/T in 2025

UBS said on Thursday that increasingly tighter supplies of copper in the coming six to 12 months could lead to a deficit of more than 200,000 tons in 2025, as demand grows for the metal key to energy transition. Copper prices on the London Metal Exchange (LME) are forecast to average $10,500 and $11,000 per metric ton in 2025 and 2026, respectively, UBS said. "We are still optimistic about copper prices in the coming two years ... although prices may embrace some downside pressure in the short term from the perspective of position holding," Sharon Ding, head of China Basic Materials at UBS, told a briefing for reporters. "Demand from the new energy vehicles, solar, wind and China's grid investment remains resilient; and copper is also benefiting from high-growth industries such as the data centres for artificial intelligence (AI) and defense needs," Ding added.

Moreover, consumption in Europe and the United States is likely to improve as an easing monetary cycle will help to raise finance for traditional industries such as construction, manufacturing and consumer durables. That growing demand offsets the decline caused by the property downturn in the world's second-largest economy. Supply, however, is likely to see a reduction by late 2024 or early 2025, as most copper smelters are suffering losses, due to historically low treatment charges (TC). A key source of revenue for smelters, TC/RCs are paid by miners when they sell concentrate, or semi-processed ore, to be refined into metal. Ding also forecast average prices for aluminium and alumina futures in China at 19,000 yuan a ton and 3,600 a ton next year, respectively. UBS expected a glut in China's alumina market in February 2025 as more supply comes on line, driving down prices. Alumina prices have rallied to a record high this month on the back of supply disruptions, the latest being export problems in Guinea, the major source of bauxite imports for China's alumina refineries.

Steel producers hail Mexico's efforts to boost industry but say Argentina, Brazil lag

Mexico is on the right path to develop its steel industry but Argentina and Brazil are still falling short of their potential, top officials of three regional producers said.

WHY IT MATTERS

The steelmakers - Ternium, Gerdau, and the Brazil unit of ArcelorMittal - have long complained of an unfair playing field in the region, saying China engages in "dumping," or flooding markets with material sold below market value.

In recent months, Mexico has slapped tariffs on some steel imports and rolled out a program to track products' country of origin, as producers say China ships steel through third countries before it reaches Mexico.

CONTEXT

Latin America has huge potential to grow in steel demand, said Jefferson de Paula, head of ArcelorMittal Brasil. However, political and economic instability, as well as Chinese imports of steel and finished products, pose headwinds, he said. Governments have also been slow to adopt measures to combat dumping practices, said Gustavo Werneck, chief executive of Brazilian steelmaker Gerdau. This month, Brazil rolled out some 25% import tariffs.

WHAT'S NEXT

Mexican President Claudia Sheinbaum, who took office at the beginning of October, has laid out a plan to work with industry, said Maximo Vedoya, CEO of steelmaker Ternium.

The country is also taking advantage of a supply chain shift, he added, referring to a trend known as "nearshoring." Brazil, however, is no longer the industrial powerhouse it once was, he cautioned. "Brazil has the ability to enter the Americas' supply chain, with all the capacity it has," Vedoya said. "But it's far from benefiting from this regionalization phenomenon."

Argentina must sort out its macroeconomic situation before rolling out industrial policy, Vedoya added. "Argentina has distorted costs for everything - taxes, labor, regulations," he said. "If we want to have industry, we need to make it more competitive."

KEY QUOTES

"The United States is leading the way (in measures to combat Chinese steel)," Vedoya said. "Europe is next, India, Mexico. Brazil is taking the first steps. The rest of Latin America should follow." Werneck said, "We (steelmakers in Latin America) are not asking for any type of special treatment. We're asking for an even playing field."

BY THE NUMBERS

Global steel consumption is about 223 kg (492 lbs) per person, de Paula said. In Latin America, that number is less than half. Steel imports to Latin America leaped 14% in 2023, while consumption was up just 5% from the previous year, data from regional steel association Alacero shows.

MARKET MONITOR as of 07:40 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$70.65 / bbl	2.01%	-1.40%
NYMEX RBOB Gasoline	$1.98 / gallon	0.36%	-5.95%
ICE Gas Oil	$679.50 / tonne	1.57%	-9.49%
NYMEX Natural Gas	$2.69 / mmBtu	-0.59%	7.04%
Spot Gold	$2,747.88 / ounce	0.15%	33.22%
TRPC coal API 2 / Dec, 24	$123.5 / tonne	1.23%	27.32%
Carbon ECX EUA	€63.91 / tonne	-1.04%	-20.48%
Dutch gas day-ahead (Pre. close)	€39.60 / Mwh	-2.58%	24.33%
CBOT Corn	$4.28 / bushel	0.35%	-11.67%
CBOT Wheat	$5.90 / bushel	0.00%	-7.70%
Malaysia Palm Oil (3M)	RM4,819 / tonne	2.62%	29.51%
Index	**Close 31 Oct**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	334.04	-0.13%	10.83%
Rogers International	27.63	0.22%	4.96%
U.S. Stocks - Dow	41,763.46	-0.90%	10.81%
U.S. Dollar Index	103.99	0.02%	2.63%
U.S. Bond Index (DJ)	440.66	-0.01%	2.31%

Top News - Carbon & Power

US LNG exports to rise at smallest pace since 2016

U.S. liquefied natural gas exports this year will rise about 2%, analysts estimate, the smallest annual increase since 2016 when the first big U.S. LNG export plant opened, launching a boom that drove the country's producers to the top of world gas exporters. Slower gains reflect delays and production outages and the absence of a new facility since March 2022 when Venture Global LNG's started up its Calcasieu Pass, Louisiana, project. This year's 2% increase in export volumes, to 12.1 billion cubic feet per day (bcfd), is down from 12% last year and the average growth rate of 43% between 2018 and 2022, according to data from the U.S. Energy Information Administration. The dollar value of U.S. exports reached a peak of $47.33 billion in 2022, when prices skyrocketed after Russia's invasion of Ukraine. Prices eased and last year's U.S. exports were valued at $34.27 billion, according to U.S. government data. Faster growth should resume next year when new projects start. Gains could rise around 14% to an estimated 13.8 bcfd in 2025, according to an EIA outlook. U.S. LNG capacity could more than double over the next four years, rising to around 17.8 bcfd next year, 20.6 bcfd in 2026, and reach 24.5 bcfd in 2028, analysts estimate.

TWO STARTUPS AHEAD

The seven big LNG export plants are capable of turning around 13.8 bcfd of natural gas into LNG for export. Since 2023 the U.S. has been the world's largest exporter of the superchilled gas. The 2024 forecast includes some output from two projects scheduled to start operation by year-end: Cheniere Energy's Sabine Pass, Texas, expansion, and Venture Global's Plaquemines, Louisiana facility.
A contractor's bankruptcy has delayed the third project that was due to open this year, the QatarEnergy and Exxon Mobil Golden Pass joint venture.
The partners say they expect to deliver first LNG in the second half of next year, but others see the delay stretching into 2026.
"That sort of thing is very disruptive and so getting back up to speed when something like that is happening is a challenge," said Jason Feer, Poten and Partners Global head of business intelligence. This year's growth was constrained by maintenance and other outages at the second-largest U.S. export facility, Freeport LNG's 2.1-bcfd plant in Texas. Its output was cut by more than half for almost four months from mid January, according to the company and data from financial firm LSEG.

Woodside and Tokyo Gas in discussions over stake in US LNG project

Tokyo Gas is in talks with Woodside Energy over taking a stake in a multi-billion-dollar Louisiana liquefied natural gas (LNG) export project, according to two people familiar with the discussions. Woodside, an Australian oil and gas producer, this month closed on a $1.2 billion buy of developer Tellurian Inc, which put itself on the market after nearly running out of cash building a U.S. Gulf Coast facility that could convert U.S. shale gas into up to 27.7 million tons per annum of LNG. Tokyo Gas Natural Resources (TGNR), the U.S. arm of Japan's largest gas and power utility, is holding talks on acquiring an interest in the project. The talks are ongoing and there is no guarantee they will complete a deal, one of the people said. Woodside and Tokyo Gas declined to comment. Woodside has said it is seeking equity partners to take minority stakes in the export project, now called Louisiana LNG. Chief Executive Meg O'Neill said earlier this month the company had received expressions of interest from "multiple parties." Tokyo Gas Natural Resources owns U.S. shale gas production and late last year acquired rival gas producer Rockcliff Energy for $2.7 billion. It added to that deal this year by buying a 49% stake in energy marketing firm ARM Energy Trading. The Rockcliff deal made TGNR one of the largest shale gas producers in the Haynesville shale region, which straddles East Texas and Louisiana. It can pump more than 1.3 billion cubic feet per day of gas. An equity deal involving Louisiana LNG would be part of Tokyo Gas' strategy of securing gas supply from the United States, a strategy which already has led to several acquisitions, said one of the people who declined to be identified because the talks are private. "Our aim is to create a U.S. gas value chain by linking our projects to increase the value of our investments, rather than seeking profits from individual projects," Tokyo Gas President Shinichi Sasayama told Reuters earlier this year about its U.S. strategy. Woodside has said it hopes to be able to give a financial greenlight to the Louisiana LNG project by the end of the first quarter of 2025. Construction at the site has been underway and U.S. regulators this year granted the project an extension until April 2029 to complete the work.

Top News - Dry Freight

ANALYSIS-China pivot from US farm imports bolsters it against trade war risks

China's push to shift its food import sources since 2018 has put it in a better position to impose tit-for-tat tariffs on U.S. farm goods with less harm to its food security if trade friction with Washington flares after the U.S. presidential election. The threat of a trade war looms for China, the world's top importer of farm products such as soybeans and corn, with Republican candidate Donald Trump floating blanket 60% tariffs on Chinese goods in a bid to boost U.S. manufacturing. His opponent Kamala Harris, a Democrat, is also expected to confront China on trade. Since Trump was in the White House, China has slashed its dependence on U.S. farm goods in a concerted effort to beef up national security, including food self-sufficiency. The pivot began in 2018, when Beijing slapped 25% tariffs on imports of U.S. soybeans, beef, pork, wheat, corn and sorghum, retaliating against duties imposed by the Trump administration on $300 billion worth of Chinese goods. The move led to a reshaping of global agriculture trade flows, despite Trump and then-Chinese Vice Premier Liu signing a pact in January 2020 under which Beijing promised to boost purchases of U.S. goods and services, including farm products.

Instead, China has decreased U.S. purchases, buying more grain from Brazil, Argentina, Ukraine and Australia, even as it boosts domestic production.

"Beijing feels much safer knowing the U.S. has less leverage over China's food security in the event of a major conflict," said Even Pay, agriculture analyst at Beijing-based consultancy Trivium China. "That reduction is by design," she said. This year, the share of China's soybean imports from the U.S. has dropped to 18%, from 40% in 2016, while Brazil's share has grown to 76% from 46%, according to Chinese customs data. For corn, Brazil overtook the U.S. as China's top supplier in 2023, just one year after Beijing approved purchases from the South American agricultural powerhouse. Meanwhile, Chinese livestock companies have been reducing use of soymeal in feed - a move to ease reliance on imported soybeans - while Beijing has approved genetically modified soybean and corn varieties to boost output. China's agriculture ministry did not immediately respond to a request for comment. A spokesperson for Trump did not directly comment on the drop in China's reliance on U.S. farm exports, but pointed to Trump's comments that tariff is "a beautiful word" and "we will take in hundreds of billions of dollars into our treasury and use that money to benefit the American citizens." Harris' campaign website says the Democratic candidate "will not tolerate unfair trade practices from China or any competitor that undermines American workers".

STOCKING UP

In anticipation of post-election tensions, Chinese buyers have boosted agricultural imports, including American soybeans and corn, traders and analysts say. Imports of soybeans, used mainly for animal feed, are up 8% in the first nine months of the year, with barley purchases increasing 63% and sorghum shipments climbing 86%. "This time is different. China is well stocked up on most of its needs," said a trader at an international trading company in Singapore which sells grains and oilseeds to China and declined to be named as they were not authorised to speak with media. "There won't be any supply shock immediately and it will give China time to plan and redirect purchases," he said. U.S. soybean export premiums are at their highest in 14 months, as grain merchants race to ship a record harvest ahead of the election. While Beijing would prefer to avoid targeting food staples in a tit-for-tat trade war, it may be forced to do so, said Wendong Zhang, an assistant professor and agricultural economist at Cornell University in Ithaca, New York. "China's retaliation would be proportional in terms of trade value and with the goal to inflict economic and political cost, which tends to lead to retaliation on agricultural products." China's overall trade surplus with the U.S. totalled $33.33 billion in September alone, limiting its options to retaliate. "China ... can reduce its exposure to U.S. goods only to some extent. There are only limited places where you can get these products from," Dennis Voznesenski, an analyst at Commonwealth Bank of Australia.

US FARMERS VULNERABLE

Polls show Harris and Trump to be neck and neck, although Trump leads in most agricultural heartland states even though the last trade war was a blow to U.S. farmers and led Trump's administration to pay them about $23 billion in compensation, according to the Government Accountability Office. About half of American soybeans, the top U.S. export to China, are shipped to the country, accounting for $15.2 billion of trade in 2023, according to the U.S. Census Bureau. Soybean and corn prices are trading near four-year lows amid ample world supplies, fuelling worry among U.S. farmers. "We are very concerned. We are not the only soybean producer in the world. South America is producing an awful lot of soybeans," said Mark Tuttle, a soybean farmer in northern Illinois. "If we were to institute more tariffs, that would be very detrimental to our situation."

Algeria buys around 600,000 T milling wheat in tender, traders say

Algeria's state grains agency OAIC bought around 600,000 metric tons of milling wheat in an international tender on Thursday, European traders said. Purchases were reported at around $263 a ton cost and freight included, they said. Initial trader estimates of the purchase volume were substantial with at least 480,000 to 500,000 tons. But most late evening estimates were around 600,000 tons. A large portion of the purchase was expected to be sourced from the Black Sea region including Bulgaria and Romania, along with the Baltic states, they said. Reports reflect assessments from traders and further estimates of prices and volumes are still possible later. The wheat is sought for shipment this year in two periods from the main supply regions including Europe: Dec. 1-15 and Dec. 16-31. If sourced from South America or Australia, shipment is one month earlier. In its last reported wheat tender on Oct. 8, Algeria purchased around 510,000 to 570,000 tons at around $262.50 a ton c&f. Traders said Algeria excluded French companies from the Oct. 8 tender and required that participating firms did not offer French-origin wheat, in apparent fallout from renewed diplomatic tensions between Algiers and Paris. Traders said on Wednesday that French companies had been invited to participate in Thursday's tender but that they could only offer non-French wheat.

Picture of the Day

A view shows a vessel in an area affected by heavy rains that caused flooding near Valencia, Spain, October 31. REUTERS/Nacho Doce

(Inside Commodities is compiled by Lactus Fernandes in Bengaluru)

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