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Top News - Oil

China's Oct crude oil imports rebound amid new refinery rollouts

China's crude oil imports in October rebounded to the highest level since May, up 14% from a low base a year earlier in their first annual growth in five months, data showed on Monday, as two greenfield refineries prepared to start operations.

The world's largest crude importer brought in 43.14 million tonnes of crude oil last month, equivalent to 10.16 million barrels per day (bpd), according to data from the General Administration of Customs.

The October imports were up from September's 9.8 million bpd.

The rebound came as PetroChina started trial production at a 200,000-barrel-per-day crude unit at its newly-built refinery in Guangdong, while privately controlled Shenghong Petrochemical also got ready to officially launch its 320,000-bpd plant in Jiangsu province.

Refiners also took advantage of a slide in global crude prices to replenish stocks, hauling in cargoes from the Americas and the Middle East.

Imports for the first 10 months of the year totalled 413.53 million tonnes, or about 9.93 million bpd, 2.7% below the corresponding period last year.

Spurred by Beijing's abrupt release of a large number of export quotas, companies shipped overseas 4.456 million tonnes of refined fuel last month, up 13% from a year before, data showed.

However, year-to-date exports remained 24.5% below year-earlier levels at 39.91 million tonnes, due to a broad curb on fuel exports earlier in the year.

Natural gas imports last month via pipelines and as liquefied natural gas (LNG) sank to the lowest level in two years at 7.61 million tonnes, after a brief spike the previous month ahead of the winter heating season.

Year-to-date imports remained 10.4% lower than a year earlier at 88.73 million tonnes, because of steep declines in LNG imports as companies slashed costly spot purchases.

While predicting slower demand growth this winter, national energy firms prioritised domestic production and boosted imports of pipeline gas from Russia and Central Asia.

Exxon faces $2 bln loss on sale of troubled California oil properties

Exxon Mobil Corp will take up to a $2 billion loss on the highly leveraged sale of a troubled California offshore oil and gas field that have been idled since a 2015 pipeline spill. The sale comes after a failed bid this year to restart production at the site and as Exxon culls poor performing businesses. Santa Barbara officials in March rejected an Exxon plan to restart operations and ship oil via dozens of tanker trucks each day to inland refineries.

Sable Offshore, a blank check company founded by industry veteran James Flores, will borrow 97% of the $643 million purchase price from Exxon under a five-year loan. Blank check companies raise money to acquire operating businesses. If Flores fails to restart production at the Santa Ynez field by the start of 2026, Exxon could take back the entire operation, Sable disclosed in a filing.

Exxon was not immediately available to comment on terms of the deal. It has accelerated asset sales to cut operating costs and improve returns after a historic loss in 2020. Flores will seek permits to restart Santa Ynez and expects to pump about 28,100 barrels of oil and gas per day beginning in 2024, according to a Sable investor presentation. The field has 112 wells and the potential for at least another 100 wells, its presentation showed.

A subsea pipeline leak seven years ago sent 2,400 barrels of the Santa Ynez oil into the Pacific Ocean, leading to a shutdown. Exxon acquired the pipeline from its owner and has been trying to resume production.

The Santa Ynez sale includes three oil and gas platforms that sit up to 9 miles (14 km) off the California coast, a pipeline and oil and gas processing facilities. The first platform was built in the 1970s began producing oil in 1981.

Flores has a long history of buying and selling companies. He has run five U.S. oil companies beginning with Flores & Rucks Inc in 1992, and often sold his companies at sizeable gains. His last business, Sable Permian Resources, filed for Chapter 11 bankruptcy in 2020 as oil prices tumbled. Last year, he raised $287.5 million through an initial public offering for the company that became Sable Offshore. Sable must complete a deal by March 1 or return the money to its IPO investors, its filings show.

Top News - Agriculture

China lockdowns overshadow palm oil outlook despite output slowdown

The global outlook for palm oil remains uncertain, with strict pandemic policies in major importer China weighing on demand, while high energy prices and a slowdown in output provide support, leading industry analysts said on Friday.

Malaysian benchmark futures earlier this year had surged to record levels of more than 7,200 ringgit ($1,517.07)per tonne due to top producer Indonesia's export restrictions, which culminated in a three-week export ban late in April.

Prices have since come down amid concern over a global economic slowdown and as China maintains a strict COVID-19 containment policy that has caused mounting economic damage.

"China has been a real disappointment for sellers of vegetable oils because the market happens to be under the lockdown all the time," James Fry, chairman of commodities consultancy LMC International, told participants at the Indonesia Palm Oil Conference in Bali.

"I can't see this changing very quickly," he said, contrasting it with the bright spot of top vegetable oil importer India, which has seen purchases rise up to September.

Palm oil prices on a free-on-board basis at Indonesia's Sumatra ports could ease to $920 per tonne from $940, Fry said.

Malaysia's benchmark price was expected to trade between 3,500 to 4,500 ringgit ($737.46 to $948.17) per tonne in the period from now until the end of March next year, said Dorab Mistry, director of Indian consumer goods company Godrej International.

The contract closed at 4,365 ringgit on Friday.

Mistry no longer expects palm futures to fall to 2,500 ringgit per tonne, an estimate he made in September, unless Brent crude prices drop to $70 per barrel. Brent crude is currently trading above $94 a barrel.

BIODIESEL PLANS

Meanwhile, Thomas Mielke, head of Hamburg-based analyst firm Oil World, told the conference that global palm oil output is seen rising by 2.9 million tonnes in the 2022/23 season, but noted that output yield has been on a downtrend in recent years, which he said was "alarming".

"This is for the first time, palm oil is at the edge of marginal growth," Mielke said, adding output may not be enough considering various bio-energy agendas globally.

All analysts were monitoring Indonesia's plan to increase its biodiesel mandate to B40, which contain 40% palm oil, from 30% currently.

Fry said if Indonesia implemented its B40 biodiesel mandate in January, Sumatra's FOB prices could reach $1,080 per tonne in June. Mielke warned that if the policy is not considered carefully, it could cause prices volatility down the line.

Indonesian officials on Thursday said high crude oil price were making it more feasible to use a higher mix of palm oil in fuel.

Fadhil Hasan, an executive with Indonesia's Palm Oil Association, said the government should not increase the blending this year, or next, to avoid pushing prices higher. "It is going to impact domestic market prices of CPO, in turn going to cause cooking oil prices to increase," he told reporters.

India allows mills to export 6 mln tonnes sugar in 2022/23

India on Saturday approved the 2022/23 export of 6 million tonnes of sugar, in line with market expectations for the year's first tranche.

India exported an all-time high of more than 11 million tonnes of sugar in 2021/22 and the industry was expecting New Delhi this year to allow exports of 8 to 9 million tonnes in two tranches.

India is the world's biggest producer of sugar and the second biggest exporter.

New Delhi has allocated 6 million tonnes of sugar to mills based on their production in the past three years, the government said in a notification.

Industry officials were expecting the government to allow 5 to 6 million tonnes of sugar in a first tranche and another 2 to 3 million tonnes in a second tranche based on sugar production.

The notification issued on Saturday did not specify whether the government would allow a second tranche, but trade and government sources said it likely would as the country's production is set to hit a record high for a second straight year.

India is expected to produce around 36.5 million tonnes of sugar in the season that began on Oct. 1, a leading industry body said last month.

"During discussion, the government has assured the industry that it would allow exports in the second tranche. That's why the government has asked mills to export sugar before May end," said a senior industry official, who declined to be named.

Mills need to export the allocated quota either themselves or through merchant exporters or refineries before May 31, 2023, the notification said.

Anticipating permission to export 5 to 6 million tonnes of sugar this season, traders have already started signing export deals.

"Indian sugar is going to many Asian, African and Middle Eastern countries," said Praful Vithalani, president of the All India Sugar Trade Association.

"Due to brisk exports so far, it looks like that mills will be able to export 6 million tonnes of sugar by the time Brazilian supplies hit the global market," he said.

Top News - Metals

Turquoise Hill further delays shareholder meet on $3.3 bln Rio Tinto buyout

Canadian miner Turquoise Hill Ltd said it has once again postponed by a week its special shareholder meeting to vote on the proposed take over by Rio Tinto Plc, on a request by the mining giant.

The meeting to approve Rio Tinto acquiring 49% of shares of Turquoise Hill that it does not own for $3.3 billion, which was originally scheduled for Nov. 1, was postponed to Nov. 8, and now has been pushed back to Nov. 15.

Turquoise Hill said Rio, which raised its offer to C$43-per-share, had postponed the meeting at the request of the financial regulator of Quebec and was in talks with the Canadian company's special committee of independent directors and the regulator about the deal.

COLUMN-Canada slams the door on China in critical minerals race: Andy Home

Canada has just upped the ante in the global competition to secure critical minerals.

The Canadian government this week ordered Chinese companies to divest their holdings in three Canadian-listed junior mining companies planning to develop lithium deposits.

The ban comes within days of Canada announcing a tougher policy on investment in the minerals sector by state-owned entities, particularly those from China, which dominates the processing of key energy transition metals such as lithium, cobalt and rare earths.

The order to divest follows what the government said was a "multi-step national security review process, which involves rigorous scrutiny by Canada's national security and intelligence community."

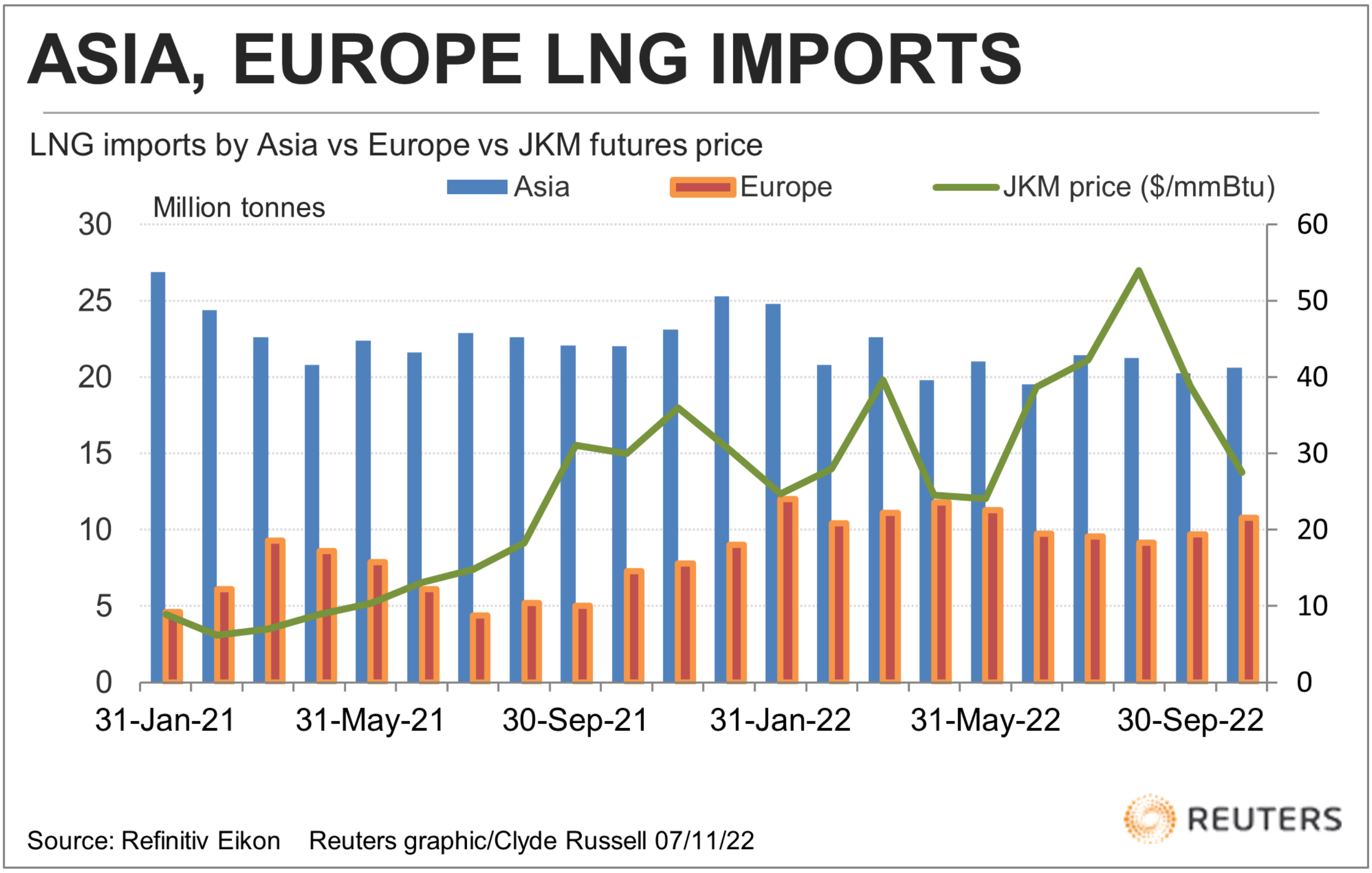
It promised to continue to "act decisively when investments threaten our national security and our critical minerals supply chains, both at home and abroad."

The move marks a hardening of geopolitical battle-lines in the metals sector and raises the question of what Canada and its metallic allies might do next in the name of national security.

PROTECTING THE PIPELINE

The three impacted Canadian companies - Power Metals Corp, Ultra Lithium Inc and Lithium Chile Inc - are sitting

Chart of the Day



on lithium deposits in Canada, Argentina and Chile respectively.
Power Metals' properties in Ontario also contain tantalum and caesium, both of which are also classified as critical minerals by Canada and the United States.
All are next-generation projects, part of a growing pipeline needed to feed the world's hunger for lithium.
And all have recently announced strategic investments by Chinese players offering not just money but processing expertise and off-take commitments.
Sinomine, one of the world's largest rare earth producers, took a 5.7% stake in Power Metals for C$1.5m in a January fund-raising round.
Zangge Mining Co, a major Chinese lithium and potash producer, lifted its interest in Ultra Lithium to 14.2% in May and in June entered into an agreement to finance development of the Laguna Verde lithium project in Argentina.
Chengxin Lithium used a private placement by Lithium Chile in May to boost its stake to 19.4% for C$28 million.
All three Chinese companies have fallen foul of Canada's newly beefed-up Investment Canada Act and must now divest their holdings.
The three abandoned brides will have to find new partners with the government proviso that suitors "share our interests and values."

WIDENING THE NET
Canada's new policy on critical minerals investment is wide-ranging and far-reaching.
It's not just China's state-owned players that will come in for extra scrutiny, but also any private investors "assessed as being closely tied to, subject to influence from, or who could be compelled to comply with extrajudicial direction from foreign governments."
The policy covers not just mining but all stages of the minerals processing chain.
It extends, most obviously in the case of Ultra Lithium and Lithium Chile, to overseas assets as well as domestic.
Canada's critical minerals list, updated in March this year, is extensive, covering not just the esoteric rare earths family and energy-transition inputs such as lithium, cobalt and nickel but also mainstream industrial metals such as aluminium, copper and zinc.
These are currently highly globalised markets, pivoting around China as the world's largest user of industrial metals.
Canada, for example, has for many years been a supplier of mined copper concentrates to China, shipping 430,000 tonnes last year.
Such mine off-take deals may not be immune from Canada's national security considerations.
"We will need to be very thoughtful going forward about what we are willing to allow," said Canadian Natural Resources Minister Jonathan Wilson in a June interview with the Globe and Mail. "It is not just true of ownership, but I think we also have to be looking at things like long-term off-take agreements," he added.
Canada's overriding priority, Wilson explained, is one of "protecting itself in an area that is clearly strategic and ensuring that those supply chains will be robust for our allies."
METAL BLOC
Canada's clamp-down on Chinese investment in critical minerals should be seen in the context of an emerging metallic NATO of like-minded countries looking to reduce their dependence on the China and Russia.
The Minerals Security Partnership (MSP), launched in June this year, includes Australia, Canada, Finland, France, Germany, Japan, the Republic of Korea, Sweden, Britain, the United States, and the European Commission.
The nascent alliance is still fractious.
The United States' Inflation Reduction Act, linking electric vehicle subsidies to domestically-produced metals, has infuriated both the European Union and South Korea.
Heated negotiations are currently taking place between U.S Trade Representative Katherine Tai and the European Commission, which is looking for some form of exemption for friendly countries.
Assuming the current spat can be smoothed out, there is the clear potential for other members to halt Chinese investment into their respective mineral sectors.
Australia is already doing so. In April it blocked an attempt by the Chinese state-owned Baogang Group to take a 13% share in Northern Minerals, which owns the Browns Range rare earths deposit in Western Australia.
In the same month it also blocked Yibin Tianyi Lithium Industry from taking a stake in AVZ Minerals, which has lithium projects, with associated tin and tantalum, in the Democratic Republic of Congo.
Canada's definition of domestic critical resources to include any company listed on its stock exchange will resonate amongst both the heavyweight mining companies in Britain's FTSE-100 and the many junior resource companies listed on London's AIM market.
All will need to heed the Canadian government's advice to its companies that they "carefully review their investment plans to identify any potential connections to (...) or entities linked to or subject to influence by hostile or non-likeminded regimes or states."
The metallic uncoupling of China and the rest of the world has just entered a new, more aggressive phase as governments overrule free markets to defend their supply chains.
Canada's three-pronged attack on Chinese investment is just the start of the next chapter in the great critical minerals game of nations.

Top News - Carbon & Power

Australia weighs energy price caps as policy battle heats up

A policy battle is heating up in Australia over surging gas and power prices, with the government weighing price caps sought by hard-pressed manufacturers and households while analysts warn that controls could worsen the gas crunch in the long run.

Treasurer Jim Chalmers said late on Thursday that the government would decide before Christmas what steps to take but that its preferred option would be regulatory action, in his first public comments on how quickly the government would act.

The goal, he said, is to ensure households are not hit with 20% to 30% increases in power and gas prices over each of the next two years as forecast in the new Labor government's first budget, released on Oct. 25.

The government could also choose actions involving taxes or subsidies, Chalmers said on Australian Broadcasting Corp television, although additional taxes are considered likely to displease foreign investors in Australia's resources sector while subsidies would stoke inflation.

The government has not yet taken steps to rein in gas prices, beyond securing an agreement from east coast liquefied natural gas (LNG) producers to offer uncontracted gas first to the domestic market before offering it offshore, and to ensure that domestic buyers pay no more for that gas than international customers.

Analysts said price controls could deter producers from investing in new supply just when it is needed, with a shortfall looming in eastern Australia within the next three years.

"It is possible Federal Government interventions could now cause, rather than avert, a serious gas and power crunch next year," Credit Suisse analyst Saul Kavonic said in a note.

Manufacturers dependent on gas for heat or as a raw material have been clamouring for a price cap of A$10 per gigajoule (GJ), but analysts said that was unrealistic with global prices now at much higher levels.

"A$10-A$11 a gigajoule feels like a very bold ask from industry, recognising where global gas prices are and where the Australian dollar is at 65 (U.S.) cents," said UBS analyst Tom Allen.

If domestic prices are capped, the two LNG exporters on the east coast that have excess supply, led by Shell and ConocoPhillips, would have no incentive to produce above their contracted levels, which could result in less supply for the local market, Kavonic said.

MARKET MONITOR as of 07:16 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$91.27 / bbl	-1.45%	21.35%
NYMEX RBOB Gasoline	$2.71 / gallon	-0.92%	21.59%
ICE Gas Oil	$1,090.75 / tonne	-2.17%	63.53%
NYMEX Natural Gas	$6.93 / mmBtu	8.31%	85.84%
Spot Gold	$1,669.64 / ounce	-0.63%	-8.68%
TRPC coal API 2 / Dec, 22	$232 / tonne	2.31%	88.62%
Carbon ECX EUA / Dec, 22	€76.16 / tonne	-0.26%	-5.57%
Dutch gas day-ahead (Pre. close)	€59.00 / Mwh	5.04%	-11.28%
CBOT Corn	$6.77 / bushel	-0.66%	14.03%
CBOT Wheat	$8.48 / bushel	-0.41%	9.99%
Malaysia Palm Oil (3M)	RM4,420 / tonne	1.21%	-5.90%
Index (Total Return)	**Close 04 Nov**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	309.91	0.00%	25.46%
Rogers International	32.08	0.00%	37.65%
U.S. Stocks - Dow	29,926.94	-1.15%	-17.64%
U.S. Dollar Index	111.09	0.19%	15.76%
U.S. Bond Index (DJ)	372.34	-7.82%	-20.93%

Manufacturers are nevertheless pushing for action to rein in surging prices.
The Energy Users Association of Australia (EUAA), which represents manufacturers, said in the past two weeks some members have had to pay between A$30 and A$35/GJ for new gas contracts, which is around three times the price that gas producers said they fetched on average in the third quarter.
"The gas industry, government, regulators and customers need to sit down together and develop a solution to this mess that works for everyone," EUAA Chief Executive Officer Andrew Richards said in a statement.

COLUMN-LNG market in trifecta of change to prices, flows and seasonality: Russell
The global liquefied natural gas (LNG) market is undergoing a triple flattening, with prices, volumes and seasonality levelling off after a period of volatility.
While much of the market focus has been on the softening of spot prices amid signs that Europe has sufficient natural gas in storage for the upcoming winter, the more important dynamic is the current lack of seasonality in expected futures prices.
Spot LNG has in the past been a commodity that experiences peaks and troughs in demand and pricing, based on seasonal peaks for winter and summer in the main northern hemisphere markets of North Asia and Europe.
However, this year the spot price has been softening ahead of winter. The scramble for LNG, particularly from European utilities, has eased amid signs that the continent will have sufficient natural gas for winter.
Europe's demand for LNG soared after Russia's invasion of Ukraine on Feb. 24 led to lower pipeline supplies from the continent's major supplier. There were fears of a complete shutdown of flows as the European Union took ever increasing steps to cut off revenue and markets for Moscow, which calls its actions in Ukraine "a special operation".
The weekly assessment for spot cargoes for delivery to North Asia dropped to $28 per million British thermal units (mmBtu) in the seven days to Nov. 4. That's the lowest since June - and down 60% from the record high of $70.50 in the week to Aug. 26.
It's worth noting that the price is now below the $29.50 per mmBtu that prevailed in the same week last year, and has dropped for the last seven weeks.
Last winter, the spot price peaked at $48.30 per mmBtu, in late December, before dropping to $23 by late January.
The forward curve for futures traded in New York and linked to S&P Global Commodity Insights' benchmark JKM price is indicating that prices are expected to hold around current levels for an extended period.
The contract expiring on Nov. 15 was at $28.93 per mmBtu at the close on Nov. 4, while the December-expiring contract was at $29.25, January was $30.19 and February was $29.20.
However, rather than dipping into the middle of next year, the July 2023 future ended at $32.86 per mmBtu, and every contract between then and the end of 2023 was priced above $30.
This contrasts with the futures curve from the same week in 2021, which showed that prices were expected to hold around $30 per mmBtu until February of this year, before falling to around $15 by the middle of 2022.
The Russian invasion altered this dynamic. More than just keeping price expectations at what are high levels by historical standards, it has also largely eliminated the seasonal highs and lows.
What the term structure is signalling is that LNG demand may be fairly constant over the year, rather than rising and dropping with the change in seasons.
This is because Europe is likely to have to keep buying year-round in order to ensure sufficient natural gas is in storage for the winter heating peak.

FLOWS EVEN OUT
Certainly, the flows data appears to be supporting the view of steady demand in both Asia and Europe.
Total Asian imports were 20.61 million tonnes in October, little changed from September's 20.25 million, according to data compiled by Refinitiv.
It's also worth noting that October's imports were down 6.3% from the 22 million tonnes from the same month last year. This is largely a reflection of lower demand from China, which is set to lose its spot as the top importer of the super-chilled fuel to Japan this year.
Europe's LNG imports were 10.79 million tonnes in October, up from September's 9.68 million, but below the three straight months of imports in excess of 11 million recorded from March to May.
After jumping higher in the months after the Russian attack on Ukraine, Europe's LNG imports have levelled off, and have been anchored in a fairly narrow range around 10 million tonnes per month.
Overall, the LNG market is showing several trends, including structurally higher European imports, and an end to seasonal demand and price volatility.

Top News - Dry Freight

China's October soybean imports slide to lowest in eight years

China's imports of soybeans fell 19% in October from a year earlier to 4.14 million tonnes, customs data showed on Monday, hitting their lowest for any month since 2014, after buyers cut purchases amid high global prices and poor crush margins.

Imports by the world's top buyer of the oilseed were 73.18 million tonnes for the first 10 months of the year, down 7.4% from last year, data from the General Administration of Customs showed.

The very low shipments, matching the October 2014 figure of 4.1 million tonnes, underline an urgent need to rebuild stockpiles.

"Crush margins have been bad most of this year which has weighed on imports," said Darin Friedrichs, co-founder of Shanghai-based consultancy Sitonia Consulting.

Global soybean prices hit a decade-high in June as bad weather cut production in Brazil, China's top supplier.

The high prices and lacklustre demand for animal feed from the livestock sector during the first half of the year eroded crushing profits, blunting appetite for soybean purchases over the summer.

Crush margins in the soybean crushing hub of Rizhao were negative from late April until October.

The October arrivals were, however, even lower than the 5 million tonnes that traders and analysts had predicted last month.

The situation has left China short of supplies now that hog profits have recovered and boosted demand for the key protein ingredient, soymeal. Soybeans are crushed to make soymeal for animals and oil for cooking.

Cash soymeal prices touched records in recent weeks on tight supply. In the top hog-raising province of Sichuan, prices reached 5,850 yuan ($810.78) a tonne last week, up 26% in two months.

"Imports should pick up in November and December, but for right now, the market faces a very tight soybean supply situation," said Sitonia Consulting's Friedrichs.

China October iron ore imports fall 4.7% on month – customs

China's imports of iron ore fell 4.7% in October from the previous month, customs data showed on Monday, as a deepening property crisis curbed demand for the steelmaking ingredient.

The world's top iron ore consumer brought in 94.98 million tonnes of the commodity last month, down from September's 99.71 million tonnes, the General Administration of Customs said.

The arrivals were, however, up from the 91.61 million tonnes imported in October 2021.

Chinese steel mills stepped up utilisation rates during September and October, typically China's peak construction season, expecting demand to pick up and government stimulus measures to boost activity.

Ongoing COVID-19 curbs and further challenges in the property market have however limited a recovery.

Major miner Rio Tinto said its third-quarter iron ore shipments were slightly lower than a year ago, but up 4% on the prior quarter.

For the January to October period, China imported 917 million tonnes of iron ore, down 1.7% from the same period a year ago.

China's steel product exports last month were 5.18 million tonnes, up from 4.5 million tonnes in October 2021.

Exports in the first nine months of the year were down 1.8% from the same period a year ago to 56.36 million tonnes.

Picture of the Day

Canola plants blossom in a field beneath electricity pylons, as South African utility Eskom experiences frequent power outages, near Cape Town, South Africa. REUTERS/Esa Alexander

(Inside Commodities is compiled by Jesse Vinay in Bengaluru)

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