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Top News - Oil

OPEC+ expects global economy to weather challenges

OPEC expects the global economy to grow and drive fuel demand, despite macro challenges, including high inflation and interest rates, the producer group's secretary general said on Tuesday.

The United States is doing well, while Europe is struggling, Haitham Al Ghais told the Argus European Crude Conference in London. Even China, which has emerged from lockdown more slowly than expected, forecasts growth at 4.5% to 5%, he said, outstripping Europe.

"When we talk about demand and our outlook, maybe for the short term to medium term, we still see a healthy global economy growing despite all the challenges and pressures," he said.

Official data on Tuesday showed China's crude oil imports in October grew year on year and month on month, while its total exports contracted more quickly than expected.

Expectations of crude run reductions by China-based refiners between November and December could limit oil demand and exacerbate price declines.

But Al Ghais said demand growth in India and in other parts of Asia looked positive, and the aviation sector globally was expected to continue to drive fuel demand.

"In the airline sector, there is still room for improvement, so we are quite positive on demand," he said.

OPEC's forecasts for demand growth for 2024 of over 2 million barrels per day diverge from the International Energy Agency (IEA) prediction of growth of 880,000 bpd.

The Organization of the Petroleum Exporting Countries and allies led by Russia, a group known as OPEC+, meet later this month to set policy.

He said OPEC+ had been proactive and taken preventative action to achieve a stable crude market.

Asked about his views on the shift in global oil trade flows as Europe has shunned Russian fuel since the Ukraine war, Al Ghais said change had been underway before the conflict began in February last year and the market would dictate.

"Ultimately, barrels will flow to wherever the best demand centre, the best price, is," he said.

Global fossil fuel production plans far exceed climate targets, U.N. says

Global fossil fuel production in 2030 is set to be more than double the levels that are deemed consistent with meeting climate goals set under the 2015 Paris climate agreement, the United Nations and researchers said on Wednesday.

The United Nations Environment Programme's (UNEP) report, assessing the gap in fossil fuel production cuts and what’s needed to meet climate goals comes ahead of the global COP 28 climate meeting which starts on Nov. 30 in the oil-rich United Arab Emirates (UAE).

"Fossil fuel phase out is one of the pivotal issues that will be negotiated at COP 28," Ploy Achakulwisut, Stockholm Environment Institute (SEI) scientist and a lead author of the report said in a press briefing.

"We need countries to commit to a phase out of all fossil fuels to keep the 1.5C goal alive," she said.

Under the Paris pact, nations have committed to a long-term goal of limiting average temperature rises to less than 2 degrees Celsius above pre-industrial levels and to attempt to limit them even further to 1.5C.

While scientists say fossil fuel use must be reduced to meet the goal, countries have failed to reach any international agreement on set phase out dates for unabated coal, gas or oil use.

The report analysed the 20 major fossil fuel producers and found they plan to produce, in total, around 110% more fossil fuels in 2030 than would be consistent with limiting the degree of warming to 1.5C, and 69% more than is consistent with 2C.

None of the 20 countries have committed to reduce coal, oil, and gas production in line with limiting warming to 1.5°C the report said.

It said 17 of the countries have pledged to reach net zero emissions but most continue to promote, subsidise, support and plan the expansion of fossil fuel production.

The 20 countries analysed account for 82% of global fossil fuel production and 73% of consumption, the report said and include Australia, China, Norway, Qatar, Britain, the UAE and the United States.

The report was produced by UNEP, as well as experts from the SEI, the International Institute for Sustainable Development and think-tank E3G and policy institute Climate Analytics.

Top News - Agriculture

EXCLUSIVE-China makes largest US soy purchases in months -traders

China booked its largest single-day U.S. soybean purchases in at least three months on Tuesday, traders said, offering a glimmer of hope for the most valuable U.S. farm export after overseas sales of the 2023 harvest had fallen well behind the normal pace.

Chinese importers bought around 10 cargoes of soybeans, or about 600,000 metric tons, for shipment from Gulf Coast and Pacific Northwest export terminals between December and March, trade sources said.

The sales would be a relief to U.S. farmers, who have seen Brazil dominate the global export market for soy as well as corn for longer than normal this year.

If confirmed, Tuesday's sales would be the largest single-day soybean purchases by the world's top soy importer since late July, according to U.S. Department of Agriculture (USDA) daily sales data.

They were the latest in a series of soy import deals since late last week by Sinograin, China's state-owned importer, according to three export traders with knowledge of the deals. Total purchases over that time were estimated at as much as 20 to 25 cargoes, two traders said.

Cash premiums for U.S. soybeans at Gulf Coast terminals jumped by as much as 10 cents a bushel on Tuesday as exporters scrambled to source supplies, traders said.

High U.S. prices due to barge shipping disruptions and stiff export market competition from Brazil, which harvested a record soy crop this year, have hampered U.S. sales in the season so far.

Confirmed sales to China as of late October were down 35% from a year ago, and sales to all destinations were down 28%. The USDA is currently projecting a 12% year-on-year export decline.

But U.S. prices have become more competitive for shipments from December through March, when Brazil's next harvest will be available.

The USDA has confirmed private sales totaling 236,000 metric tons of U.S. soybeans over the past two days via the agency's daily reporting system. Traders expect additional "flash sales" following the deals on Tuesday.

Heavy rains hit French grain crop as sowings come to a halt

Heavy rainfall in France over the past two weeks has brought grain sowing virtually to a standstill in the European Union's largest grain grower and lower yields are to be expected in some regions, technical institute Arvalis said on Tuesday.

Concerns about prospects for the 2024 French harvest have contributed to a rise in European wheat prices this month.

Farmers benefited from very favourable sowing conditions at the start of the planting season, but above-average rainfall in the last ten days of October hampered sowings, Arvalis crop engineer Jean-Charles Deswarte told Reuters.

"In some regions, farmers could not even enter their field because it was so wet," he said.

Farmers had sown 62% of the expected soft wheat area in France by Oct. 30, compared with 55% a week earlier and a five-year average of 72%, farm office FranceAgriMer said on Friday. The situation was even worse for durum wheat, which was only 10% sown by the same date.

Rainfall was more than 30% above average over a large part of France last month, weather forecaster Meteo France said in a report. It expects showers every day in most grain-growing regions until at least Nov. 21.

The main concern for crops was in the centre and western parts of France, Deswarte said.

"They received a lot of rain over there and since farmers usually sow in the second part of October, they were not able to do much so far. And even if it stopped raining waterlogged soils mean they would not be able to enter the fields for a few days," Deswarte said.

"This will delay sowings even further and reduce yield potential," he added.

A one-month delay can cut grain crops' yield potential by 10% to 20%, he said.

Top News - Metals

Codelco cuts 2024 copper premium to China, changes contract structure -sources

Chile's Codelco cut the premium for selling copper to its biggest Chinese clients by 36% for next year and is trying to fix it in a way that would guarantee its revenues, three sources with knowledge of the matter said this week.

Codelco, the world's largest copper producer, has offered to sell copper at a premium of $89 a metric ton to major Chinese clients for its 2024 contracts, down from this year's $140 a ton, the sources said.

Reuters reported last month that China's largest copper buyers expect to pay a premium of around $90 per metric ton next year for state-owned Codelco's metal.

The premiums set by Codelco for physical delivery of copper are paid on top of London Metal Exchange (LME) prices and are sometimes used as a benchmark for global contracts for the metal used in the power and construction industries.

China is the world's largest consumer of copper used widely in the power and construction industries, accounting for half of global demand estimated at 26 million tons this year. Codelco sells 40% to 45% of its copper to China.

The sources said this is the first time in six years that Codelco is attempting to lock in a fixed premium for all of the copper it sells to China next year.

"We will not comment on this topic for now," Codelco said in response to a request for comment.

Previously Codelco allowed a sizeable portion, sometimes up to 50% of contractual supply, to be priced on a "floating premium" linked to spot data provided by pricing agency Fastmarkets.

In its latest offer to Chinese clients, Codelco has removed the floating option, anticipating a softer spot premium for next year that may squeeze its profit margins, sources said.

International Copper Study Group (ICSG) forecasts a surplus of 467,000 metric tons for 2024.

Spot copper premiums are an indicator of the strength of physical demand. It has averaged around $50 a ton so far this year.

"The single premium of $89 is too high. If Codelco gave us an offer that is low enough, we may find it acceptable to cut the floating volume," a second source said.

Earlier in October, Reuters reported that China's largest copper buyers expect to pay a premium of around $90 per metric ton next year for state-owned Codelco's metal from $140 a ton this year.

Copper, cobalt supplies from Congo stranded by truckers' strike

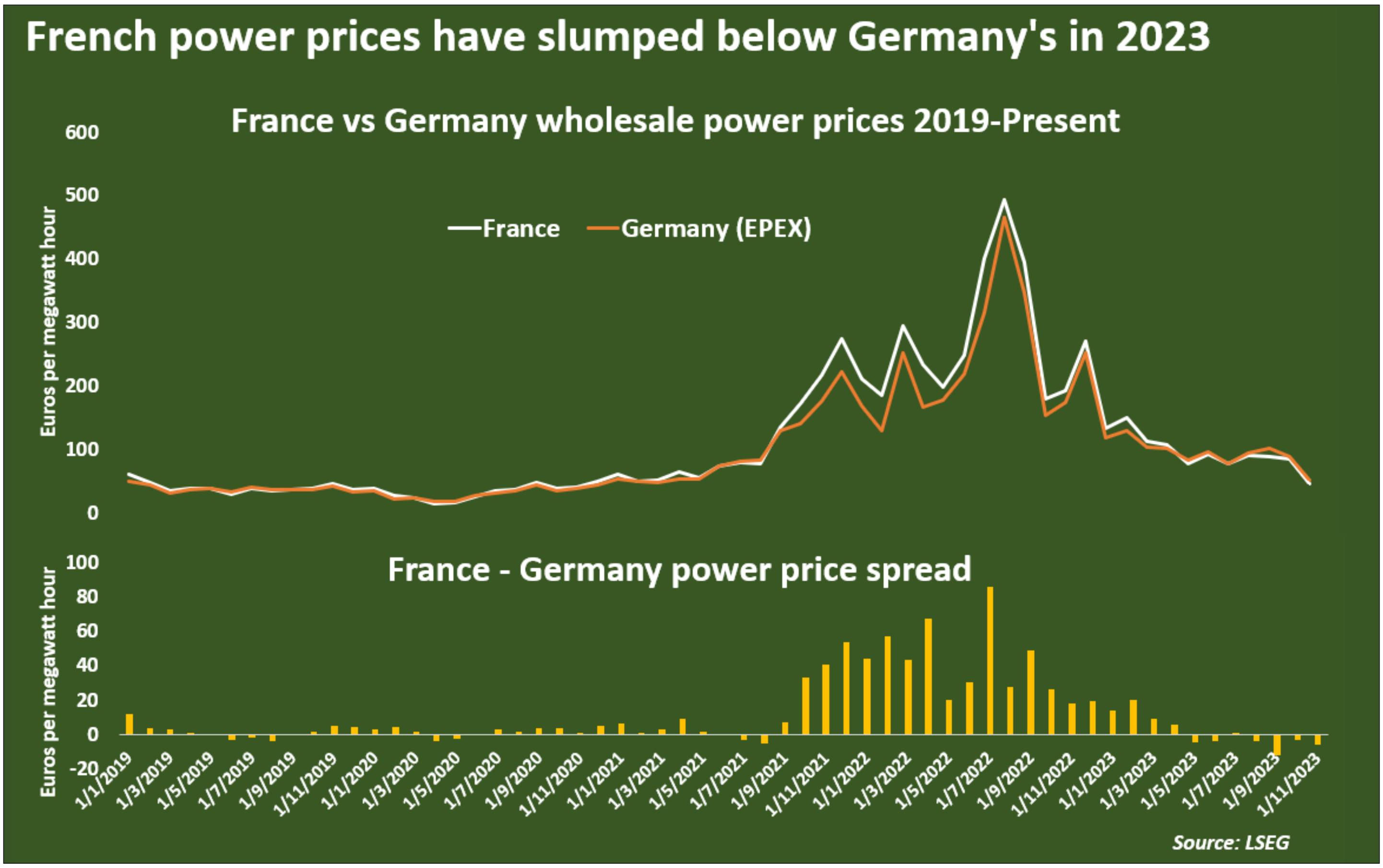
Copper and cobalt produced by companies, including Glencore and CMOC, are stranded in Kolwezi, Democratic Republic of Congo (DRC), due to a truckers strike that started in late October, four sources with direct knowledge of the matter said.

Already 2,700 trucks carrying around 89,000 metric tons of copper are stuck in Kolwezi, two of the sources said.

The strike could tighten global supplies of copper, needed for power generation and construction, and cobalt, used in the rechargeable batteries that power electric vehicles. Both materials are crucial for the energy transition.

A Reuters survey this month showed expectations for a small copper market surplus of around 112,000 tons this year, which could become a deficit if the strike is prolonged.

Chart of the Day



DRC is the world's third largest copper producer, accounting for 10.4% of 22 million metric tons of global mined copper supply last year, according to the International Copper Study Group. The country is also the world's largest cobalt producer.
Truck drivers, who move minerals from Kolwezi to Zambia then to coastal ports for transporting by vessel to consuming countries, such as China, have demanded logistics firms pay an extra risk allowance of $700 per journey, the sources said.
The strike has stopped material produced by major suppliers, including Ivanhoe Mines' giant mine Kamoa Kakula, CMOC's Tenke Fungurume, Glencore's Kamoto and Sicomines' Mashamba West from leaving Congo.
Glencore declined to comment. CMOC, Ivanhoe and Sicomines did not respond to requests for comment.
"The truck drivers want an incentive for them to operate in Congo, they want a danger allowance on top of their current salary," Hippy Tjivikua, chief executive, at Walvis Bay Corridor Group said.
"It's affecting most of the supply routes. I can't say cargo is completely blocked, but most of the mines aren't able to go and offload or pick up the loads."
The danger allowance is payment for the risks associated with the trucks being robbed of high value copper and cobalt materials.
The central African country supplied the world with 76% or 141,500 tons of cobalt last year, mining and metals company Darton Commodities said.

Top News - Carbon & Power

China gives utilities more leeway in 2024 coal term contracts – document
China will give power utilities more flexibility on signing long-term thermal coal supply contracts with domestic miners for 2024, as supply concerns have waned amidst surging output and imports.
The world's top coal consumer has driven production to a record high this year after approving dozens of new mines, in a bid to improve energy security and avert a repeat of power shortages in 2021 and 2022.
Coal-fired power plants should put at least 80% of their 2024 domestic coal consumption under term contracts, a document by the National Development and Reform Commission (NDRC) seen by Reuters and confirmed by two market participants said - a lower volume compared to 2023.
Last year, the state planner asked utilities to secure 105% of their domestic demand from miners under term contracts, and ordered all coal miners to sign term supply contracts, aiming to stabilise the market and avoid a supply crunch.
"The principle of the NDRC requirements did not change much - the government still wants utilities to sign more term contracts with domestic miners, but a lower volume mandate will give them more room to choose suppliers based on market dynamics," said a purchasing manager at a major Chinese power generator.
The state planner did not immediately reply to Reuters' request for comment.
Over the first 10 months of 2023, China increased coal imports by 67% year-on-year to 384 million metric tons, buoyed by the resumption of coal trade with Australia and robust import margins.
The NDRC maintained requirements from last year, mandating all coal miners put at least 80% of their overall output under term contracts, and reiterated monthly and quarterly supervisions on the fulfilment of contracts, the document said.
"Power plants may not want to lock in too much supply with the term contracts, as the market expects coal prices to fall further next year. No one wants to be caught defaulting on contracts," said a coal trader.
Spot prices for thermal coal with energy content of 5,500 kilocalories in northern Chinese ports have fallen to about 920 yuan ($126.49) per ton from about 1,200 yuan a ton in the beginning of 2023. The price fell to around 800 yuan in June.
The NDRC wants all participants to have signed the 2024 contracts before Nov. 30.

COLUMN-Europe's record gas stocks start to pressure prices: Kemp
Europe's record gas inventories continue to climb even higher as a warm start to autumn delays the onset of heating demand while high prices discourage industrial use and encourage continued imports.
But prices for gas delivered at the height of winter in January 2024 have started to slide as the record levels of inventory weigh on the market.
Prices for January 2024 fell below 47 euros on Nov. 6 from more than 57 euros 10 trading days earlier as traders anticipate winter weather may not be enough to prevent a record carryover of stocks at the end of March 2024.
Inventories across the European Union and United Kingdom hit a record 1,146 terawatt-hours (TWh) on Nov. 5, according to Gas Infrastructure Europe.
Stocks were 189 TWh (+20% or +1.96 standard deviations) above the prior 10-year seasonal average and the surplus had increased from 168 TWh (+18% or +1.70 standard deviations) on Oct. 1.

Part of the reason is that Northwest Europe has experienced a mild start to the autumn with temperatures at Frankfurt in Germany 3.5°C above the long-term average in September and 2.5°C in October.
At the same time, futures prices and calendar spreads have remained strong, despite record stocks, discouraging resumption of industrial use and encouraging continued imports of liquefied natural gas (LNG).
After-adjusting for inflation, front-month futures averaged 47 euros per megawatt-hour (88th percentile for all months since the start of the century) in October up from 30 euros (61st percentile) in July.
In real terms, front-month prices were around 2.5 times higher than the five-year average for 2016-2020 making spot gas purchases very expensive.
Most industrial users buy on contracts linked to calendar average prices but even the futures strip for 2024 averaged 52 euros in October up from less than 20 euros before Russia’s invasion of Ukraine.
The persistence of high spot and forward prices have ensured industrial gas use remains well below pre-invasion levels.

STORAGE OUTLOOK
Europe's storage sites were 99.6% full on Nov. 5, a record for the time of year, or any time of year, and gas has continued to be added later then usual owing to the warm weather.
Between 2012 and 2022, the median date on which storage peaked was Oct. 26 but this year it was still climbing as late as Nov. 5, making it one of the latest fills on record.
Over summer, calendar spreads weakened significantly and the market moved into a significant contango to encourage more consumption and limit the inventory build.
Since then, however, spreads have strengthened as traders have been able to store extra gas in Ukraine and on LNG carriers off the coast to avoid storage space running out.
More recently, conflict in the Middle East and the possible disruption of gas imports has helped keep European prices high.
Europe still needs to conserve gas this winter but given how much is now in storage there is almost no chance stocks will fall critically low whatever the weather.
Based on the current storage level and historical depletions over the last decade, inventories are projected to fall to around 575 TWh before the end of winter 2023/24 leaving storage sites 50% full.
At this early point in the winter heating season, there is still significant uncertainty about average temperatures and the amount of depletion ahead.
But even with a very cold winter, inventories are very unlikely to fall below 368 TWh (32% full), and if the winter is mild they could end as high as 795 TWh (69% full).

John Kemp is a Reuters market analyst. The views expressed are his own.

Top News - Dry Freight

Jordan buys estimated 60,000 T wheat in tender – traders
Jordan's state grains buyer purchased about 60,000 tonnes of hard milling wheat to be sourced from optional origins in an international tender on Tuesday, traders said.
It was bought from trading house Ameropa at an estimated $276.00 a metric ton cost and freight (c&f) for shipment in the first half of February, they said.
Jordan is expected to issue a new tender for 120,000 tons of wheat in coming days, closing on Nov. 14 and likely to seek shipment over a range of possible dates in the first half of January, first half of February and second half of February, they said.
Traders reported the following offers in Tuesday’s tender from other trading houses, all per ton c&f: CHS $282.35, Cargill $285.90, Viterra $287.75, Aston $284.95, The Andersons $283.79, Montfort $286.88 and a regional trading house $299.00.

Algeria buys milling wheat in tender -traders
Algerian state grains agency OAIC has bought milling wheat in an international tender which closed on Tuesday, European traders said.
Purchases reported were all around $266 a metric ton, cost and freight (c&f) included, they said.
The tonnage bought was initially unclear, although some traders spoke of at least 180,000 metric tons purchased with some estimates ranging up to 580,000 tonnes.
Wheat sources were expected to include the Black Sea region.
The wheat was sought for shipment in three periods from the main supply regions including Europe: Dec. 16-30, 2023, and in 2024 from Jan 1-15 and Jan. 16-31. If sourced from South America or Australia, shipment is one month earlier.
Algeria does not release results of its tenders and reports are based on trade estimates; further estimates of prices and volumes are still possible later.

MARKET MONITOR as of 07:35 GMT			
Contract	**Last**	**Change**	**YTD**
NYMEX Light Crude	$77.32 / bbl	-0.06%	-3.66%
NYMEX RBOB Gasoline	$2.16 / gallon	0.13%	-13.03%
ICE Gas Oil	$850.75 / tonne	-0.73%	-7.63%
NYMEX Natural Gas	$3.15 / mmBtu	0.38%	-29.56%
Spot Gold	$1,967.10 / ounce	-0.07%	7.82%
TRPC coal API 2 / Dec, 23	$109.5 / tonne	-6.01%	-40.73%
Carbon ECX EUA / Dec, 23	€75.46 / tonne	0.28%	-10.13%
Dutch gas day-ahead (Pre. close)	€42.50 / Mwh	2.91%	-43.76%
CBOT Corn	$4.85 / bushel	0.26%	-28.50%
CBOT Wheat	$6.01 / bushel	0.76%	-25.38%
Malaysia Palm Oil (3M)	RM3,770 / tonne	1.34%	-9.68%
Index (Total Return)	**Close 07 Nov**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	312.59	-2.17%	3.73%
Rogers International	28.05	-1.04%	-2.15%
U.S. Stocks - Dow	34,152.60	0.17%	3.03%
U.S. Dollar Index	106	0.31%	1.95%
U.S. Bond Index (DJ)	396.40	0.67%	0.33%

Picture of the Day

A man is seen with a donated water jug during a historic drought in the Amazon at the dry riverbed of the Paraua river in Careiro da Varzea, Amazonas state, Brazil October 26. REUTERS/Bruno Kelly

(Inside Commodities is compiled by Shoubhik Ghosh in Bengaluru)

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

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