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Top News - Oil

Indian refiners becoming wary of buying Russian oil as EU sanctions loom – sources

Indian refiners are wary of buying Russia crude oil loading after Dec. 5 when European Union sanctions take effect, pending clarity on the proposed G7 price cap mechanism, according to sources familiar with the refiners' crude purchase plans.
Chinese refiners have already begun slowing down Russian oil imports from next month.
The Asian giants, who are two of the world's top three importers, had become Russia's biggest customers after the West shunned Russian oil after the outbreak of war in Ukraine.
Reduced buying by both of them would leave Russia chasing alternative customers, potentially depressing prices even if those new buyers are unlikely to join a plan by rich nations in the Group of Seven (G7) to cap Russian oil prices.
Reliance Industries Ltd, operator of the world's biggest refining complex and a major customer for Russia, has not placed orders yet for Russian cargoes loading after Dec. 5, two sources familiar the refiner's purchase plans told Reuters.
Neither has state-run Bharat Petroleum Corp, they said.
The Indian companies did not respond to Reuters email seeking comments.
According to the sources, Reliance is cautious about reactions from foreign banks given its exposure to the western financial system and overseas sales of refined products.
"There are too many uncertainties attached to the cap mechanism. We don't know what the payment mechanism could be and what could be the cap level," said a source at one of the state refiners.
Still, Indian Oil Corp, the country's top refiner, has placed orders for Russian cargoes, including for loading some parcels beyond Dec. 5, under term and spot deals, said one of the sources.
"IOC wants to secure barrels," the source said, adding that Indian refiners have the option of raising purchases under their term deals with the suppliers, mainly in the Middle East, to meet their contractual commitments if they face problems in getting Russian supplies.
IOC did not respond to Reuters email requesting comment.
In contrast, private refiner Nayara Energy, majority owned by Russian entities, plans to continue Russian oil imports, sources aware of its crude purchases said.
After western sanctions were imposed on Russia and Rosneft, which owns about 49% of Nayara, most foreign banks stopped dealing with Nayara, leaving the refiner dealing through Indian banks.

PAYMENT, INSURANCE

While refiners are cautious about sanctions, India and Russia have set up alternatives to western insurance, finance and maritime services in order to conduct their trade.
Indian refiners buy Russian oil on a delivered basis with insurance - cargo, P&I and hull and machinery - arranged by Russian entities. India accepts Russian insurance.
Also, India has recently devised a mechanism to settle trade with foreign nations in rupee terms through vostro accounts of foreign banks in India.
A commerce ministry official on Tuesday said Russia's Gazprombank had opened a vostro account with UCO Bank, and VTB Bank and SberBank have opened accounts with their own India-based branch offices.
India's central bank in July this year introduced a new mechanism for international trade settlements in rupees.

COLUMN-China boosting crude inventories even as refining, fuel exports gain: Russell

China's refineries added to crude oil stockpiles in October even as they increased their processing rates and boosted fuel exports to take advantage of high prices for refined products in Asian markets.
China's refineries processed the equivalent of 13.8 million barrels per day (bpd) in October, just below the 13.82 million bpd recorded in September, which was the highest in nine months.
However, the volume of crude available to refineries was 14.22 million bpd, consisting of imports of 10.16 million bpd and domestic oil production of 4.06 million bpd.
That means the volume of crude available exceeded the amount processed by 420,000 bpd, with the extra oil flowing into either commercial or strategic stockpiles.
China doesn't disclose the volumes of crude flowing into or out of strategic and commercial stockpiles, but an estimate can be made by deducting the amount of crude processed from the total of crude available from imports and domestic output.
Over the first 10 months of the year, China added about 690,000 bpd to inventories, largely because refinery processing was weak in the first half of the year amid soft domestic fuel demand as the economy was crunched by a series of lockdowns as part of Beijing's strict zero-COVID policy.
China exported 4.46 million tonnes of refined products in October, equivalent to around 1.15 million bpd, using the BP conversion rate of 8 barrels to one tonne.

This was actually down from September's 1.5 million bpd of product exports, but it's worth noting that the three strongest months this year for refined fuel exports have been August, September and October, reflecting that refiners were granted additional export quotas and used them to capture the high margins, especially for diesel.
Fuel exports are expected to remain at elevated levels in November as refiners use up their remaining quotas for 2022.
This in turn will likely drive an increase in both crude imports and refinery processing rates, with Wood Mackenzie senior analyst estimating November throughput at 14.4 million bpd.
China's November crude imports are estimated at 11.46 million bpd by Refinitiv Oil Research, which would be an 11-month high.
Exports of refined products could reach 1.6 million bpd in November, according to analysts and China-based industry sources, with diesel shipments tipped to rise to a 17-month high of up to 570,000 bpd.

CRUDE IMPORTS TO DROP?
Overall, the picture that emerges is that the strength in China's crude oil imports in recent months is largely a reflection of increased product exports, rather than any sign of a rebound in domestic demand.
It's also the case that China is still importing more crude oil than it actually needs, which raises the possibility of weaker imports in the months after November.
Several Chinese refiners have requested lower volumes from top supplier Saudi Arabia in December, Reuters reported on Nov. 11 citing industry sources.
It's also been reported that Chinese refiners are slowing their purchases of Russian crude amid uncertainty over G7 plans to cap the price as part of efforts to punish Moscow for its Feb. 24 invasion of Ukraine.
Russia has vied with Saudi Arabia as China's top supplier this year, as Chinese refiners snapped up cargoes at steep discounts as European and some Asian buyers such as Japan started to shun Russian crude.
There is still considerably uncertainty over how the proposed price cap on Russian crude will work in practice, and what the impact will be of the European Union ban on oil imports, due to start on Dec. 5.
It appears Chinese refiners have bought up more crude than they need in recent months, most likely to ensure they have sufficient inventories in case of any disruptions.
Overall, the recent strength in China's crude imports may not be long-lasting, especially if new refined fuel export quotas aren't granted.
Much will depend on whether Beijing's efforts to kickstart the sluggish economy and some relaxation of COVID-19 measures result in stronger domestic fuel demand in the new year.

Top News - Agriculture

Brazil's Amaggi has sold more than half of its 2022/23 soybean crop, executive says
Amaggi, one of Brazil's largest agribusiness conglomerates, has already sold nearly 60% of the soybean it expects to harvest in 2022/23, a level exceeding the average of most farmers as it pushes for a "conservative strategy" matching grain sales and input purchases.
The pace of privately owned Amaggi's forward sales so far has been roughly twice the average seen in Mato Grosso, Brazil's top grain producing state and where most of the company's agricultural operations are located.
When compared to the whole country, Amaggi's sales have exceeded the Brazilian average by 40 percentage points, according to consultancy Datagro.
"We sell to cover costs," Amaggi's director of agricultural operations, Pedro Valente, said in an interview.
"Historically we are in line with what we do every year. But that is not always in line with what the market is doing."
Valente said that Amaggi's goal was to make sure it could control costs by selling grains at the "best moments."
The company, owned by the family of former Agriculture Minister Blairo Maggi, also processes and trades grains, with worldwide sales reaching 18 million tonnes per year.
It has offices in Argentina, Paraguay, China, Singapore and the Netherlands.
Amaggi expects its 2022/23 grain crop - comprising soybean, corn and cotton - to reach a total 1.55 million tonnes, up 30.6% from the previous season, while the planted area was seen growing 5.6% to 381,154 hectares.
Valente said the company initially planned to keep its soybean area at the same 175,000 hectares (432,430 acres) planted last season, but later decided to cut it to 170,600 hectares (421,560 acres) and plant more cotton, the crop seen by the company as its most important.
Cotton 2022/23 forward sales have also reached nearly 60% so far, Valente said, while those of corn were at 35%.

Food prices to edge down in 2023 as recession looms – Rabobank
Prices for agricultural commodities like coffee, feed grains and oilseeds could dip next year as many major economies enter recession, but they will remain high in historic terms, Rabobank said in a report on Wednesday.
The bank said consumers face a darkening macro-economic picture, with energy shortages, geopolitical

danger and ongoing shortages of some key commodities like wheat boding ill for global food security.
Wheat remains acutely affected by the Russia-Ukraine war and the bank sees a 6 million tonne deficit next year, thanks also to uncertain weather prospects in the European Union, the United States and Argentina.
Elsewhere, Rabobank sees coffee demand growing well below average levels at 1.5%, with benign weather leaving the market in a 4 million bag surplus. It sees relatively low sugar prices meanwhile thanks again largely to benign weather.
"Agricultural prices might recede (yet) that's not because production will improve significantly but because demand is set to be so weak," said Carlos Mera, the bank's head of agricultural commodities market research.
With energy, labour and other costs surging, agricultural commodity prices are about 50% higher than pre-pandemic times, the bank noted.

Top News - Metals

Nickel prices tumble as LME scrutinises volatile trading
The London Metal Exchange (LME) said on Wednesday it was conducting enhanced monitoring of nickel trading after prices fell as much as 12% in volatile and illiquid conditions.
The fall came after a blistering rally in which the metal used to make stainless steel surged by 40% in just two weeks and on Monday breached the LME's 15% daily limit on price swings.
Traders blamed low liquidity for the volatility, the most severe since March. The London Metal Exchange (LME) on March 8 cancelled all nickel trades and suspended the market for more than a week after prices doubled in a matter of hours.
"The LME notes the current volatility in nickel," the exchange said in a statement. "The price limits in place are functioning as expected and the LME is undertaking enhanced monitoring to ensure that participants' trading activities are being conducted appropriately."
Other industrial metals such as copper and zinc have also risen on hopes that China will abandon its zero-COVID policy and the pace of U.S. interest rate rises will slow, boosting economic growth and metals demand, but the moves were a fraction of nickel's.
Traders in the physical market and speculators bought metal to reverse short positions ahead of contract expiry on the Shanghai Futures Exchange on Tuesday and LME on Wednesday, said Al Munro at brokerage firm Marex.
Once these contracts expired, the need to buy evaporated, creating downward pressure on prices, he said, adding that buying interest from China dried up as nickel headed towards $30,000.
Adding to turbulence was news on Tuesday that New Caledonian nickel producer Prony Resources would cut output after a leak from its tailings dam.
Benchmark LME nickel racked up six consecutive days of gains between Nov. 8 and Nov. 15, starting the first at $23,330 a tonne and reaching as high as $31,275 on the last.
At 1852 GMT on Wednesday, nickel was down 11.8% at $26,700 a tonne.

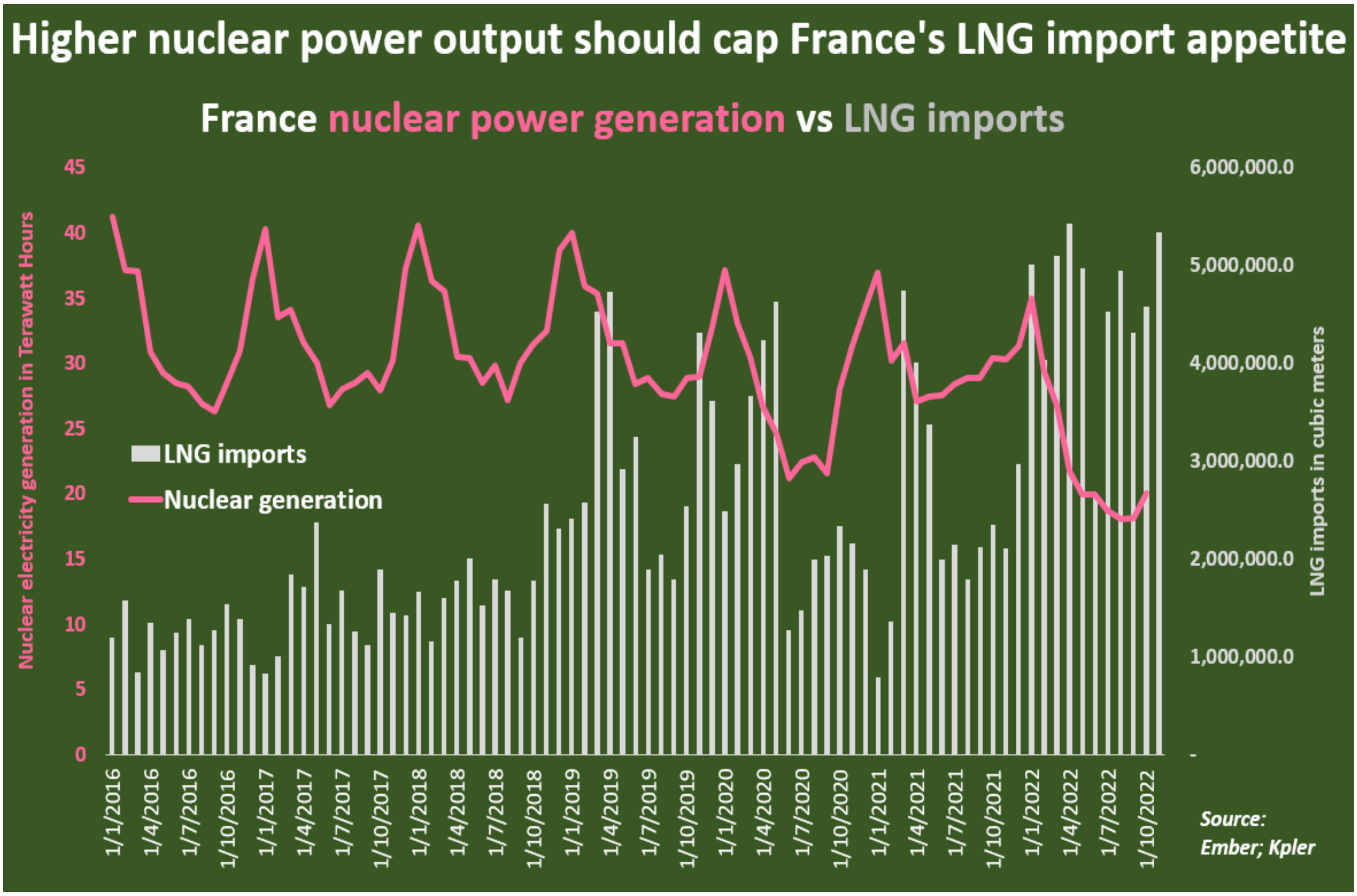
Chile's SQM profits jump more than ten-fold on lithium price surge
Chilean miner SQM, the world's second largest lithium producer, posted on Wednesday a ten-fold jump in third-quarter net profit, boosted by skyrocketing prices and record high sales of the metal that is a key component in rechargeable batteries.
The miner posted a net profit of $1.1 billion for the three months ended September. Quarterly revenue surged more than four times year-on-year to $2.95 billion, with lithium revenues growing more than 12 times.
Sales volumes for lithium and derivatives totaled 41,000 tonnes, the highest quarterly volume ever reported by the company, SQM said in its earnings report.
"Our positive results in the lithium market were due to sales volumes and prices significantly above average," the company said. SQM also sells industrial chemicals.
Average lithium prices rose to record levels during the quarter at more than $56,000 per tonne, the company said.
Major carmakers are planning to shift away from combustion engines over the next decade as they look to comply with more stringent environmental rules and changing consumer tastes, driving a scramble for lithium, which is extracted from brine in South America's sprawling salt flats.
SQM forecast global lithium demand to grow this year by at least 40% due to rising electric vehicles sales in China, where it estimates sales of these vehicles to exceed 6.5 million units, double last year's amount.
Revenues for iodine and its derivatives nearly doubled to reach $215 million, the company said, as sales rose 9%.
Albemarle, the world's top lithium producer, also reported a surge in sales earlier this month. Both companies have major projects underway on Chile's Atacama salt flats.

Top News - Carbon & Power

EU to propose natural gas price cap after Nov. 24 meeting

The European Commission plans to propose a cap on natural gas prices after Nov. 24, as it seeks to contain an energy crisis stemming from Russia's invasion of Ukraine, the EU's energy policy chief told Reuters on Wednesday.
The 27-country European Union has for months debated whether to cap gas prices, as the bloc struggles to contain soaring inflation and energy prices driven by Russia slashing gas supplies to Europe.
EU energy commissioner Kadri Simson said the Commission, which drafts EU policies, would propose a cap after a meeting of EU energy ministers on Nov. 24 where they are expected to instruct the bloc's executive to move ahead with the proposal.
"We will move swiftly and we will make a legal proposal immediately after ministers will mandate us to do so," Simson said in an interview on the sidelines of the COP27 climate summit in Egypt.
"We have done our homework. I think that this kind of price cap can allow us to calm the market... it also removes the risk that we will not receive cargoes at all," she said.
EU countries are split over whether to cap gas prices. Once proposed by the Commission, a reinforced majority of at least 15 countries would need to approve the measure.
Belgium, Poland, Italy and Greece have demanded Brussels propose a gas price cap before Nov. 24, and threatened to block other EU policies including faster renewable energy permitting rules, if one is not proposed.
Others including Germany, Europe's biggest gas user, warn capping prices could leave countries struggling to secure cargoes in international gas markets.

Chart of the Day



The planned gas price cap, which the Commission sketched out in a document shared with EU countries late on Tuesday, would kick in if prices spike to a pre-defined level, and cap the price of front-month contract trades on the Dutch title transfer facility gas trading hub.
"We don't want to suspend the market as such," Simson said. "In a global commodity market, we cannot attract these volumes unless our (gas) prices are competitive against the other world regions, namely the Asian market."
The document shared with EU countries, seen by Reuters, did not specify the price level it would use, but said it would be immediately suspended if it caused "unintended market disturbances" that harm Europe's energy security.

COLUMN-France's muted nuclear recovery can cool Europe's LNG demand: Maguire
Plunging nuclear power output has forced France to boost liquefied natural gas (LNG) imports by more than any other major buyer so far in 2022, amplifying the gas market fallout from the Russia-Ukraine war and helping drive global gas prices to record highs.
But a slow recovery is now underway in France's nuclear power output. Though still well below capacity, it is helping to potentially reduce France's need for gas in 2023.
In turn, reduced LNG demand from France over the winter could help ease the strain on Europe's power markets, which have struggled with acute gas shortages since Russia's invasion of Ukraine in February triggered deepening cuts to pipeline flows from Russia, formerly Europe's top fossil fuel supplier.
A steady restoration of low-emitting French nuclear power could also serve as a reminder to the rest of Europe of the merits of a diverse energy supply system that is less reliant on imports of fossil fuels from unreliable trade partners.

LNG BINGE
France normally relies on nuclear power for 70% of its electricity. But reactor shutdowns due to maintenance work, labour disputes and reduced availability of cooling water during a summer heat wave forced Europe's third-largest economy to boost LNG imports. For the 10 months to October, they were up a whopping 85% from a year before, according to data from Kpler.
France's purchases of 45.6 million cubic meters during the first 10 months of 2022 were nearly double the country's average since 2018 for that period and pushed France to fourth from a traditional seventh in the global LNG import ranking.

A nearly 11% jump in nuclear power output in October from the month before, however, is now helping France produce more electricity from non-gas sources, data from energy think tank Ember shows.
Indeed, total electricity in France generated from all sources in October hit its highest level since April, when Europe's utilities and power users fully responded to Russia's invasion of Ukraine by curbing energy commodity purchases from Moscow.
Further resumptions in nuclear output going forward could raise total electricity supply back to early-2022 levels and herald the start of a slowdown in French LNG purchases, which have historically fallen off during periods of sustained high French nuclear power output.

HURDLES
While France's nuclear production has rebounded from its plunge in August, when it was at its lowest level in 30 years, the recovery path going forward remains unclear following lengthy worker strikes at several reactors that have put maintenance work even further behind schedule.
French utility EDF this month lowered its nuclear output target for 2022 to 275 to 285 terawatt hours (TWh) from 280 to 300 TWh previously due to the impact of the strikes.
The group kept its output forecasts for 2023 and 2024 unchanged at 300 to 330 TWh and 315 to 345 TWh respectively, however, indicating confidence of a further rise in nuclear output.
For the LNG market, a decline in imports from France will be offset by purchases from other countries, and so is unlikely to cause a notable price response over the near term.
Even so, with France's gas storage levels at 100% of capacity and the highest in at least five years for this time of year, utilities are expected to prefer to draw from those reserves rather than making further large LNG import deals, which remain an expensive undertaking.
If utilities in Germany, the Netherlands and elsewhere with high gas storage levels follow a similar tack, then Europe's collective appetite for LNG may enter a soft patch right when demand historically peaks for the year due to the need for gas for heating in the northern hemisphere.
Also, with European heavy industry already operating at well below capacity to reduce hefty power bills, the combination of more nuclear power and lower LNG imports in France could start a new phase in Europe's recovery from the Russia-triggered energy market shock, marked by more restrained global gas imports.

Top News - Dry Freight

Reasons to be 'cautiously optimistic' on renewal of Ukraine grain deal -U.N. source

A United Nations source on Wednesday said they have reasons to be "cautiously optimistic" on the renewal of a Black Sea grains export agreement, which is set to roll over on Saturday unless there are objections.

The U.N.-backed agreement on July 22 allowed grain shipments to resume from certain Ukrainian ports on the Black Sea, leading to some 10 million tonnes in shipments and helping to reduce international prices.

Ukraine used to export by sea 5 million to 6 million tonnes of agricultural products monthly before the Russian invasion in February blocked Ukrainian ports.

"The continuation, that's up to the parties, obviously - but all the signs that we have are positive signs in that direction," said the U.N. source, speaking on condition of anonymity.

Moscow suspended its participation in the agreement in late October but rejoined after four days, easing fears of further disruptions to grain exports from one of the world's biggest suppliers at a time of rampant global food inflation.

Optimism has grown that Russia will approve the deal's continuation after protracted talks over Moscow's grievances about impediments to its grain and fertilizer exports.

One issue is financial transactions, the U.N. source said, adding that the parties have been trying to find practical ways for the Russian Agricultural Bank to make financial transactions and payments while under Western-imposed restrictions.

The source added that they are exploring solutions with correspondent banks with their own systems to make progress on the issue. Reuters reported earlier this month that Russia wants the West to ease restrictions on state agriculture lender Rosselkhozbank, or the Russian Agricultural Bank, to facilitate Russian grain exports, according to four sources familiar with the request.

The U.N. on Tuesday said Secretary-General Antonio Guterres had a "very frank and open discussion" on the Black Sea grain deal with Russian Foreign Minister Sergei Lavrov on the sidelines of the G20 summit in Bali.

MARKET MONITOR as of 07:11 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$84.67 / bbl	-1.07%	12.58%
NYMEX RBOB Gasoline	$2.50 / gallon	-0.46%	12.03%
ICE Gas Oil	$984.50 / tonne	-0.73%	47.60%
NYMEX Natural Gas	$6.25 / mmBtu	0.73%	67.43%
Spot Gold	$1,765.73 / ounce	-0.45%	-3.43%
TRPC coal API 2 / Dec, 22	$191 / tonne	-6.37%	55.28%
Carbon ECX EUA / Dec, 22	€73.26 / tonne	-0.20%	-9.16%
Dutch gas day-ahead (Pre. close)	€102.00 / Mwh	-12.07%	53.38%
CBOT Corn	$6.64 / bushel	-0.19%	11.93%
CBOT Wheat	$8.18 / bushel	-1.30%	6.07%
Malaysia Palm Oil (3M)	RM3,882 / tonne	-3.48%	-17.35%
Index (Total Return)	**Close 16 Nov**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	305.19	-0.54%	23.55%
Rogers International	30.23	-1.08%	29.71%
U.S. Stocks - Dow	33,553.83	-0.12%	-7.66%
U.S. Dollar Index	106.35	0.07%	10.82%
U.S. Bond Index (DJ)	391.55	0.78%	-17.69%

Egypt's GASC directly buys 300,000 tonnes of Russian wheat -traders
Egypt's state grains buyer, the General Authority for Supply Commodities, is believed to have bought 300,000 tonnes of Russian wheat via private talks, traders said on Wednesday.
Last week, GASC also bought 280,000 tonnes of Russian wheat via direct purchases, a few days after cancelling its first international wheat tender since July, citing high prices.
This year Egypt has been opting to buy wheat through private talks with traders instead of through tenders, with the supply minister saying in September that the option offered more attractive prices.

Picture of the Day

A bee flies over a sunflower, near the demilitarized zone separating the two Koreas in Yeoncheon, South Korea. REUTERS/Kim Hong-Ji

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(Inside Commodities is compiled by Jesse Vinay in Bengaluru)

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