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Top News - Oil

World oil demand next year to rise faster than expected, IEA says

World oil demand will rise faster than expected next year, the International Energy Agency (IEA) said on Thursday, a sign that the outlook for near-term oil use remains robust despite this week's COP28 agreement to transition away from fossil fuels.

Despite the upgrade, there is still a sizeable gap between the IEA, which represents industrialised countries, and producer group OPEC over 2024 demand prospects. The two have clashed in recent years over issues such as long-term demand and the need for investment in new supplies.

World consumption will rise by 1.1 million barrels per day (bpd) in 2024, the Paris-based IEA said in a monthly report, up 130,000 bpd from its previous forecast, citing an improvement in the outlook for the United States and lower oil prices.

The 2024 upward revision reflects "a somewhat improved GDP outlook compared with last month's report," the IEA said. "This applies especially to the U.S. where a soft landing is coming into view."

"Falling oil prices act as an additional boost to oil consumption," it said.

The IEA, which advocates a speedy transition from fossil fuels, also cut its global demand growth forecast for the current quarter by almost 400,000 bpd to 1.93 million bpd due to a worsening economic outlook.

"Europe, Russia and the Middle East account for most of the adjustment," the IEA said. "The impact of higher interest rates is feeding through to the real economy while petrochemical activity shifts increasingly to China, undermining growth elsewhere."

Oil has weakened to a six-month low near $72 a barrel this week, even after OPEC+, which includes OPEC oil-exporting nations and allies such as Russia, on Nov. 30 announced a new round of production cuts for the first quarter of 2024.

Crude was up more than 3% on Thursday after the IEA report was released to trade near $77.

DEMAND SLOWDOWN

In the report, the IEA also trimmed its forecast for oil demand growth in 2023 by 90,000 bpd to 2.3 million bpd. China accounts for 80% of this year's global rise.

A halving in the rate of demand expansion next year is due to below-trend economic growth in major economies, efficiency improvements and a booming electric vehicle fleet, the IEA said.

The extension of OPEC+ supply cuts into the first quarter of next year had done little to boost prices, the IEA said, adding oil market sentiment turned decidedly bearish in November and early December.

In 2024, supply from producers outside OPEC+ is set to rise by 1.2 million bpd, a slowdown from this year's 2.2 million bpd growth led by the United States, the IEA forecast. This plus the slowdown in demand could be a headwind for OPEC+.

"While non-OPEC+ supply growth is set to lose momentum in 2024, forecast gains of 1.2 million bpd may yet exceed the increase in global oil demand," the IEA said.

"The continued rise in output and slowing demand growth will complicate efforts by key producers to defend their market share and maintain elevated oil prices."

The IEA forecast global demand for OPEC crude plus withdrawals from stocks - known as the call on OPEC - will average 28.2 million bpd on average in 2024 and dip to 27.7 million bpd in the first half of 2024.

The IEA estimated OPEC pumped 28.1 million bpd in November, or 400,000 bpd more than the demand it expects for OPEC crude in the first half of next year.

OPEC in a monthly report on Wednesday kept its forecast for world oil demand growth in 2023 at 2.46 million bpd. In 2024, OPEC sees demand growth of 2.25 million bpd, also unchanged from last month.

The difference between the IEA and OPEC 2024 demand growth forecasts has narrowed slightly but stands at 1.15 million bpd - equivalent to roughly 1% of daily world oil use and the daily production of an OPEC member such as Libya.

Oil demand forecasters often have to make sizeable revisions given changes in the economic outlook and geopolitical uncertainties, which this year included China's lifting of coronavirus lockdowns and rising interest rates.

China's November oil refinery runs fall on prior month

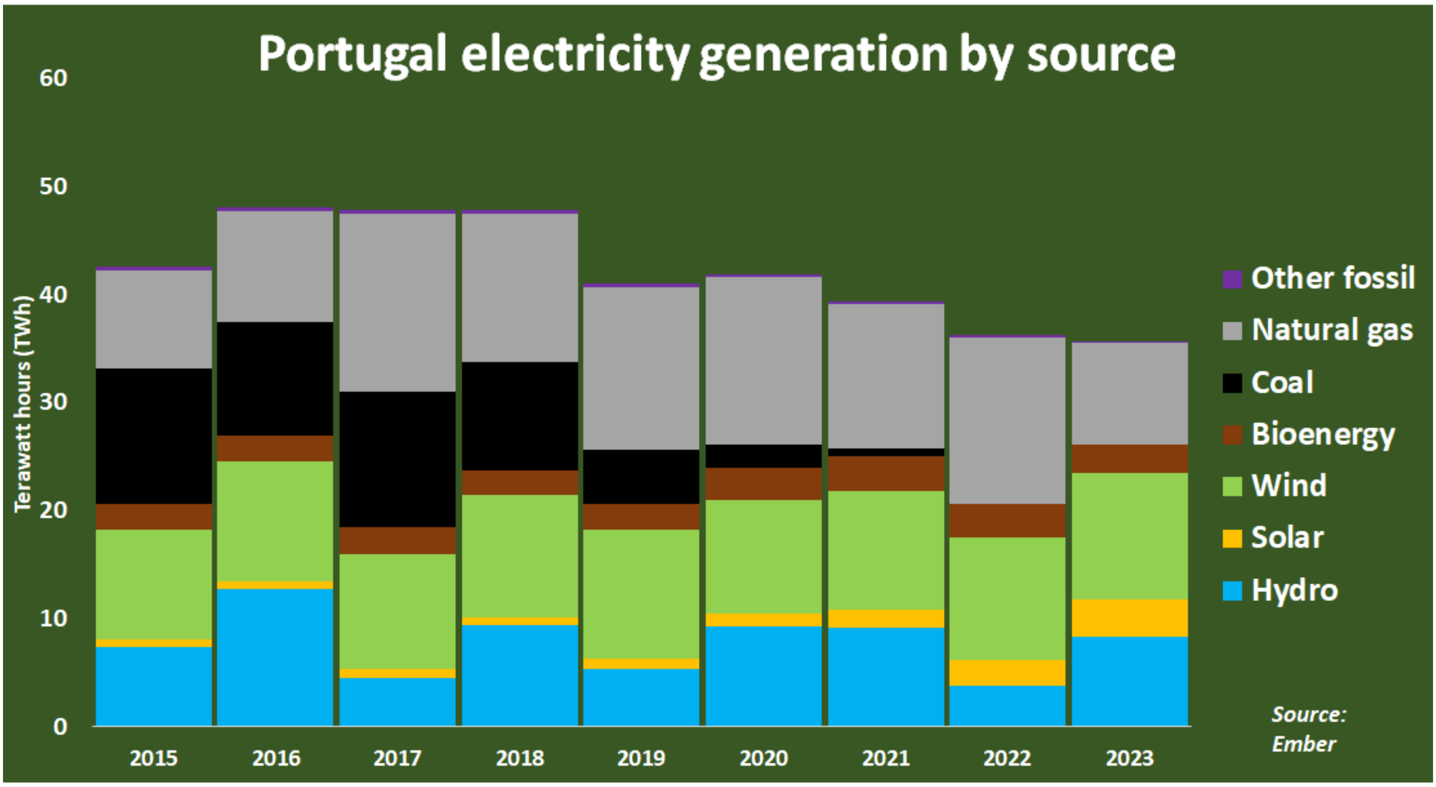
China's oil refinery throughput in November fell versus the previous month as independent refiners cut run rates amid weak margins and crude oil imports slowed.

Total refinery throughput in the world's second-largest oil consumer was 59.53 million metric tons, data from the National Bureau of Statistics (NBS) showed.

That was equivalent to 14.48 million barrels per day (bpd), a slowdown on October's 15.05 million bpd and the

lowest daily level since the January-February period, during which run rates averaged 14.36 million bpd.
Run rates were, however, 0.2% higher than last November, when widespread pandemic restrictions battered China's economy and pushed down demand for transport fuels.
China's November crude imports data showed the first year-on-year decline in cargoes since April, with imports falling back to 10.33 million bpd - the lowest level since July.
Independent 'teapot' refiners in Shandong continue to see margin pressure in light of increasing competition for crude from their mainstay suppliers, Russia and Venezuela.
Despite steep declines in prices for international benchmarks Brent and WTI since mid-October, independent refiners were also limited by tight crude import quotas, though they were granted an additional 3 million tons in fuel oil import quotas at the end of the month.
Independent refiners sometimes substitute crude for fuel oil to produce diesel and gasoline when quotas are tight.
Customs data showed November imports of refined fuel reached 4.16 million tons, up one-third from a year earlier, with the year-to-date volume soaring 87% to 43.23 million tons.
Crude distillation unit utilisation rates at Shandong refiners have been depressed at between 55% to 57% since late October, according to data cited by commodities consultancy Vortexa.
Beyond the independent refining hub of Shandong, poor macroeconomic indicators pointed to weakness in wider national fuel demand.
China's manufacturing PMI shrank for the second consecutive month in November, reflecting sagging confidence in Beijing's stimulus measures, while ratings agency Moody's later put a downgrade warning on China's credit rating due to an ongoing property crunch.
The NBS data also showed that domestic crude oil production in November was 17.20 million metric tons, or 4.19 million bpd, representing the highest level since June and an increase on 16.78 million tons in November 2022. Natural gas production was up 5.3% from a year earlier at 19.9 billion cubic metres (bcm), the highest level since March this year.

Chart of the Day



Top News - Agriculture

Brazil farmers face soy seed shortage as El Nino spurs replanting

Brazilian soy farmers, some of whom were forced to replant their beans due to adverse weather at the onset of the season, are facing a dearth of seeds on the market as suppliers have run out of the main cultivars, Marino Colpo, chief executive of seed company Boa Safra Sementes, told Reuters in an interview.

A cultivar is a plant bred for certain desired traits.

Brazil's soy seed scarcity is the latest example of fallout from the El Nino weather pattern, which delayed soy planting in the world's largest supplier of the oilseed and compromised Brazil's 2024 second-corn prospects.

Second-corn is planted after soy in the same areas, and represents about 75% of national output in a given year.

El Nino made Brazil's center-west hotter and drier and the south much wetter, and its effects are being felt throughout the supply chain.

One fertilizer analyst said crop nutrients demand for second corn planting had slowed compared with past seasons, as farmers are likely to cultivate less of it to limit climate risk.

Colpo named five soy cultivars from his company's own portfolio which "farmers cannot find anymore."

In some regions, growers are still planting soy, an uncommon situation for December. This depleted the market's seed stocks and is causing concern, Colpo said.

"The most sought after products are no longer available," Colpo said of the search for soy seeds, which are virtually all genetically modified. "Some less demanded ones can't be found either."

In Brazil's top grain state Mato Grosso, the newest areas planted for the first time about two years ago had the highest rate of replanting, around 15%, Colpo said, adding farmers there suffered the most from the drought.

Heavy rains in November also forced replanting in Parana, in the south, according to an analyst.

Farmers in Goias, Minas Gerais and north of Sao Paulo also required more seeds than usual for replanting, Colpo said. North and Northeast farms are replanting 10% to 15% of their areas, he estimated.

Argentina reopens grains export registry after temporary pause

Argentina's government has reopened its grain export registry, according to a government statement on Thursday, which is needed to allow companies from the key agricultural supplier to ship major crops like processed soybeans and corn.

The move follows a sharp devaluation of the local peso currency, along with other economic measures announced by the new government of President Javier Milei. The registry was closed on Monday.

The registry is where exporting companies legally inform the Argentine government of deals, which is required before exports can depart Argentina.

Exports from Argentina's vast farm sector are the main source of foreign exchange for the economy, which is mired in a prolonged economic crisis.

Argentina's new government led by libertarian President Javier Milei will seek to raise export taxes to 15% on some grains, though that would not impact tariffs on soy, an industry source told Reuters on Wednesday.

Milei's government on Tuesday unveiled an economic plan aimed at preventing hyperinflation in the South American country, even though near-term price inflation is expected to keep rising.

Top News - Metals

LME launches consultation on when to suspend market in volatile trading

The London Metal Exchange (LME) has launched a consultation about when volatile prices should force a suspension of trading, it said on Thursday.

The proposal is part of sweeping reforms the exchange has launched following a crisis in nickel trading in March 2022, during which prices nearly doubled within hours, forcing a suspension of trading and voiding of deals.

"The LME is consulting on the introduction of the following framework for determining when a market for a metal shall be automatically suspended," the LME said in a notice.

The exchange, the world's oldest and largest market for industrial metals, said a suspension would be triggered if prices hit daily limits for three successive business sessions when closing prices are being determined.

On the next business day, the market would be closed from midnight London time until the LME lifts the suspension, it added.

The LME, which is owned by Hong Kong Exchanges and Clearing Ltd., said the consultation would close on Jan. 31.

The consultation will also propose changes to the LME rulebook in other areas, including investigations, enforcement and discipline, it added.

China's Nov crude steel output falls for fifth month as demand slows

China's crude steel output in November fell 3.8% from the prior month, extending a decline for the fifth consecutive month, official data showed, as low margins and slowing demand dented enthusiasm for production at many steelmakers.

The world's largest steel producer manufactured 76.1 million metric tons of the ferrous metal last month, down from 79.09 million tons in October, data from the National Bureau of Statistics (NBS) showed.

The November volume compares to 74.54 million tons from the same month in 2022.

Average daily crude steel output last month was around 2.54 million tons, the lowest since December 2022, versus 2.55 million tons in October, according to Reuters calculations based on the data.

The average utilisation rate at blast-furnace based mills, which account for about 90% of the country's total steel output, declined by 3.1% month-on-month to 88.61%, data from consultancy Mysteel showed, as profit margins narrowed further.

Steel output was also hit by more frequent and widespread production restrictions imposed on mills in north China in response to heavy pollution, analysts say. However, profits at electric-arc-furnace (EAF)-based steelmaking improved last month, driving a jump in utilisation rates at the less polluting mills from 67% at the end of October to 86.5% in late November, data from consultancy Fubao showed.

Profit among mills in east China's Jiangsu province, many of which are EAF-based, averaged 222 yuan a ton last month, compared to 10 yuan a ton in October, according to the Fubao data.

Overall steel output in December may fall further, analysts say, as cold weather disrupts activity in the construction sector and mills often shut for maintenance during the month.

Output over the first 11 months of this year was up 1.5% on the same period a year ago at 952.14 million tons.

Annual steel output in the world's second-largest economy dropped in both 2021 and 2022 after Beijing introduced a production cap to limit carbon emissions. It has not announced a cap for this year.

MARKET MONITOR as of 07:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$71.80 / bbl	0.31%	-10.54%
NYMEX RBOB Gasoline	$2.13 / gallon	0.17%	-13.94%
ICE Gas Oil	$757.00 / tonne	0.66%	-17.81%
NYMEX Natural Gas	$2.39 / mmBtu	-0.08%	-46.59%
Spot Gold	$2,038.30 / ounce	0.14%	11.72%
TRPC coal API 2 / Dec, 23	$102 / tonne	0.00%	-44.79%
Carbon ECX EUA	€67.12 / tonne	0.49%	-20.07%
Dutch gas day-ahead (Pre. close)	€34.15 / Mwh	-2.15%	-54.81%
CBOT Corn	$4.92 / bushel	2.71%	-27.40%
CBOT Wheat	$6.26 / bushel	1.58%	-21.69%
Malaysia Palm Oil (3M)	RM3,694 / tonne	0.16%	-11.50%
Index	**Close 14 Dec**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	301.29	2.02%	-0.01%
Rogers International	26.22	0.58%	-8.53%
U.S. Stocks - Dow	37,248.35	0.43%	12.37%
U.S. Dollar Index	101.95	-0.01%	-1.52%
U.S. Bond Index (DJ)	424.07	1.47%	8.05%

Top News - Carbon & Power

Global coal use at all-time high in 2023 - IEA
Global coal use is expected to reach a record high in 2023 as demand in emerging and developing economies remains strong, the International Energy Agency (IEA) said in a report.
Demand for coal is seen rising 1.4% in 2023, surpassing 8.5 billion metric tons for the first time as usage in India is expected to grow 8% and that in China is seen up 5% due to rising electricity demand and weak hydropower output, the IEA said.
In the European Union and United States, however, coal use is set to drop by around 20% each in 2023, the report said.
Coal use is not expected to decline until 2026, when the major expansion of renewable capacity in the next three years should help lower usage by 2.3% compared to 2023 levels, even with the absence or stronger clean energy policies.
However, global consumption is forecast to remain well over 8 billion metric tons in 2026, the report said. To reach goals set by the Paris Agreement, the use of unabated coal would need to fall significantly faster, it added.
China is expected to account for more than half of the global renewable expansion over the next three years, causing coal demand in the country to fall in 2024 and plateau through 2026, the IEA said.
Half of the world's coal use comes from China, so the outlook for coal will be significantly affected in the coming years by the pace of clean energy deployment, weather conditions, and structural shifts in the Chinese economy, the report said.
This year, China, India and southeast Asia are expected to account for three-quarters of global coal consumption, up from a quarter in 1990, with consumption in southeast Asia expected to eclipse the U.S. and EU in 2023, the report said.
Through 2026, India and southeast Asia are the only regions where coal consumption is expected to grow significantly, the report said.

China November coal output hit record daily level
China's November coal output jumped 6.5% from the previous month to the highest level since March, official data showed on Friday, as colder weather led to increased demand for the fuel.
The world's biggest coal producer mined 414 million metric tons last month, according to the National Bureau of Statistics, which was also 4.6% higher than the year-earlier level.
Daily output averaged over the month hit a record 13.8 million tons, higher than the March level of 13.5 million, according to Reuters calculations.
Cooler weather across parts of northern and southern China boosted coal demand from early November, pushing up domestic spot prices.
Overall power generation, which is dominated by coal-fired plants, rose 8.4% in November compared to a year ago when COVID-related lockdowns hurt industrial activity and power demand.
However, despite the high output, production growth is slowing, said Toby Hassall, lead analyst for coal market research at LSEG.
"While the daily rate was a new record, the outcome was consistent with a trend of softer growth and consolidation this year following the rapid expansion in output over the prior two years," said Hassall.
Inventories are currently at "comfortable" levels, he said, with stocks at major northern China ports up 23% on the same time last year.
China's total coal production for the first 11 months of the year stood at 4.24 billions tons, up by 2.9% from 2022, the data showed.

Top News - Dry Freight

Maersk denies Houthi claim container ship hit by Yemeni militia
Danish shipping company Maersk on Friday denied a claim by Yemen's Iran-aligned Houthi movement that the militia carried out a drone strike on a Maersk vessel sailing towards Israel.
The Houthis earlier claimed it carried out a military operation against a Maersk container vessel, directly hitting it with a drone. The Houthis, who made the claim in a statement, did not release any evidence.
Maersk on Thursday said ship Maersk Gibraltar was targeted by a missile while travelling from Salalah, Oman, to Jeddah, Saudi Arabia and that the crew and vessel were reported safe.
"The vessel was not hit," a Maersk spokesperson told Reuters in an emailed statement following the Houthi claim.
The incident took place near the Bad al-Mandab Strait linking the Red Sea and the Gulf of Aden, where Yemen's Houthis on Tuesday claimed responsibility for a missile attack on a Norwegian chemical tanker.
"The recent attacks on commercial vessels in the Bad al-Mandab Strait are extremely concerning. The current situation puts seafarer lives at risk and is unsustainable for global trade," Maersk said earlier.
Houthi military spokesperson Yehia Sareea late on Thursday said the militia had hit the Maersk container

vessel with a drone after it refused to respond the Yemeni group's warnings.
A U.S. official, speaking on the condition of anonymity, said the Houthis shot at the Maersk vessel but missed and were unsuccessful in forcing the ship to stop. The official added that U.S. forces were not in area at the time of the incident.
Later on Thursday, the U.S. Central Command (CENTCOM) confirmed that the attack, which it said was carried out by a ballistic missile, did not cause any injuries or damages.
"The M/V Maersk Gibraltar was hailed by the Houthis, who threatened further missile attacks," CENTCOM said on social media platform X. "While this incident did not involve US Forces, we continue to closely monitor the situation."
The Iran-aligned Houthis have attacked vessels in Red Sea shipping lanes and fired drones and missiles at Israel since the start of the Israel-Hamas war in Gaza over two months ago, heightening fears of a wider conflict in the Middle East.
The group which rules much of Yemen says its attacks are a show of support for the Palestinians and has vowed they will continue until Israel stops its offensive on the Gaza Strip.

Saudi Arabia issues tender to buy estimated 715,000 T wheat
Saudi Arabia’s state wheat buying agency GFSA on Thursday said it has issued an international tender to purchase 715,000 metric tons of milling wheat, confirming earlier reports from European traders.
Delivery was sought in a range of dates between February and May 2024, said GFSA governor Ahmad Al Fares in a statement.
The deadline for submissions of price offers in the tender is Friday, Dec. 15, the GFSA said.
Traders said results are expected on Monday, Dec. 18.
Some 12 consignments of 12.5% protein wheat mostly of 60,000 tons are sought sourced from optional origins, the agency said.
Traders said that four consignments totalling 240,000 tons were sought for arrival in Jeddah between Feb. 1-15 and May 1-15.
Three consignments totalling 180,000 tons are sought for arrival in Yanbu between Feb. 1-15 and April 1-15.
Four consignments totalling 240,000 tons are sought for arrival in Dammam between Feb. 1-15 and April 1-15.
One of 55,000 tons is sought for arrival in Jizan between May 1-15.
The agency reserves the right to buy 10% more or less than the standard 60,000 ton size of consignment sought.
Traders believe that Saudi Arabia has been importing from Saudi Arabian farming investments abroad.
In its last reported international wheat tender in June, Saudi Arabia bought 624,000 tons.
The agency, previously called the Saudi Grains Organization (SAGO), was renamed the General Food Security Authority (GFSA) in January.

Picture of the Day

Environmental activists explore a cenote which was recently discovered amid the construction of section 5 of the Maya Train route in Solidaridad, Quintana Roo, Mexico, December 13. REUTERS/Jose Luis Gonzalez

(Inside Commodities is compiled by Archak Sengupta in Bengaluru)

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