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Top News - Oil

IEA sees surplus oil supply in 2024 even if OPEC+ extends current cuts

The global oil market will see a slight surplus of supply in 2024 even if the OPEC+ nations extend their cuts into next year, the head of the International Energy Agency's (IEA) oil markets and industry division told Reuters on Tuesday.

At the moment, however, the oil market is in a deficit and stocks are declining "at a fast rate", Toril Bosoni said on the sidelines of a conference in Oslo.

"Global oil stocks are at low levels, which means that you risk increased volatility if there are surprises on either the demand side or the supply side," she added.

OPEC+ is set to consider whether to make additional oil supply cuts when the group meets later this month, three OPEC+ sources have told Reuters after prices dropped by some 16% since late September.

Oil has slid to around $82 a barrel for Brent crude from a 2023 high in September of near $98. Concern about demand and a possible surplus next year has pressured prices, despite support from the OPEC+ cuts and conflict in the Middle East.

Saudi Arabia, Russia and other members of OPEC+ have already pledged total oil output cuts of 5.16 million barrels per day (bpd), or about 5% of daily global demand, in a series of steps that started in late 2022.

The cuts include 3.66 million bpd by OPEC+ and additional voluntary cuts by Saudi Arabia and Russia.

At its last policy meeting in June, OPEC+ agreed on a broad deal to limit supply into 2024 and Saudi Arabia pledged a voluntary production cut for July of 1 million bpd that it has since extended to last until the end of 2023.

Brent crude futures fell 34 cents, or 0.4%, to $81.98 a barrel by 1134 GMT.

ANALYSIS-Russia basks in the oil price comfort zone ahead of OPEC+

As the world's most powerful oil producers ponder further supply cuts, Russia has little incentive for a radical change as its energy revenue is strong, oil prices are higher than its forecasts and its budget deficit is narrowing.

Ministers from OPEC+, which groups the Organization of the Petroleum Exporting Countries (OPEC) and allies led by Russia, meet on Sunday in Vienna.

OPEC+ is set to consider whether to make additional oil supply cuts, three OPEC+ sources told Reuters with prices down by 16% since late September as crude output in the U.S., the world's top producer, held at record highs, while the market was concerned about demand growth, especially from China, the No. 1 importer of oil.

"I don't see any reasons to change something radically," a source close to the Russian government said on condition of anonymity about the forthcoming OPEC+ meeting.

The source added that there was still a chance for surprises at the face-to-face meeting.

Saudi Arabia, Russia and other members of OPEC+ have already pledged oil output cuts of 5.16 million barrels per day, or about 5% of daily global demand, in a series of steps that started in late 2022.

'COMFORT ZONE'

President Vladimir Putin says Russia has not simply survived but has prospered despite the West's imposition of the most stringent sanctions ever imposed on a major economy, including a cap on the price of Russian oil at $60 per barrel.

After a contraction in 2022, Russia's economy is forecast to grow by around 3% this year, faster than either the United States or the Euro zone, according to Russian forecasts.

Robust global oil prices this year and Moscow's growing use of a shadow tanker fleet have meant that much Russian oil has traded mostly above the Western oil cap price.

Moscow-based independent oil analyst Alexei Kokin said the oil prices declined from "very comfortable" levels to "just comfortable" levels.

"That's why, it looks like there is no special need for a move (for Russia). To leave the production restrictions as they are is an acceptable option," he said.

Russia has budgeted the price of Urals, its flagship oil grade, at 4,788 roubles per barrel this year.

The Urals price on Friday fell below the Western price cap level of $60 per barrel amid a rise in freight rates fuelled by fresh U.S. sanctions on shipowners and weaker global oil prices.

But it was still higher than 5,000 roubles per barrel and on Tuesday exceeded $60 per barrel again.

Budget plans published in September envisage Brent crude prices averaging $85 per barrel next year - more pessimistic than a Reuters poll forecast - and a Urals price of $71.30.

RUSSIAN REVENUE

Russia's budget deficit narrowed further last month thanks to higher oil prices, a lower rouble rate and an inflow of quarterly tax payments.

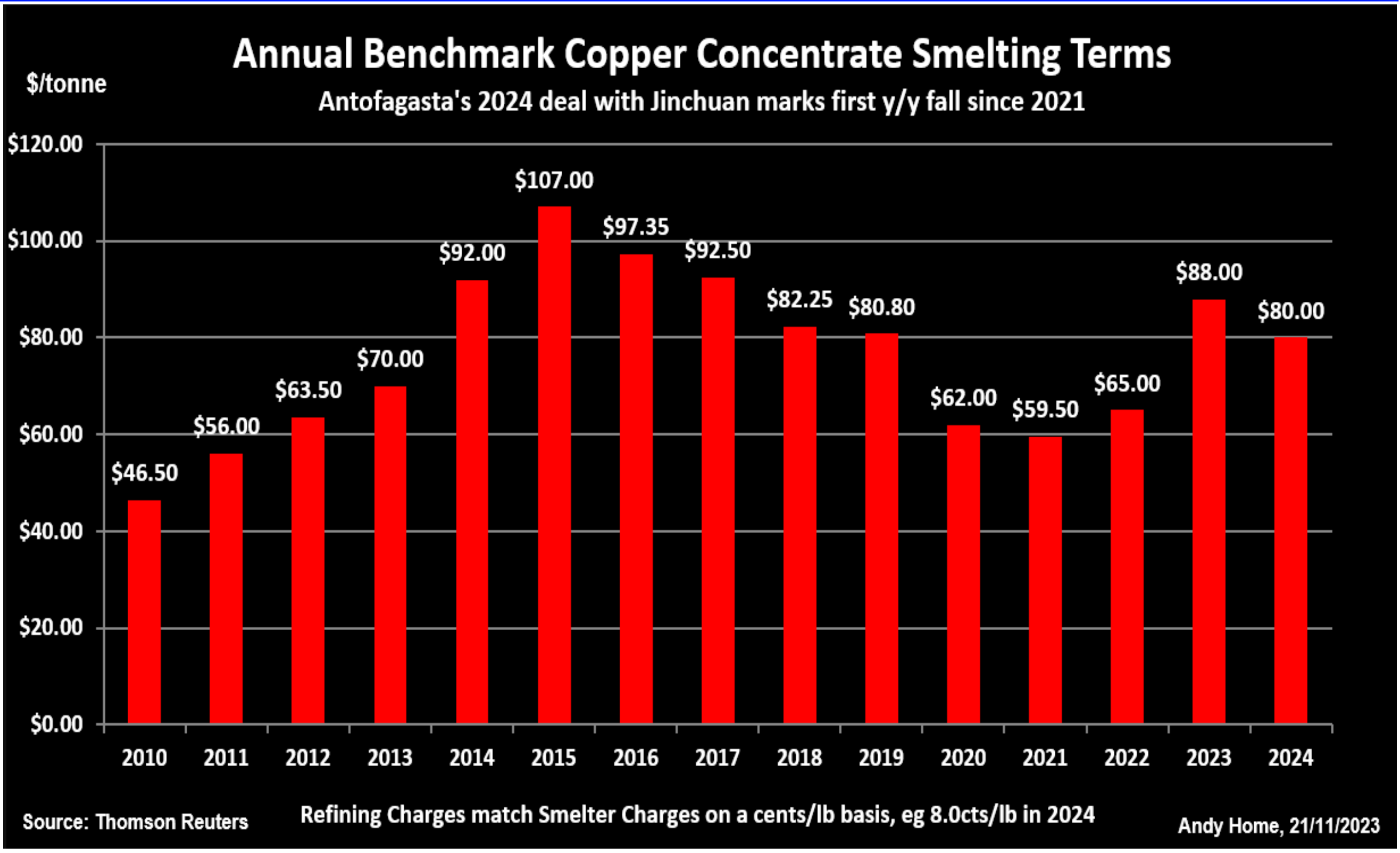
The deficit for the first 10 months of the year stood at 1.24 trillion roubles, or 0.7% of gross domestic product (GDP).

That was far better than the initial plans for a deficit of 2.93 trillion roubles, or 2% of GDP for the whole 2023.
Oil and gas revenue in October was up 27.5% from a year earlier, although for the first 10 months of the year they were down 26.3%.
However, the share of energy sales in the federal budget proceeds - which used to exceed 50% of total budget revenue - has drastically declined.
In 2022 the share stood at 41.6% of total budget revenue, while in January-September of this year, oil and gas sales accounted for 28.3% of total proceeds of 19.73 trillion roubles. Russia remains a natural resources superpower.
It has remained the world's top seller of grain.
It also exports fertilizers and other commodities. Its other key sources of budget revenue are added value tax, a windfall tax of 300 billion roubles and other extra fees.
"The Russian budget is more sensitive to oil prices and the rouble exchange rate than oil production, so it will tend to favour current oil output targets as long as oil remains between $75 and $100 a barrel," said Ronald Smith, a senior analyst BCS World of Investments in Moscow.
On Tuesday, Brent crude futures were down 41 cents, or 0.5%, at $81.91 a barrel as of 0836 GMT.

Top News - Agriculture

Ukraine could fail to meet future wheat demand if attacks continue, UN agency warns
The United Nations World Food Programme (WFP) warned on Tuesday that Ukraine's wheat production may be unable to meet domestic and export demand in the years to come if Black Sea export routes remain blocked and attacks on food infrastructure continue.
WFP's Ukraine director, Matthew Hollingworth, said a forthcoming report by the U.N. Human Rights Office (OHCHR) would show that since mid-July there have been 31 documented attacks on Ukraine's grain production and export facilities.
He told the U.N. Security Council that "28 of these attacks were in Odesa oblast alone, which is home of the vital Black Sea and Danube River terminals essential for global trade." "If attacks on food infrastructure and the blockage of sea export routes continue, it will dramatically impact the agricultural production outlook over years to come, and may, in a worst-case scenario, lead to wheat production being unable to meet domestic and export demand," Hollingworth said. Russia's U.N. Ambassador Vassily Nebenzia told the Security Council on Tuesday that Moscow targets military infrastructure, not civilian infrastructure.

Chart of the Day



The United Nations has blamed Russia's February 2022 invasion of Ukraine for worsening a global food crisis. Ukraine and Russia are both major grain exporters. Russia also is a big supplier of fertilizer to the world.
Russia's agriculture minister said last week that Moscow had begun free grain shipments totaling up to 200,000 tonnes to six African states, as promised by President Vladimir Putin in July. Hollingworth said that before the war Ukraine made up 9% of global wheat exports, 15% of maize and 44% of sunflower oil.
U.N. officials are trying to revive the Black Sea grain deal, which Russia quit in July - a year after it was brokered by the United Nations and Turkey - complaining that its own food and fertilizer exports faced obstacles and that not enough Ukrainian grain was going to countries in need.
U.N. Secretary-General Antonio Guterres told Reuters earlier this month that it will be difficult to revive the Black Sea deal, under which nearly 33 million metric tons of Ukraine grain were exported.
Ukraine launched what it calls a temporary export corridor in August to allow agricultural exports as an alternative arrangement. More than 700,000 metric tons of grain have left Ukrainian ports via the new route.

Argentina farmers stall soy sales with eye on newly-elected Milei, traders say
Argentine grains traders said on Tuesday that the country's farmers were holding back soy sales and would likely keep doing so ahead of the mid-December inauguration of President-elect Javier Milei, who has pledged to cut taxes and weaken the peso.
The South American country is normally the world's top exporter of processed soy and in the top three for corn, though its most recent harvest was battered by the worst drought in decades, already leaving a domestic shortage of supply. Milei, a libertarian economist who wants to dollarize the economy, eliminate the central bank and dramatically reduce the role of the state, was elected president on Sunday, defeating Peronist economy chief Sergio Massa.
He has said he will eliminate the current tax on grains and meat exports, something farmers have long asked for, and rapidly undo capital controls that keep the exchange rate artificially strong, a move which would lead to a sharp peso devaluation.
There does, however, remain uncertainty about how and when Milei will be able to implement his plans.
"We're likely to go through a cycle where producers show great caution when making decisions," Ariel Tejera, head of the market analysis department at grain brokerage Grassi SA, in the farming city of Rosario, told Reuters.
"We will probably continue like this until the new government implements its plans," said Grassi, who explained that unknowns regarding the exchange rate were key.
The official exchange rate is now at 356 pesos per dollar, while in parallel markets dollars trade at over 1,000 pesos.
That hurts grains exporters who have to bring most of their overseas sales back to Argentina at the official rate.
"The prospect of devaluation and hopes for tax cuts are in play," said Guillermo Moulia, an independent grain trader from Rosario.
"Things aren't moving too much now as producers prefer to hold onto their grains."
On Tuesday, the government temporarily extended an exchange rate benefit for exporters, giving them a better rate than the official one, though only on half their sales.
However, the head of investigations for the Rosario grains broker Enrique Zeni & CIA, Eugenio Irazuegui, said that the official measure was not having much effect.
"So far, purchase offers from factories and exports are very limited," he said.
"It is likely that, only with a reduction in the exchange gap and less (or no) intervention in the markets, sales will come back to normal levels for the time of year."

Top News - Metals

Top Chinese smelters seek higher fees than agreed by Jinchuan to process copper
China's top copper producers are looking for higher fees from Freeport for processing the U.S. miner's concentrates next year, above those agreed between Antofagasta and Jinchuan Group, four sources with direct knowledge of the matter told Reuters. The fees known as treatment and refining charges (TC/RCs) form a key component of copper smelters' income for converting copper concentrate into metal, which typically fall and squeeze smelters' profit margins when concentrate supply is tight. Chilean miner Antofagasta agreed last Friday TC/RCs of $80 a metric ton/8 cents per lb for part of its 2024 copper concentrates supply to Jinchuan Group, China's fourth largest copper producer. This number, the sources said, falls short of what China's top copper smelters including Jiangxi Copper Co., Tongling Nonferrous Metals Group Co. and Yunnan Copper Co. are expecting.
The three companies, which produced more than 45% of China's refined copper totalling 10.4 million tons, will have a meeting with Freeport this week with the aim of securing TC/RCs somewhere in the mid $80s/8 cents, the sources said. Jiangxi Copper, Tongling and Yunnan Copper did not respond to a request for comment on the issue.
Freeport did not respond to request for comment.
China's Copper Smelters Purchase Team (CSPT) called for an urgent meeting last Saturday, a source with direct knowledge of the discussion said. "The group refused to acknowledge the deal between Antofagasta and Jinchuan as a benchmark for global contracts."

CSPT initially aimed for a rollover at $88/8.8 cents, which was agreed between Freeport and Jiangxi Copper last year. As one of the world's largest copper miners, the TC/RCs Freeport agrees with Chinese smelters has for years been used as a benchmark for contracts worldwide. However, Freeport's 2024 sales could fall short of levels needed for a global reference, with its export permit for its flagship Grasberg mine in Indonesia expiring next May.

Nickel to get boost from commodity index re-balancing in January

Nickel is likely to see a surge of buying before and during an annual re-balancing in January of commodity indexes, analysts said, getting a boost after prices tumbled this year on worries about surpluses of the stainless steel material.

Funds that use the S&P GSCI and Bloomberg commodity indexes have to adjust their holdings during a five-day rebalancing, largely based on price moves the previous year. Traders often position themselves in advance to take advantage of re-balancing, which falls on Jan. 8-12 in 2024. During that period, other commodities will also be affected, but to a lesser extent than nickel, the analysts said. Soy oil and lean hogs will also be boosted while WTI crude oil, lead and sugar will be see some selling.

"Nickel will be the most impacted commodity due to its poor performance," analysts at Societe Generale said in a note.

Nickel on the London Metal Exchange (LME) has slid 44% so far this year and this week prices of the electric vehicle battery material hit $16,710 a metric ton, the weakest since May 2021.

Market moves often occur ahead of the actual re-balancing in January, such as last year when Bloomberg added lead to its commodity index, spurring a rally in November and December.

Moves on nickel are likely to be exaggerated by the cutting of short positions -- bets on lower prices.

"The short position on the LME by our estimates is as big as it's ever been," said Alastair Munro at broker Marex.

Investors are expected to buy 9,974 nickel contracts worth $1.033 billion, Citi analysts said in a note.

SocGen and Marex expect a lower number.

The final amount will be determined by the price at the end of December.

LME nickel has seen volumes improve this year, although they are still below the levels before a chaotic price spike in March 2022, which forced the LME to halt nickel trading and cancel trades.

Overall investment in funds based on commodity indexes and commodity exchange traded funds (ETFs) has flagged this year.

Since peaking in the first and second quarters of 2022 at $930 billion, commodities assets under management have deflated 35%, challenging those arguing for a commodity ‘super cycle’ narrative, Citi said.

MARKET MONITOR as of 07:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$77.85 / bbl	0.10%	-3.00%
NYMEX RBOB Gasoline	$2.21 / gallon	0.19%	-10.73%
ICE Gas Oil	$839.25 / tonne	1.45%	-8.88%
NYMEX Natural Gas	$2.85 / mmBtu	-0.04%	-36.42%
Spot Gold	$2,001.50 / ounce	0.16%	9.71%
Carbon ECX EUA	€75.29 / tonne	-0.11%	-10.34%
Dutch gas day-ahead (Pre. close)	€43.70 / Mwh	-4.06%	-42.17%
CBOT Corn	$4.89 / bushel	-0.05%	-27.91%
CBOT Wheat	$5.87 / bushel	0.73%	-99.27%
Malaysia Palm Oil (3M)	RM4,022 / tonne	1.75%	-3.64%
Index	**Close 21 Nov**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	314.75	0.17%	4.45%
Rogers International	27.36	0.13%	-4.55%
U.S. Stocks - Dow	35,088.29	-0.18%	5.86%
U.S. Dollar Index	103.68	0.11%	0.15%
U.S. Bond Index (DJ)	405.38	0.08%	3.29%

Top News - Carbon & Power

US approves Equinor and BP's Empire Wind offshore project, country's sixth

The U.S. Department of the Interior on Thursday approved the Empire Wind offshore project, owned by Equinor and BP, the sixth commercial-scale wind farm to be greenlit under President Joe Biden's administration.
Empire Wind is among several offshore wind projects facing construction and financing cost blowouts that the troubled industry says would not be covered by existing power sales contracts, but it could be helped by a new auction planned by New York state.
Along with Danish counterpart Orsted, Equinor and BP have taken a combined $5 billion of writedowns on U.S. offshore wind projects that are not even completed.
The Interior Department said its approval of Empire Wind brings the country closer to its goal of deploying 30,000 megawatts (MW) of offshore wind along U.S. coastlines by 2030.
New York state, for its part, also aims to develop 9,000 MW of offshore wind by 2035.
Empire Wind will include two offshore wind farms, 816-MW Empire Wind 1 and 1,260-MW Empire Wind 2, located about 12 nautical miles (nm) south of Long Island, and about 17 nm east of Long Branch, New Jersey.
Together, its 147 turbines will be capable of producing renewable power for more than 700,000 homes each year, the Bureau of Ocean Energy Management estimated.
Empire Wind 1 was expected to start production in 2026 and Empire Wind 2 a year later, according to the New York State Energy Research and Development Authority.
Equinor and BP have booked $300 million and $540 million in impairments respectively on their projects off New York, after the state's regulator rejected their request to renegotiate power supply terms.
On Nov. 30, New York will issue a new offshore wind solicitation open to all bidders, including those with existing contracts, allowing the companies to re-offer their planned projects at higher prices and exit their old contracts.

India wants private money for coal-fired plants despite Western opposition

India on Tuesday asked private firms to ramp up investments in new coal-fired power plants to meet a dramatic rise in electricity demand and bridge nearly 30-gigawatts of additional requirement by 2030, despite international pressure to stop building such facilities.
India's power and renewable energy minister R K Singh in New Delhi asked private companies to invest in coal projects and "not miss the growth opportunity," according to three sources present in the meeting.
The Indian government meeting with private investors comes weeks before the U.N. climate conference, at which France, backed by the United States, plans to seek a halt to private financing for coal-based power plants, according to a Reuters report.
India's power ministry did not immediately respond to requests for comment.
The private investment share in the Indian power sector started dwindling after 2018, when it was more than, or at par with, government investments.
Currently, it stands at 36% of the country's total installed capacity.
Most of the coal-based capacity under development is being set up by state-owned companies, with Adani Power and JSW Energy the only private companies building such plants.
Many private companies stopped building new coal-based plants in India over a decade ago due to a lack of financing in the absence long-term power supply bids from consumers.
In recent years, however, energy demand has outpaced expectations in India, the world's most populous country, as economy activity picked up.
Since August, the South Asian nation's energy demand rose 18% to 20% year-on-year. The government expects it to rise by at least 6% annually till end of this decade.
During the meeting, Singh said new estimates see India's peak power demand reaching 335-gigawatts by 2030 versus the present 240-gigawatts, according to the three sources.
Private power companies were told that the majority of the peak-hour electricity demand in India can be met by coal-based power stations, since storage technologies are costlier to support solar and wind-based energy generation, officials said.
A total coal-based capacity addition of 58 gigawatts is in the pipeline, leaving an expected gap of over 30-gigawatts, they said.
"The Minister assured that the government may look at funding support to such projects (from private firms) from state-run financiers such as Power Finance Corp and REC Ltd," one of the sources said.
All three sources at the meeting asked not to be identified as they were not authorized to speak to media.
Singh told the meeting that despite adding coal-based capacity, India will still meet its climate goals of shifting to 50% non-fossil-based power capacity since the country is also adding renewable energy projects.

Top News - Dry Freight

EU 2023/24 soft wheat exports down 19% by Nov 19 but data incomplete

Soft wheat exports from the European Union since the start of the 2023/24 season in July had reached 11.59 million metric tons by Nov. 19, down 19% from the 14.29 million tons a year earlier, data published by the European Commission showed on Tuesday.

EU barley exports totalled 2.75 million tons, down 1% from the 2.79 million tons in the corresponding period in 2022/23, while EU maize imports were at 6.56 million tons, 44% below an year-earlier 11.64 million tons.

However, the Commission said grain export data for Bulgaria was still lacking since mid-September and that for Italy both import and export data were incomplete for the last two weeks.Bulgaria is usually among the EU's largest wheat exporters, while Italy is one of the bloc's biggest cereal importers.

The Commission's current figures showed Romania was the biggest EU soft wheat exporter so far in 2023/24, with 3.15 million tons shipped, followed by France with 2.52 million, Poland with 1.96 million, Germany with 1.05 million and Lithuania with 996,000. Bulgaria was next with 937,000 tons, a figure unchanged in recent weeks.

EU wheat exports this season have been curbed by strong Russian competition, including in Algeria, though large sales of French wheat to China may boost the EU export pace in the coming months.

In maize imports, Spain remained by far the largest EU buyer so far in 2023/24 with 2.79 million tons.

In wheat imports, EU soft wheat inflows were up 13% from a year earlier at 3.44 million tons. Drought-hit Spain was again the leading recipient with 1.98 million tons, while Ukraine was the main supplier with nearly two-thirds of the total.

Imports of durum wheat, the variety used in pasta, had reached 1.23 million tons, up 233% from the year-earlier volume, with Italy the main destination and Turkey the largest supplier.

Tunisia tenders for 100,000 T soft wheat, 75,000 T feed barley

Tunisia's state grains agency has issued an international tender to purchase about 100,000 metric tons of soft milling wheat and around 75,000 tons of animal feed barley, European traders said on Tuesday.

The origin was optional.

The deadline for submission of price offers in the tender is Wednesday, Nov. 22.

The wheat is sought in four 25,000 ton consignments and the barley in three 25,000 ton consignments.

Both are sought for shipment between Dec. 10, 2023, and Jan. 20, 2024, depending on the origin the seller supplies.

Tunisia last week bought a total 75,000 tons of durum wheat in two separate tenders.

Picture of the Day

Autumn foliage is seen as mist surrounds a barge anchored on the River Thames in Richmond in London, Britain, November 17, 2023. REUTERS/Toby Melville

(Inside Commodities is compiled by Dhanya Hegade in Bengaluru)

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

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