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Top News - Oil

Russia set to reroute most of its oil under new price cap – analysts

New G7 and European Union sanctions on Russian oil exports will have a muted impact on flows and global prices according to analysts polled by Reuters, as Russia is set to largely succeed in rerouting its trade eastward.

The market is set to be deprived of a maximum of 2 million barrels per day (bpd) of Russian oil in the short term once the measures take effect on Dec. 5, and possibly none at all - a range not seen moving prices much upward.

The survey of 42 economists and analysts provides one of the most comprehensive perspectives yet of how the industry views the ambitious plan to deprive Moscow of revenue, revealing uncertainty on its impact but little deep concern.

"Russian exports will find other buyers in Asia in the long term. But in the short term the sanctions could result in some 1.5-2 million bpd that will be taken off the market," said Frank Schallenberger, head of commodity research at German bank LBBW.

Commodities trading giant Vitol sees Russian flows declining by up to 1 million bpd this winter despite building up its own shipping fleet, CEO Russell Hardy told the Financial Times.

Analysts at the Bank of Nova Scotia, however, saw oil export and production levels remaining relatively flat despite the sanctions.

Up to 80-90% of Russian oil could still flow if Moscow seeks to flout the G7 price cap, a U.S. treasury official told Reuters last month, leaving 1-2 million bpd shut in.

The International Energy Agency group of consumer countries deemed that an "encouraging level" to meet demand.

Concerns over waning Chinese demand due to strict COVID-19 policies and signs of a looming economic recession countered pessimism over losses of Russian supplies, analysts said.

"The implementation of Russian sanctions ... will remove 1.5 million bpd of supply from the market. Russian exports remain resilient, but the fact that there are now limited buyers or tankers willing to re-route over 3 million bpd is expected to soon take a toll," Societe Generale analyst Florent Pele said.

"While we believe (the price cap) would be very difficult to implement, it would directionally raise the likelihood of more Russian oil staying on the market at any price."

EXCLUSIVE-OPEC Sec Gen: Oil investment lag sowing seeds for future energy crises

The world must act swiftly to invest in oil to prevent future energy emergencies as global demand for the hydrocarbon grows in the long term, OPEC Secretary General Haitham Al Ghais said on Tuesday.

"If we don't get it right this time we are sowing the seeds for future energy crises - not just one, but multiple," he told Reuters in an interview.

Al Ghais sounded a note of optimism that policymakers at the upcoming COP27 climate summit will be more open to hearing the oil industry's point of view on the climate change debate.

He was speaking a day after the organization released its 2022 World Oil Outlook which estimated that $12.1 trillion were needed in investments to meet rising oil demand in the long term.

Of the total, $9.5 trillion would be for exploration and production, or upstream, investments, he said.

"It is critically important for the future because of the time it takes for investments to come online."

"The average annual decline rates are around 4%-5% so you are talking about needing to add 5 million bpd just to maintain today's global production, let alone future demand," Al Ghais said.

"We are already falling behind that and feeling the implications on a wider scale."

The OPEC forecast, which saw demand for oil plateau by 2035, put demand at 109.8 million barrels per day by 2045.

It also saw oil at 29% of the energy mix by 2045, down from a current 31%, in a scenario where the global economy is expected to double in size from $135 trillion to $270 trillion.

"Because of the sheer magnitude of the growth of the economy, the demand can't be met by renewables alone," Al Ghais said.

"The reality of the matter is there were people predicting peak oil demand since the eighties to last year. We should learn from history."

The OPEC forecasts were released a week before global leaders are set to convene in Egypt's Sharm al-Shaikh for the climate summit.

The organisation has firmly taken the position that attempts to cut investment in oil and gas to combat climate change are "misguided," and a lack of funds for fossil fuels could lead to energy shortages, market imbalances and higher prices.

OPEC sees a future energy mix that includes lower emission hydrocabons in addition to renewables to reach climate goals.
Al Ghais said there were signs that this year's gathering would be more receptive to hearing all points of view without "demonizing" the oil and gas industry.
"We are already hearing messages coming out of all the industry leaders and policymakers about the importance of investing in the oil sector," he said.
"They realize now that the lack of investments over the past few years is a big part of why we are in the situation we are in today."
Al Ghais also said investing enough to maintain spare capacity was necessary to be able to immediately intervene and prevent any supply shocks in the future.
"Our key message is that the world will continue to require oil in the long term."

Top News - Agriculture

Zelenskiy seeks stronger defence of Ukraine grains export corridor

The world must respond firmly to any Russian attempts to disrupt Ukraine's grain export corridor, President Volodymyr Zelenskiy said, as more ships were loading despite Moscow suspending its participation in a U.N.-brokered deal.
One of the global consequences of Russia's war on its neighbour has been food shortages and a cost of living crisis in many countries, and a deal brokered by the United Nations and Turkey on July 22 had provided safe passage for vessels carrying grain and other fertiliser exports.
Russia suspended its involvement in accord over the weekend, saying it could not guarantee safety for civilian ships because of an attack on its Black Sea fleet.
In a late Tuesday night video address, Zelenskiy said ships were still moving out of Ukrainian ports with cargoes thanks to the work of Turkey and the United Nations.
"But a reliable and long-term defence is needed for the grain corridor," Zelenskiy said.
"Russia must clearly be made aware that it will receive a tough response from the world to any steps to disrupt our food exports," Zelenskiy said. "At issue here clearly are the lives of tens of millions of people."
The grains deal aimed to help avert famine in poorer countries by injecting more wheat, sunflower oil and fertilizer into world markets and to ease a dramatic rise in prices. It targeted the pre-war level of 5 million metric tonnes exported from Ukraine each month.
The U.N. coordinator for grain and fertiliser exports under the accord said on Twitter on Tuesday that he expects loaded ships to leave Ukrainian ports on Thursday.
Ukrainian Infrastructure Minister Oleksandr Kubrakov said on Twitter that eight vessels were expected to pass through the corridor on Thursday.
Having spoken to his Russian counterpart twice in as many days, Turkish Defence Minister Hulusi Akar hoped the deal would continue, adding that he expected a response from Russia "today and tomorrow".

POWER CUTS

Russia fired missiles at Ukrainian cities including the capital Kyiv in what President Vladimir Putin called retaliation for an attack on Russia's Black Sea Fleet over the weekend. Ukraine said it shot most of those missiles down, but some had hit power stations, knocking out electricity and water supplies.
Nine regions were experiencing power cuts.
"We will do everything we can to provide power and heat for the coming winter," Zelenskiy said. "But we must understand that Russia will do everything it can to destroy normal life."
Authorities in Kyiv were preparing more than 1,000 heating points throughout the city in case its district heating system is disabled, Mayor Vitali Klitschko said.
The United States denounced the attacks, saying about 100 missiles had been fired on Monday and Tuesday targeting water and energy supplies.
"With temperatures dropping, these Russian attacks aimed at exacerbating human suffering are particularly heinous," State Department spokesperson Ned Price told reporters at a daily briefing. Russia denies targeting civilians.
Kyiv came under further attack overnight, authorities said.
Zelenskiy's chief of staff Andriy Yermak said Ukrainian soldiers shot down 12 out of 13 Iranian drones.
"We are now actively conducting a dialogue regarding the supply of modern air defense systems, we are working on this every day," he said on the Telegram messaging app.

KHERSON EVACUATIONS

Russia told civilians on Tuesday to leave an area along the eastern bank of the Dnipro River in the Ukrainian province of Kherson, a major extension of an evacuation order that Kyiv says amounts to the forced depopulation of occupied territory.
Russia had previously ordered civilians out of a pocket it controls on the west bank of the river, where Ukrainian forces have been advancing for weeks with the aim of capturing the city of Kherson, the first city that Russian forces took control over after invading Ukraine on Feb. 24.

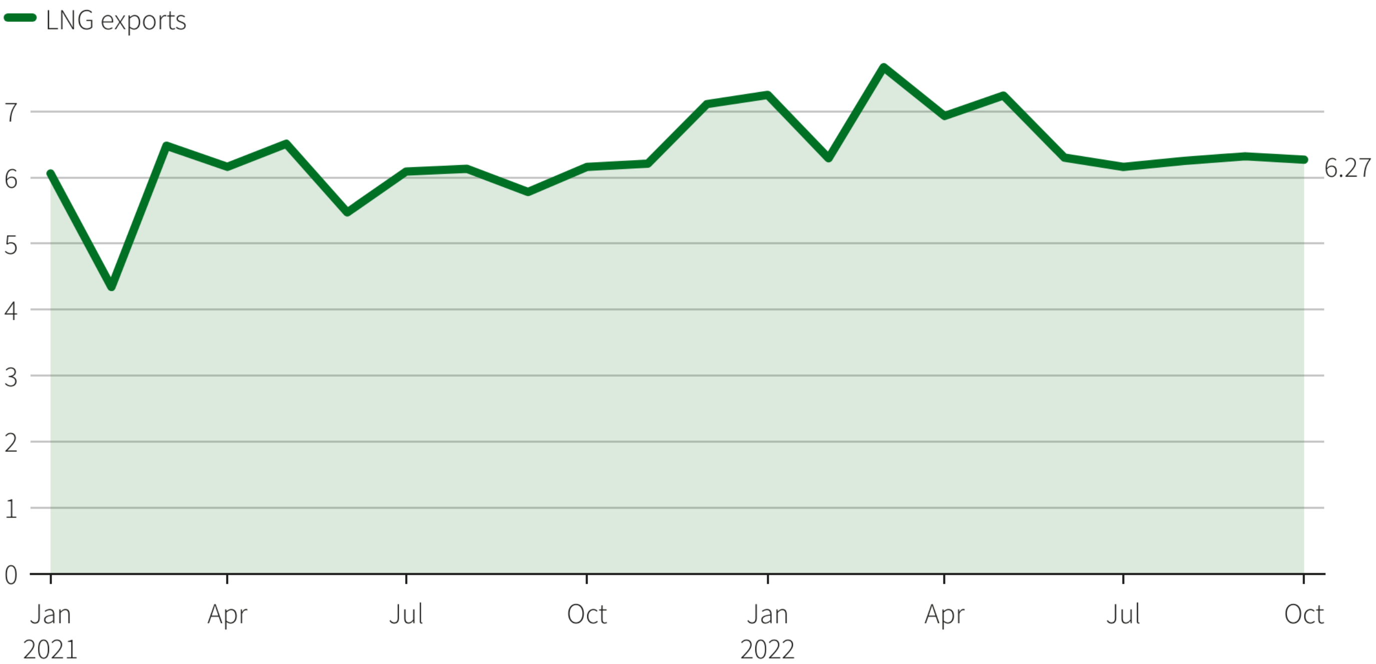
Russian-installed officials said on Tuesday they were extending that order to a 15-km (9-mile) buffer zone along the east bank too. Ukraine says the evacuations include forced deportations from occupied territory, a war crime.
The mouth of the Dnipro has become one of the most consequential frontlines in the war.
Seven towns on the east bank would be evacuated, comprising the main populated settlements along that stretch of the river, Vladimir Saldo, Russian-installed head of occupied Kherson province, said in a video message.
Russian-installed authorities in the Kherson region also said an obligatory evacuation of Kakhovka district, close to the Nova Kakhovka hydroelectric station, was to begin on Nov. 6.
Moscow has accused Kyiv of planning to use a so-called "dirty bomb" to spread radiation, or to blow up a dam to flood towns and villages in Kherson province. Kyiv says accusations it would use such tactics on its own territory are absurd, but that Russia might be planning such actions itself to blame Ukraine.
In the city of Bakhmut, a target of Russia's armed forces in their slow advance through the eastern Donetsk region, some residents were refusing to leave as fighting intensified.
"Only the strongest stayed," said Lyubov Kovalenko, a 65 -year-old retiree. "Let's put it this way, the poor ones. Everyone is wearing whatever clothing we have left."
Rodion Miroshnik, "ambassador" of the neighbouring Russian-occupied region of Luhansk, said Russian troops and their allies had repelled Ukrainian attacks on the towns of Kreminna and Bilohorivka.
Moscow describes its actions in Ukraine as a "special military operations to demilitarise and "denazify" its neighbour. Ukraine and Western nations have dismissed this as a baseless pretext for invasion.

EXCLUSIVE-Argentina set to permit wheat export delays amid drought – sources
Argentina's government is set to announce measures, potentially within days, to allow wheat exporters to delay

Chart of the Day

U.S. LNG exports remained limited by shutdowns

LNG shipments from U.S. ports fell slightly to 6.27 million tonnes in October, with more cargoes going to Asia, where customers of Malaysian liquefied gas scramble to source alternative supplies.



Note: Figures in million tonnes
Source: Refinitiv Eikon

agreed shipments after a major drought hammered the crop, raising concern about domestic supply.
A source at the country's CEC grains exporting chamber, which represents companies buying the grain, said measures would be released "in the coming days" to allow firms to reschedule agreed wheat exports without facing the normal 15% fine from authorities.
A government source with direct knowledge of the matter said that measures to permit wheat shipment delays were "probable". "It's being studied," the source said.
The comments are the strongest indication yet that Argentina, one of the world's top wheat exporters, will seek to delay exports of the grain amid a drought that threatens to cause the worst harvest in nearly a decade.
The CEC source called for quick movement on the plan. "If the government is going to do it, let it do it now, because we have to turn around and talk to customers in Indonesia, Morocco, Algeria, Egypt and tell them that our wheat has burned and renegotiate those contracts," the person said.
The move could heat up global prices further, after dry weather hit growers in the United States and Russia's invasion of Ukraine snarled shipments. Russia and Ukraine are both major producers of wheat, used for cereals and bread.
Argentina's government met with wheat millers and exporters in October to discuss concerns over the drought-hit crop, with pressure from millers rising to keep more supply for the domestic market.
The major Rosario grains exchange has slashed Argentina's 2022/23 wheat harvest forecast to 13.7 million tonnes, which would be the lowest nationwide in seven years and far below a bumper 23 million tonnes in 2021/22.
The country's producers have already formally declared overseas sales of 2022/23 wheat of 8.9 million tonnes, official data shows. Argentina's domestic wheat consumption from the 2021/22 harvest totaled 7.6 million tonnes.
Some 2 million tonnes of wheat were left unsold from 2021/22. There is an existing export cap of 10 million tonnes for the 2022/23 season's wheat harvest.
Diego Cifarelli, head of Argentina's milling industry body FAIM, told Reuters the sector was "concerned" about supply and confirmed the talks with the government over potential shipment delays.
He said though that if there were no more wheat losses demand could be met, though the scarcity could push up prices.

Top News - Metals

Miner BHP warns of inflation risks in 2023, says China demand to stabilize

BHP Group Ltd, the world's biggest miner by market value, said on Wednesday that inflationary pressures would remain a challenge next year, but that China will provide a source of stability for commodity demand.
The mining industry has been weighed down this year since the Russian invasion of Ukraine by a supply bottleneck that sparked off inflation and erased the demand-led inflation the industry had enjoyed previously, James Agar, BHP’s group procurement officer, said in a speech at the International Mining and Research Conference in Sydney.
"We do expect the lag effect of inflationary pressures to remain a persistent challenge through the 2023 financial year," Agar said. Globally, the near-term macro outlook remains very uncertain and fragile, he said.
Mining firms have been warning high inflation could hit short-term demand and slow growth plans, although earlier this year skyrocketing prices for iron ore and other resources buoyed profits.
Prices of iron ore have since fallen due to a gloomy outlook for China, the world's biggest steel producer.
Agar said Europe and the U.K. are "almost certainly going to experience recession", and the U.S. economy will slow down. But China's demand for commodities will return as government stimulus measures take effect.
"We think China will be a source of stability for commodity demand over the next 12 months, as stimulus policies progressively take effect," Agar said.
"While stimulus has produced growth in infrastructure and autos, we expect improvement in the housing sector to take a bit longer. The zero-Covid policy remains an overhang that creates additional uncertainty," he said.

POLL-Copper due to hold at weak levels as market swings to surplus

Copper prices are expected to hold steady next year after sliding sharply in 2022, a Reuters poll showed, as rising supply is balanced by tight inventories.
Copper prices have shed about a fifth so far this year, weighed down by rising interest rates, a potential global recession and strict COVID curbs in top metals consumer China.
Most industrial metals prices have been pulled two ways this year - depressed by worries about sliding demand amid an economic slowdown, but supported by historically weak inventories.
The cash copper contract on the London Metal Exchange (LME) is expected to average $7,588 a tonne in 2023, a

median forecast of 27 analysts showed, about 1% firmer than Monday's closing price.
"The copper market is expected to move into a small surplus, which will place a cap on price rallies," said independent analyst Robin Bhar.
As miners ramp up production, analysts expect the market to swing to a surplus of 252,000 tonnes next year from a deficit of 70,000 tonnes in 2022, the poll showed.
Prices of copper as well as aluminium and nickel could be volatile, however, if Western nations or the LME impose restrictions on Russian produced metal, analysts warned.

ENERGY-INTENSIVE ALUMINIUM
While a weak global economy is depressing demand for aluminium in the auto, packaging and construction sectors, supply of the energy-intensive metal has also been constrained by high power prices, causing some smelters to shut.
"We expect supply to grow by just less than demand, in part due to high energy prices and an increased producer focus on investing in clean energy rather than output capacity," said Caroline Bain at Capital Economics in London.
"In turn, we forecast global stocks to edge lower and push the price up slightly."
The LME price of aluminium soared to a record in March, but has since tumbled 45%.
The LME cash aluminium price is seen averaging $2,413 a tonne in 2023, 9% firmer than the current price.
Analysts have nearly doubled their estimates for an aluminium market surplus next year to 297,000 tonnes compared to a surplus of 150,000 tonnes forecast in July.

INDONESIA NICKEL GLUT
Rising output of nickel pig iron - a lower-nickel-content substitute for refined nickel - in Indonesia is expected to pressure prices next year, analysts said.
"Nickel is our last preference among base metals because of increasing Indonesian production and its lower exposure to European markets," said Soni Kumari at ANZ.
Nickel prices spiked in March to record highs on short covering and panicked buying due to Russia's invasion of Ukraine, spurring the LME to suspend trading and cancel deals.
Even though prices have slid since then, it is still the best performing LME metal this year, the only one in positive territory.
Analysts expect LME cash nickel prices to average $20,250 a tonne next year, down around 7% from current levels.
Analysts expect the global nickel market to see a surplus of 139,000 tonnes next year, more than double the 50,500 surplus forecast in the July poll.

Top News - Carbon & Power

U.S. LNG exports dip in October, more cargoes head to Asia
U.S. exports of liquefied natural gas (LNG) in October remained capped by plant outages, with producers shifting more cargoes to Asian buyers last month, according to Refinitiv Eikon tanker monitoring data, after of a pipeline leak cut supplies from Malaysia.
LNG prices recently have cooled with Europe's gas storage levels rising to over 90% of target capacity and a slow start to winter.
In Asia, however, a declaration of force majeure on gas supplies by Malaysian state-energy company Petronas has LNG customers in Japan scrambling for alternative cargoes. Malaysia was the second biggest supplier of LNG to Japan in 2021.
A total of 88 tankers carrying 6.27 million tonnes of LNG departed in October from U.S. ports, mostly heading to Europe, the data showed. The share of sales to Asian customers rose to 24% from 19% the previous month, while shipments to Latin America and the Caribbean dropped to a couple cargoes.
The export volume was just below September's 6.32 million tonnes.
Prices at the Dutch hub this week fell to $27 per million British thermal units as high inventory levels and above-normal temperatures pushed European gas prices to their lowest since June.
"Europe has enough gas stored to survive this winter unless it gets very, very cold," said analyst Nikoline Bromander from consultancy Rystad Energy in a note to clients last week.
About a dozen ships carrying LNG remained anchored last week off Spain's Bay of Cadiz in anticipation of a rise in European gas prices as plants that convert the superchilled fuel back to gas were operating at maximum capacity.
U.S. LNG producers this year cranked up exports to Europe following Russia's invasion of Ukraine, but plant outages and the shutdown of the second-largest U.S. export facility have capped additional volumes.
An explosion in June forced the shutdown of Freeport LNG's 2.1 billion cubic-feet-per-day Quintana, Texas, processing plant. The company expects to return to partial service in November amid a regulator's call for additional information before any restart.
The shutdown of the second-largest U.S. LNG export plant has hit many customers, including Japan's biggest LNG buyer, JERA, which last week said it will book a $751-million loss mostly due to higher purchase costs.

But the No. 3 export plant in the country, the Cove Point LNG facility in Maryland, completed its planned maintenance and returned to service in October, adding 700 million cubic feet per day (MMcfd) to exports. U.S. gas storage levels rose to 3.34 trillion cubic feet last week.
"2.7 Bcfd of natural gas which was usually exported as LNG has instead directed into the local market since June and late September respectively," Bromander added.

UAE and U.S. reach deal for $100 billion in clean energy projects
The United States and United Arab Emirates have reached an agreement to spend $100 billion on clean energy projects with a goal of adding 100 gigawatts globally by 2035, U.S. Secretary of State Antony Blinken said on Tuesday.
The two governments signed a memorandum of understanding in Abu Dhabi setting out the framework of the deal, Blinken said in a statement.
"This memorandum of understanding is an important step forward in our joint efforts to accelerate our collective movement toward clean energy," Blinken said.
Under the initiative, the UAE, an OPEC oil producer, and the United States would provide technical, project management and funding assistance for commercially and environmentally sustainable energy projects in other countries.
"Together, we will spur large-scale investment in new energy technologies, in our own countries, around the world and in emerging economies," U.S. energy envoy Amos Hochstein said in a separate statement carried on the WAM state news agency.
The statement said the partnership would "assemble and stimulate" private and public sector funding and support for clean energy innovation, carbon and methane management, advanced reactors including small modular reactors, and industrial and transport decarbonisation.
"The energy transition needs a realistic, practical and economically viable plan to deliver climate progress together with energy security and inclusive economic growth," Sultan Al Jaber, UAE Minister of Industry and Advanced Technology and Special Envoy for Climate Change, said in the statement.
The initiative will also focus on investing in responsible and resilient supply chains, promoting investment in green mining as well as production of minerals and materials vital to the energy transition.

Top News - Dry Freight

South Korea’s NOFI buys around 63,000 tonnes feed wheat -traders
Leading South Korean animal feed maker Nonghyup Feed Inc. (NOFI) is believed to have purchased an estimated 63,000 tonnes of animal feed wheat expected to be sourced from the U.S. Pacific Northwest coast in an international tender on Tuesday, European traders said.
The wheat was bought at an estimated $396 a tonne c&f plus a $1.50 a tonne surcharge for additional port unloading. Seller was believed to be trading house Cargill.
The wheat was for arrival in South Korea in one consignment around December 30, 2022.

South Korea’s KFA bought about 65,000 tonnes corn in private deal – traders
The Korea Feed Association (KFA) in South Korea purchased about 65,000 tonnes of animal feed corn in a private deal late last week without issuing an international tender, European traders said on Tuesday.
It was believed to have been purchased from trading house Cargill at an estimated $332.45 a tonne c&f plus a $1.50 a tonne surcharge for additional port unloading.
It was expected to be sourced from South America or South Africa for arrival in South Korea around Feb. 5, 2023.

MARKET MONITOR as of 07:31 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$89.19 / bbl	0.93%	18.59%
NYMEX RBOB Gasoline	$2.61 / gallon	0.64%	17.17%
ICE Gas Oil	$1,045.50 / tonne	-0.19%	56.75%
NYMEX Natural Gas	$5.85 / mmBtu	2.35%	56.78%
Spot Gold	$1,651.41 / ounce	0.24%	-9.68%
TRPC coal API 2 / Dec, 22	$232 / tonne	3.11%	88.62%
Carbon ECX EUA / Dec, 22	€77.47 / tonne	0.98%	-3.94%
Dutch gas day-ahead (Pre. close)	€21.00 / Mwh	-26.19%	-68.42%
CBOT Corn	$6.94 / bushel	-0.54%	16.98%
CBOT Wheat	$9.03 / bushel	2.30%	17.09%
Malaysia Palm Oil (3M)	RM4,398 / tonne	3.90%	-6.37%
Index (Total Return)	**Close 01 Nov**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	297.73	0.82%	20.53%
Rogers International	31.28	2.01%	34.20%
U.S. Stocks - Dow	32,653.20	-0.24%	-10.14%
U.S. Dollar Index	111.44	-0.03%	16.13%
U.S. Bond Index (DJ)	375.60	0.43%	-20.76%

Picture of the Day

Windmills are seen at SwissWinds farm, Europe's highest wind farm at 2500m, near the Nufenen Pass in Gries, Switzerland. REUTERS/Denis Balibouse

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

(Inside Commodities is compiled by Shoubhik Ghosh in Bengaluru)

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