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Top News - Oil

EU fails to agree on Russian oil price cap, say diplomats

European Union governments failed to agree on Monday on a price cap on Russian seaborne crude oil, as Poland insisted that the cap had to be set lower than proposed by the G7 to cut Moscow's ability to finance its invasion of Ukraine, diplomats said.

"There is no deal. The legal texts have now been agreed, but Poland still can't agree to the price," one diplomat said. No new date for talks has been set yet, diplomats said, even though the price cap mechanism is to enter into force on Dec. 5.

If there was no agreement on the G7 price cap idea by next Monday, the EU would implement harsher measures agreed at the end of May - a ban on all Russian crude oil imports from Dec. 5 and on petroleum products from Feb. 5, Polish diplomats said.

Hungary and two other landlocked central European states secured exemptions from that ban for the pipeline imports they rely on.

The Group of Seven (G7) nations has proposed a softer version of the EU ban to keep oil supply to the global economy steady, because Russia supplies 10% of the world's oil.

It proposed that the EU and other global customers keep buying Russian crude, but only if its price is at or below a G7 agreed level. That would cut the Kremlin's revenues.

The G7 has proposed a cap of $65-70 per barrel, but Poland and some others argue this will not hurt Moscow because Russian crude is already trading below that range at $63.50.

With Russian production costs estimated at around $20, Moscow has a very large profit from its oil exports.

Poland, Lithuania and Estonia have been pushing for a price cap of $30 per barrel.

"The Poles are completely uncompromising on the price, without suggesting an acceptable alternative," the EU diplomat said. "Clearly there is growing annoyance with the Polish position."

Malta, Cyprus and Greece were worried the G7 cap proposal was too low, hitting their large shipping industries, but diplomats said they got some concessions in the legal texts and were no longer an obstacle to a deal.

The idea to enforce the G7 cap is to prohibit shipping, insurance and re-insurance companies from handling cargoes of Russian crude around the globe, unless it is sold for less than the price set by the G7 and its allies.

Because the world's key shipping and insurance firms are based in G7 countries, the price cap would make it very difficult for Moscow to sell its oil for a higher price.

PREVIEW-Saudi Arabia may cut Jan Arab Light price for Asia to 10-month low

Top oil exporter Saudi Arabia may cut crude prices for Asia in January following a bearish trading cycle in the Middle East spot market, on concerns over sluggish demand in China and an increase of Russian crude in Asia after Dec. 5.

The official selling price (OSP) for flagship Arab Light crude may be trimmed by about $2 a barrel from the previous month, tracking a similar loss in the Dubai benchmark, according to seven respondents surveyed by Reuters.

The cut would push the January 2023 price to a 10-month low, just above March level of $2.80 a barrel above the Oman/Dubai average.

"The lower demand in China as a result of the widening COVID-19 curbs, and the prospect of increasing Russian oil flowing into Asia soured market sentiment," said one respondent.

A swelling number of daily COVID-19 cases in China, the world's biggest crude oil importer, has prompted local authorities to tighten mobility controls to rein in the spread of the virus, dimming the outlook of fuel demand recovery.

Analysts have lowered their forecasts of China's oil consumption and expected the demand to only recover after March 2023.

The Organization of the Petroleum Exporting Countries (OPEC) and their allies, a group known as OPEC+, started to trim output from November to support oil prices. But the market sees the cut may not be enough to ease the oversupply fear.

The G7 nations are set to impose a price cap on Russian crude oil sales on Dec. 5 alongside a European Union embargo on the crude. The price cap level has not been agreed by the western countries but the proposed price cap of $65-$70 a barrel is considered to be lower than the current trading levels.

"There may be more Russian crude entering Asia," said another respondent.

The respondents polled by Reuters also expected Saudi Aramco to cut January prices for Arab Medium by about $1.5 a barrel and Arab Heavy by about $1 a barrel, a smaller cut than Arab Light as refining margins for fuel oil improved since mid-November.

Saudi crude OSPs are usually released around the fifth of each month, and set the trend for Iranian, Kuwaiti and Iraqi prices, affecting about 9 million barrels per day (bpd) of crude bound for Asia. State oil giant Saudi Aramco sets its crude prices based on recommendations from customers and after calculating the change in the value of its oil over the past month, based on yields and product prices. Saudi Aramco officials as a matter of policy do not comment on the kingdom's monthly OSPs

Top News - Agriculture

POLL- U.S. winter wheat ratings seen improving to 33% good/excellent

The U.S. Department of Agriculture's last weekly U.S. crop progress report for 2022 should show a slight improvement in winter wheat condition ratings, according to the average of estimates from nine analysts surveyed by Reuters on Monday.

Analysts on average expected the USDA to rate 33% of the winter wheat crop in good to excellent condition, up 1 point from the previous week. Estimates ranged from 32% to 35% good-to-excellent.

The newly planted crop has struggled with dry conditions as 75% of the U.S. winter wheat production area was experiencing drought as of Nov. 22, according to the government. But rains in portions of the southern Plains wheat belt in the last week may have benefited crops in those areas, analysts said.

The USDA was scheduled to release its report at 3 p.m. CST (2100 GMT) on Monday.

Planting of the winter wheat crop, which will be harvested in mid-2023, is virtually complete, with 96% seeded by Nov. 13.

The U.S. corn and soybean harvests also wrapped up this month, and the USDA did not expect to release further updates after reporting the corn crop as 96% harvested by Nov. 20 and soybeans 96% harvested as of Nov. 13.

Over the winter the USDA's National Agricultural Statistics Service releases monthly reports for select states. The government will resume weekly U.S. crop progress reports in April.

COLUMN-Funds forge most bearish CBOT wheat view since 2019, corn selling eases -Braun

Chicago wheat futures are significantly lower than earlier this year when conflict broke out between top Black Sea exporters, though speculators' views have grown increasingly bearish despite an easing in prices.

In the week ended Nov. 22, money managers increased their net short position in CBOT wheat futures and options to 53,402 contracts from 46,780 a week earlier. That marked funds' most bearish wheat stance since May 2019, according to data from the U.S. Commodity Futures Trading Commission.

That data was published on Monday afternoon instead of Friday due to last week's Thanksgiving holiday. Daily trading volumes for CBOT wheat, corn and soybeans throughout the latest period were well below normal for the dates, common during holiday weeks, and that muted fund activity.

Although open interest and trading volumes in wheat have recently been light, money managers' gross short positions in CBOT wheat futures and options reached 106,384 contracts last week, the most since May 2019. Funds have added shorts now for seven straight weeks, removing longs in five of them.

Negative wheat sentiment is supported by poor demand for U.S. wheat and decent exports for Black Sea supplies, as Russia's brief exit from the Ukraine export deal a month ago failed to spook increasingly bearish investors. China's COVID-19 curbs accelerated downside momentum on Monday.

Most-active CBOT wheat futures since mid-November have been trading lower than the year-ago levels, the first such instance since mid-2020. Wheat reached its recent peak near $9.50 per bushel in mid-October but ended Monday at $7.80-3/4, the lowest since August.

Wheat was near $8.20 per bushel on the same date in 2021, weakening through most of December. The most-active contract has not traded sub-$7 since September 2021.

Money managers through Nov. 22 cut their net long in CBOT corn futures and options by about 6,000 to 170,767 contracts, their third straight week of selling. Exiting longs were the most prominent, but it is interesting to note that short covering was also present, reflecting market uncertainty.

That was a much less aggressive selling pace than in the first half of November, when money managers' reduction of gross corn longs was the largest for any two weeks since July 2016. Their bullish corn views remain stronger for the date than in most past years, except for 2021 and 2020.

March CBOT corn futures ended unchanged on Monday at $6.71-1/4 per bushel, an increase of nearly 2% since last Tuesday. The contract found support on Monday on the potential for impending renewable volume obligations from the U.S. Environmental Protection Agency to be bullish.

That particularly lifted CBOT soybean oil and soybeans, which rose 2% and 1.5%, respectively, on Monday. Most-active CBOT soybeans have not traded below $14 per

bushel since Oct. 31. They ended at $14.57-1/4 on Monday.
Soybeans fell 2% through Nov. 22, and money managers reduced their soy net long by nearly 11,000 to 82,135 futures and options contracts. New shorts were slightly more influential than departing longs, and the new stance is significantly more bullish than a year ago but much less so than in late 2020.
CBOT soybean oil lost more than 4% through Nov. 22, and money managers axed around 10,000 contracts from their net long, which fell to 100,274 futures and options contracts. Soybean meal selling was just under 4,000 contracts, dropping the net long to 71,815.

Top News - Metals

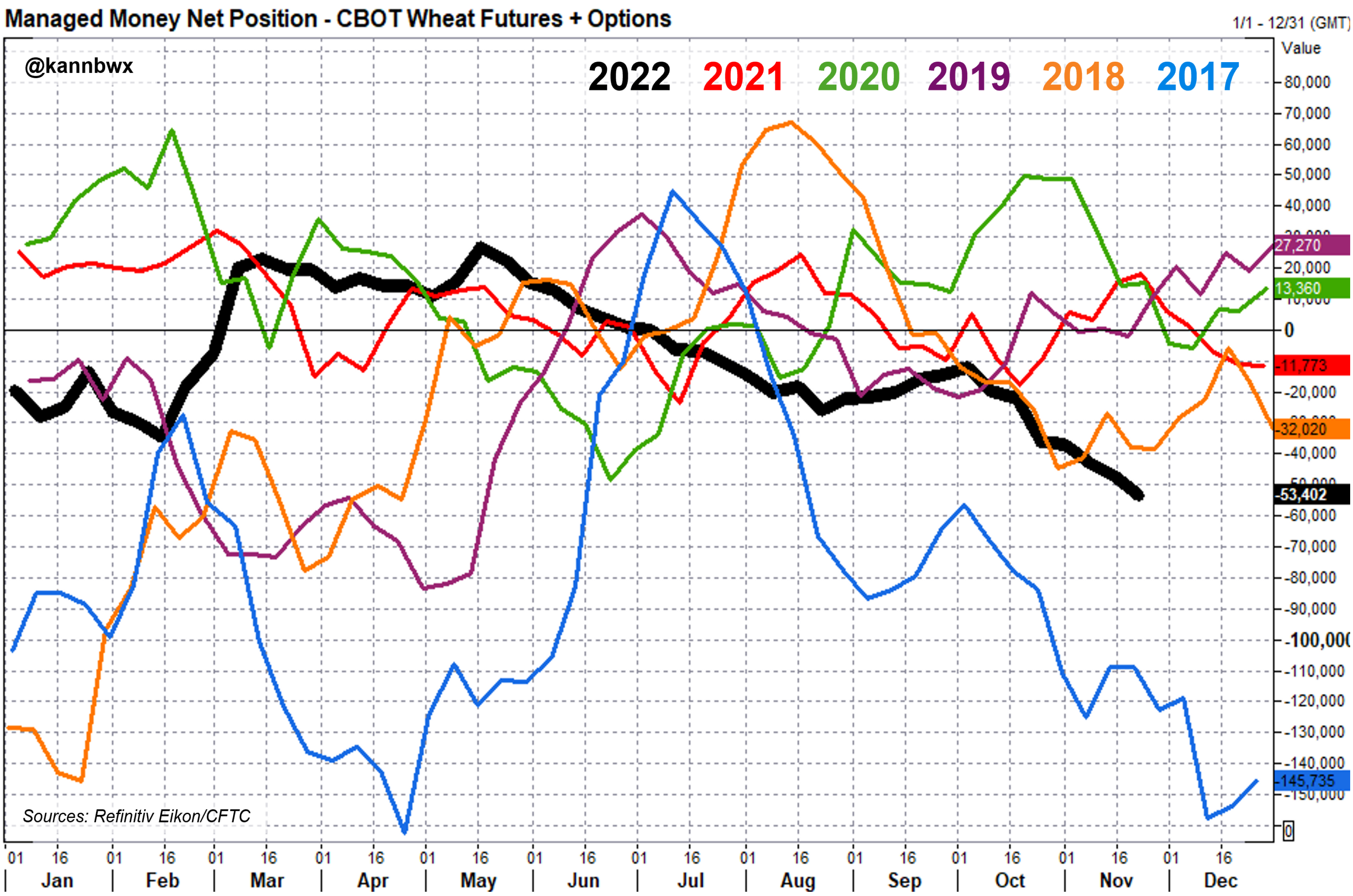
COLUMN - Iron ore shrugs off China COVID woes, focuses on stimulus: Russell
The iron ore market is choosing to focus on China's efforts to stimulate its property sector, rather than on rising concerns over the potential economic fallout from surging COVID-19 cases and public anger at efforts to contain outbreaks.
The spot price of benchmark 62% iron ore for delivery to north China, as assessed by commodity price reporting agency Argus, dipped slightly on Monday to end at $98.60 a tonne from the previous close of $99.25.
The small drop was matched by December iron ore futures traded in Singapore, which dropped to $98.14 a tonne from the close of $99.15 on Nov. 25.
However, iron ore contracts traded on the Dalian Commodity Exchange ended at 753.50 yuan ($104.65) a tonne on Monday, a gain of 2% from the close on Nov. 25.
The small drop for the international prices of spot iron ore and the modest gain for the main Chinese domestic price perhaps indicate the different perceptions held by traders in those markets.
International traders may be slightly more concerned by Beijing's ongoing adherence to strict zero-COVID measures than China's domestic investors.
But the overall message from the price action is that, for now at least, the rising COVID-19 cases and the rare street protests against the authorities adherence to its zero-COVID strategy are insufficient reason to alter an otherwise positive outlook for iron ore.
Demonstrations against Beijing's COVID-19 policies took place at the weekend in several cities, with analysts saying they were the biggest since the Tiananmen Square protests in 1989, which were violently crushed by the authorities.
The impact of any ongoing protests may become more important if they continue and escalate, or if they lead to either even stricter measures against COVID-19, or an easing of restrictions in a bid to appease public opinion.
Outside of the COVID-19 uncertainties, the picture looks brighter for iron ore, as China, the biggest buyer of the steel raw material, appears determined to revive its ailing property sector.
China's biggest commercial banks pledged at least $162 billion in new credit to property developers last week, the latest in a series of steps taken to restore confidence in the housing sector.
The question for the market is whether the efforts to stimulate the housing construction and infrastructure sectors will be enough to boost steel demand, or whether a slowing global economy will cut demand from areas such as manufacturing.

BULLISH SIGNALS
There are some other positive signals for iron ore, with China's port inventories below levels prevailing at the same time last year, even though they have been rising in recent weeks.
Stockpiles were 138 million tonnes in the seven days to Nov. 25, up from 135.45 million the prior week, but below the 150.9 million in the same week last year.
Iron ore inventories typically rise in the northern winter as steel mills build up stocks ahead of the peak steel demand period in the spring.
Iron ore inventories peaked at 160.95 million tonnes in February this year, suggesting there is scope for them to continue building in coming months.
Certainly, China's iron ore imports appear headed for a relatively strong outcome in November, with Refinitiv estimating seaborne arrivals at 106.8 million tonnes, while commodity analysts Kpler are expecting a lower, but still strong, 99.13 million tonnes.
The official customs data for October had iron ore imports at 94.98 million tonnes, so it's likely that November's outcome will be stronger.
The vessel-tracking data and customs numbers don't align perfectly because of difference as to when cargoes are assessed as having been landed and cleared, but the tracking data does provide useful information about the likely direction of imports.
Spot iron ore prices have spent much of the year veering between hope that China's stimulus efforts will be successful, and the reality that they haven't as yet.
This dynamic is ongoing. But, while stimulus efforts are accelerating in size and scope, the market also remains at risk from the COVID-19 situation.

Workers for Chile's Escondida mine accept BHP's offer and will not strike-union source
Workers at Chile's Escondida mine accepted a new offer from BHP Group Ltd and will not move forward with a

strike that had been planned for Monday and Wednesday, their union said Monday.
Workers represented by the Sindicato No. 1 union at the Australian company's mine in northern Chile, the largest copper deposit in the world, had been threatening to strike over safety concerns.
The union said that at 3:00 a.m. (0700 GMT) 1,495 members out of the 1,902 who voted accepted the company's new proposal.
"This proposal contains a series of concrete and verifiable measures to improve the hygiene and safety of workers," the union said in a statement. "Especially an intense joint inspection program between the union and the company of all work areas."
The union said the proposal also "set aside changes in operating practices the company was pursuing."
BHP had reached a deal with the union early last week, but the agreement was pending approval by some 2,000 workers represented by the union.
Workers voted to reject the proposal on Thursday and threatened to strike if their demands weren't met.
"The assemblies together with the (union) board of directors decided to reject the company's proposal," the union said in a statement Thursday, adding that its members considered proposed security measures to be insufficient and wanted "concrete and verifiable" measures such as joint inspections of work areas.
The company said in a statement that the proposal keeps initiatives that benefit both workers and the company.
"In addition, it includes a new 'Safety Plan' with concrete and collaborative actions that will strengthen the common efforts of the unions, joint committees and the company, which will begin to be implemented soon," the statement said.

Chart of the Day



Top News - Carbon & Power

India panel to favour linking local gas prices to local crude basket -sources

The panel reviewing natural gas prices in India is set to recommend linking the price of most local output to an Indian crude basket, and also suggest a price cap that would be about 25% lower than current rates, industry sources told Reuters.

The panel, which is likely to submit its report to the oil ministry as early as Tuesday, could also suggest a road map to end the government's role in gas pricing from 2026, said the sources, who are familiar with the content of the report but who declined to be named because they are not authorised to speak to the media.

"The aim is to protect consumers and at the same time incentivise producers to boost output," one of the sources said.

There was no immediate comment from the oil ministry. The panel's recommendations need cabinet approval.

In September, India set up the panel, headed by energy expert Kirit Parikh, to review the gas pricing formula to ensure fair prices to consumers after state-set prices of gas from old fields and a ceiling price for output from hard-to-access, difficult blocks rose to a record high.

India fixes prices of gas produced from the old fields of state-run Oil and Natural Gas Corp and Oil India Ltd and sets a ceiling price for output from difficult production areas such as Reliance Industries' east coast block.

The two sets of prices - tied to global benchmarks, including Henry Hub, Alberta gas, NBP and Russian gas - are annually revised in April and October. Old fields account for about 80% of India's annual gas output of about 91 billion cubic metres.

For gas output from old fields, the report suggests a monthly revision in prices on the basis of 10% of the previous month's average price for Indian Crude Basket, consisting mostly of 75% average of Oman and Dubai crudes and 25% of dated Brent.

The panel is also expected to recommend a floor of about $4 per million British thermal units (mmBtu) and a ceiling of
$6.50/mmBtu, the sources said. The panel is likely to suggest an annual increment of $0.50 mmBtu in the ceiling price of the gas produced from the old fields, the sources said.

The draft report did not recommend any changes to the current ceiling price mechanism for gas output from difficult areas and suggested forming another group to look into this matter, the sources added.

A surge in global energy prices triggered by the Ukraine-Russia conflict has affected India, stoking inflation and pushing up rates for consumers from households to industries.

The move to overhaul gas pricing is also part of Prime Minister Narendra Modi's aim to raise the share of gas in India's energy mix to 15% by 2030 from 6.2%, to help India meet a 2070 net zero carbon-emission goal.

COLUMN-Europe on course to end winter with plenty of gas: Kemp

Europe's gas inventories are on course to end the winter of 2022/23 at one of the highest levels on record - if prices stay high and provided pipeline deliveries from Russia continue.

European Union and United Kingdom (EU28) stocks amounted to 1,061 terawatt-hours (TWh) on Nov. 26, a record for the time of year, storage data from Gas Infrastructure Europe (GIE) shows.

Stocks have surpassed the previous seasonal high of 1,059 TWh set in 2019, when front-month futures prices were 16 euros per megawatt-hour compared with 119 euros at present ("Aggregated gas storage inventory", GIE, Nov. 28).

Exceptionally high prices, energy conservation, and warmer-than-normal temperatures since the middle of October have combined to cut consumption and attract large volumes of imported LNG.

Northwest Europe's heating demand, proxied by the number of heating degree days at Frankfurt, has been 22% lower so far this winter than the long-term average.

As a result, EU28 gas inventories are 186 TWh (+21% or +1.79 standard deviations) above the prior 10-year seasonal average, up from a surplus of 91 TWh (+10% or +0.86 standard deviations) at the start of October.

POST-WINTER CARRYOUT

Over the last 10 years, in a range of weather and price scenarios, inventories have depleted by an average of -531 TWh between Nov. 26 and the post-winter low.

Depletions have ranged from as much as -712 TWh in the winter of 2018/19 to as little as -311 TWh in the winter of 2014/15.

If the storage trajectory conforms to this pattern this winter, inventories are on track for a post-winter low of 530 TWh, with a likely range from 349 TWh to as much as 750 TWh.

The central projection of 530 TWh would leave end-winter inventories at the second-highest level ever, exceeded only by the winter of 2019/20.

Even the minimum projection of 349 TWh would leave post-winter inventories higher than in six of the last 10 years.

These projections may be too high because they assume Russian pipeline gas is not halted by an embargo or sanctions, which would lead to a much larger depletion.

On the other hand, extraordinarily high prices are likely to dampen consumption far more than in any of the past 10 years, leading to a smaller than usual depletion.

Overall, the post-winter inventory situation is now looking much more comfortable than at the end of the third quarter, with a far lower risk that stocks will deplete to critically low levels.
The calendar spread between for benchmark gas futures with deliveries in March 2023 compared with April 2023 is one measure of the probability stocks will fall critically low before winter ends.
The March-April spread is now in a backwardation of less than 1 euro per megawatt-hour, down from 10 euros at the end of September, 26 euros at the end of June and 42 euros at the end of March, shortly after Russia invaded Ukraine.
The early start, late end, and record storage refill in 2022 has put inventories on course to end winter 2022/23 as much more comfortable – which will also make the refill

Top News - Dry Freight

Ukraine grain exports down 31.9% at 17.2 mln T so far in 2022/23
Ukraine has exported almost 17.2 million tonnes of grain so far in the 2022/23 season, down 31.9% from the 25.3 million tonnes exported by the same stage of the previous season, agriculture ministry data showed on Monday.
The volume included more than 6.6 million tonnes of wheat, 9.1 million tonnes of corn and about 1.4 million tonnes of barley.
After an almost six-month blockade caused by the Russian invasion, three Ukrainian Black Sea ports were unblocked at the end of July under a deal between Moscow and Kyiv brokered by the United Nations and Turkey.
Ministry data showed that about 4 million tonnes of various grains were exported by Nov. 28, 31.4% less than in the same period of November last year.
The government has said that Ukraine could harvest about 51 million tonnes of grain this year, down from a record 86 million tonnes in 2021, because of the loss of land to Russian forces and lower yields.

Global shipping growth at risk from economic gloom, UNCTAD says
The pace of global shipping activity is set to lose steam next year as economic turmoil, conflict in Ukraine and the impact of the pandemic weaken the outlook for trade, U.N. agency UNCTAD said on Tuesday.

MARKET MONITOR as of 07:44 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$78.43 / bbl	1.54%	4.28%
NYMEX RBOB Gasoline	$2.36 / gallon	1.14%	5.78%
ICE Gas Oil	$888.25 / tonne	0.14%	33.17%
NYMEX Natural Gas	$7.29 / mmBtu	1.28%	95.39%
Spot Gold	$1,752.82 / ounce	0.69%	-4.13%
TRPC coal API 2 / Dec, 22	$237 / tonne	0.00%	92.68%
Carbon ECX EUA / Dec, 22	€78.38 / tonne	-0.55%	-2.81%
Dutch gas day-ahead (Pre. close)	€125.50 / Mwh	-0.32%	88.72%
CBOT Corn	$6.67 / bushel	-0.22%	12.47%
CBOT Wheat	$7.57 / bushel	-2.42%	-1.82%
Malaysia Palm Oil (3M)	RM4,259 / tonne	2.87%	-9.33%
Index (Total Return)	**Close 28 Nov**	**Change**	**YTD Change**
Thomson Reuters/Jefferies CRB	294.96	-0.09%	19.41%
Rogers International	29.15	-1.75%	25.08%
U.S. Stocks - Dow	33,849.46	-1.45%	-6.85%
U.S. Dollar Index	106.39	-0.27%	10.86%
U.S. Bond Index (DJ)	396.54	-0.10%	-16.00%

The world's largest investment banks expect global economic growth to slow further in 2023 following a year roiled by Russia's invasion of Ukraine and soaring inflation.
The slowdown is expected to impact shipping, which transports more than 80% of global trade, although tanker freight rates could stay high.
In its Review of Maritime Transport for 2022, the United Nations Conference on Trade and Development (UNCTAD) projected global maritime trade growth would moderate to 1.4% this year and stay at that level in 2023. This compares with estimated growth of 3.2% in 2021 and overall shipment volume of 11 billion tonnes, versus a 3.8% decline in 2020.
For the overall 2023-2027 period, growth is predicted at an annual average of 2.1%, a slower rate than the previous three-decade average of 3.3%, UNCTAD said, adding that "downside risks are weighing heavily on this forecast". The recovery in maritime transport and logistics is now at risk from the war in Ukraine, the continued grip of the pandemic, lingering supply-chain constraints, and China’s cooling economy and zero-COVID policy, along with inflationary pressures and the cost-of-living squeeze," UNCTAD said in the report.
A surge in consumer spending in 2021 pushed container shipping markets to record levels with ports backed up around the world, which was also partly due to the effects of lockdowns.
UNCTAD said the "logjam in logistics will dissolve with the rebalancing of demand and supply forces", but added the risks of industrial action in ports and hinterland transport had increased.
UNCTAD called for investment in maritime supply chains to enable ports, shipping fleets and hinterland connections to be better prepared for future global crises, climate change and the transition to low-carbon energy.
"We need to be better prepared to cope with shocks to global value chains," UNCTAD Secretary General Rebeca Grynspan told reporters.

Picture of the Day

Zante, a cargo vessel carrying Ukrainian grain, transits Bosphorus, in Istanbul, Turkey, November 2. REUTERS/Umit Bektas

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(Inside Commodities is compiled by Sandhra Sam in Bengaluru)

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