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Top News - Oil

Mideast oil benchmarks wallow in discounts, lowest since 2020

Middle East crude benchmarks Dubai and Oman hit their lowest levels since 2022 as low pre-holiday liquidity, soft demand from top buyers China and Japan, and a prompt Omani oil sale weighed on the market, according to Reuters data and traders.

The fall in benchmark prices may prompt world's top exporter Saudi Arabia to cut February term prices for a second straight month, traders said, despite extending its voluntary supply cut as part of OPEC+'s strategy to support prices.

Cash Dubai and DME Oman futures weakened to discounts of 46 cents and 65 cents a barrel against Dubai swaps at Monday's close, levels not seen since 2020, Reuters data showed.

Meanwhile, Murban crude futures, which briefly slipped into negative territory last week, recovered to a premium of 27 cents to Dubai swaps.

The benchmarks are used to price about 18 million barrels per day of oil exported from the Middle East and Russia, accounting for nearly 18% of global supply.

"Generally, liquidity has been poor," an analyst with a trading firm in Singapore said.

He added that a tender issued by Oman's energy ministry last week to sell crude loading this month spooked traders who cut their long and short positions in Dubai spreads and Brent-Dubai spreads, respectively, causing prices to tumble.

Middle East cargoes typically trade two months ahead to account for the time it takes to ship oil to Asia.

QatarEnergy has also sold four crude cargoes loading in February at discounts, the lowest levels since 2020.

In addition to slowdown in demand from China and Japan, traders said refineries across Asia are headed for seasonal maintenance from March that will reduce demand.

Some Japanese refineries had suffered outages which reduced appetite for spot cargoes, the sources added, speaking on the condition of anonymity.

"This month demand is super slow," a Singapore-based trader said.

A buyer at a North Asian refiner said some buyers brought forward their spot purchases to earlier this month because of the year-end holidays.

Unipec, the trading arm of Asia's largest refiner Sinopec, had been purchasing more arbitrage supplies from Brazil and West Africa in recent months, reducing its demand for Middle East oil, traders said.

Big Chinese refiner Rongsheng Petrochemical has also been absent in the spot market, as it will be increasing purchases of Saudi term supplies from January, they added.

Another industry source said there was simply too much supply in the market from Iran, the U.S., Venezuela, Brazil and Guyana.

However, the first analyst expects the market to ride out the last two weeks of 2023 and rebound in January.

"When January comes, I expect bulls to re-emerge," the analyst said.

China's fuel oil imports, bunker exports fall in November

China's fuel oil imports fell in November after rebounding in October, while exports for bunkering also fell, customs data showed on Wednesday.

Imports totalled 1.21 million tons in November, down 33% from October and 17% lower from November last year, General Administration of Customs data showed.

The imports included purchases under ordinary trade, which are subject to import duty and consumption tax, as well as imports into bonded storage.

Volumes rebounded in October as independent refiners re-emerged to source fuel oil to use as refinery feedstock, but retreated in November due to the high inventory levels, industry sources said.

But fuel oil imports have shown signs of picking up again in December, as the Chinese government granted an additional 3 million metric tons of fuel oil import quotas in late November.

"Buyers rush to fulfil the fresh additional three million (tons) quota till the end of the year," said Emril Jamil, senior analyst for crude and fuel oil at LSEG Oil Research.

China's December fuel oil inflows have exceeded November's, Jamil added.

Meanwhile, China's exports of low sulphur marine fuel, measured mostly by sales from bonded storage for vessels plying international routes, totalled 1.31 million tons in November, down 6% from October, though up 6% from a year earlier.

Marine fuel sales have also trended lower at other key global bunker hubs, including Singapore and the UAE's Fujairah.

Top News - Agriculture

China soy, corn imports from Brazil surge in November

China's soybean imports from Brazil surged 108% in November from the same month a year earlier, data showed on Wednesday, as the South American nation overtook the United States in a period traditionally dominated by U.S supplies.

China imported 5.29 million metric tons of the oilseed from Brazil in November, data from the General Administration of Customs showed.

Chinese buyers had ramped up purchases from Brazil's record large crop this year due to attractive prices while shipments from the U.S., its second-largest supplier, were slowed down by drought in the Panama Canal and Mississippi River.

China has typically bought mostly U.S. beans in the fourth quarter of the year, fresh from the U.S. harvest.

But November arrivals from the U.S. shrank by 30% to 2.3 million tons from 3.29 million tons a year earlier.

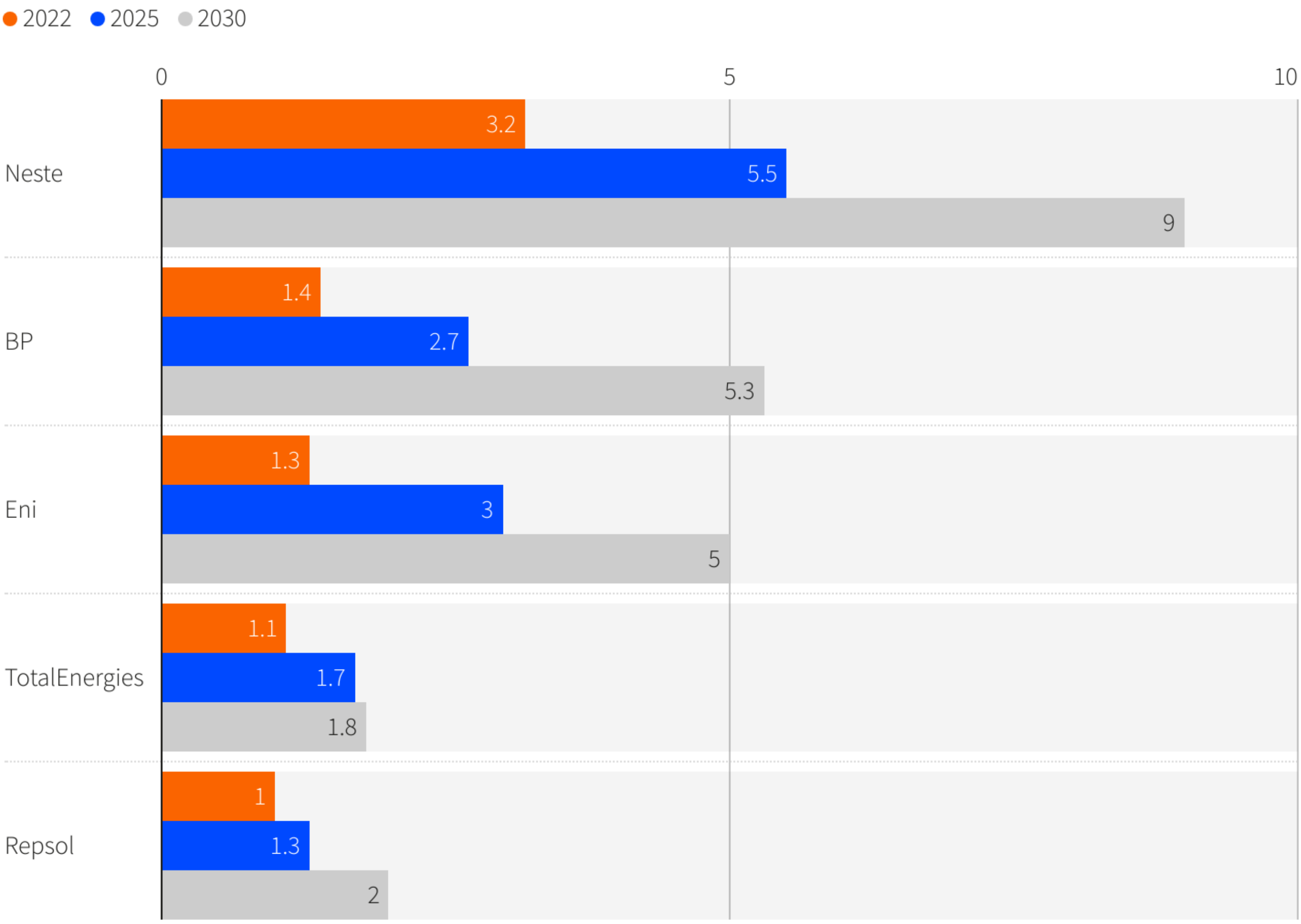
China's total soybean imports in November were 7.92 million tons.

For the first 11 months of 2023, total shipments from Brazil into China were 64.97 million tons, up 25% compared with the same period last year.

Total U.S. imports so far this year are down 8% at 20.36 million tons, the data also showed.

Chart of the Day

European players will bulk up on biofuels



Note: Expected annual production of biofuels measured in capacity (millions of metric tons per annum)
Source: Bernstein | L. Jucca | Breakingviews | Nov. 24, 2023

Brazil also dominated China's corn imports with 3.22 million tons in November.
China logged record corn imports of 3.59 million metric tons in November, customs data showed on Monday, adding to a record domestic crop and further pressuring prices in the world's second-biggest grower.

EU 2023/24 soybean imports stable by Dec 17, rapeseed down 27%
European Union soybean imports so far in the 2023/24 season that started in July had reached 5.17 million metric tons by Dec. 17, nearly unchanged compared with 5.15 million a year earlier, data published by the European Commission showed on Tuesday.
EU rapeseed imports in the same period totalled 2.56 million tons, down 27% against 3.48 million a year earlier.
Soymeal imports totalled 6.83 million ton, down 11% from 7.65 million a year ago, while palm oil imports stood at 1.58 million tons, 14% below 1.84 million a year earlier.
However, the Commission said import data for Italy was missing since the end of November.

Top News - Metals

China's germanium, gallium exports recover further in November
China's exports of gallium and germanium products recovered further in November, customs data showed on Wednesday, as more companies managed to obtain permits after export controls on the chipmaking metals were imposed in August.
China introduced restrictions on exports of eight gallium and six germanium products on Aug. 1, and mandated exporters to apply for licenses.
The move came amid escalating tensions between Beijing and Washington over access to materials used in making high-tech microchips.
The world's largest germanium producer exported 721 kilogrammes (kg) of wrought and unwrought germanium products last month, compared to 648 kg in October.
However, it was still far below the 5.49 metric tons shipped in November 2022.
Russia, Germany and South Korea were the key export destinations, accounting for 69.3%, 17.8% and 11.1% of shipments, respectively.
China also exported 1.53 tons of wrought and unwrought gallium products, versus 250 kg in October and no exports in August and September owing to the restrictions.
Japan was the biggest destination of gallium exports, accounting for 65.4% of the total, followed by Vietnam with 32.7% and Thailand with nearly 2%.
China had exported a total of 5.61 tons of gallium products in November 2022.
Exports of germanium totalled 38.03 tons in the 11 months of 2023, up 13% on the year, while shipments of gallium products plunged 57.8% to 37.72 tons over the same period.

COLUMN-Funds less negative on copper as supply landscape shifts: Andy Home
Funds have been reducing their bets on lower copper prices as macroeconomic headwinds abate and the market collectively reassesses copper's supply dynamics.
Money managers are now marginally net long of copper on both the London Metal Exchange (LME) and CME contracts.
The shift in positioning has been playing out since the end of October, when LME three-month copper was threatening to break down through key technical support at May lows between $7,867 and $7,871 per metric ton.
The anticipated collapse never happened and London copper has since recovered to $8,530.
The price rebound has triggered a change of stance among short-term momentum funds. But the effect has been amplified by expectations that the U.S. rate tightening cycle has passed its peak and by signs that copper supply is not as robust as previously thought.

BEARS BEAT A RETREAT
Fund managers were collectively net short of CME copper to the tune of 21,553 contracts at the end of October, when the price looked likely to break out of its 2023 range on the downside.
They have since shifted to a collective net long of 6,866 contracts, according to the most recent Commitments of Traders Report.
The turnaround reflects a sharp reduction in outright short positions from 76,717 contracts to 46,558 contracts while outright long positions are little changed.
Investor positioning in London has closely mirrored that on the other side of the Atlantic.
Investment funds have collectively flipped from a net LME short position of 15,116 contracts in October to a net long position of 15,046 contracts, with bear bets falling from 47,714 contracts to 25,674.
As with the CME copper contract, there is little enthusiasm for going outright long, particularly among the heavier-weight investment players captured in the LME's "other financial" category, but the collective short play is over for now.

RETHINKING SUPPLY
Federal Reserve Chair Jerome Powell last week said that the US central bank was likely to be done with raising

interest rates, which has lifted some of the pressure weighing on copper in recent months.
That change in macro mood music has coincided with a string of bullish developments within copper's micro dynamics.
Copper supply, once again, is turning out to be a lot less resilient than expected.
Although most analysts are almost universally bullish on copper's medium-term prospects thanks to the metal's core role in the energy transition story, the shorter-term outlook was significantly different owing to an expected surge in mine supply this year and next.
However, the prospect of near-term surplus is fading fast.
The first warning sign was the low treatment charges negotiated between Chinese smelters and miners for next year's deliveries.
Chinese smelters were hoping at the very least to roll over this year's terms of $88 a ton and 8.8 cents per pound for converting concentrates to refined metal, but they have accepted a reduction to $80 and 8.0 cents respectively for 2024.
The first such drop in three years signalled a mutual admission that the raw materials market wasn't going to be as well supplied as expected.

CLOSURE AND DOWNGRADES

It seems to have been a good call. Within days of the benchmark smelter terms being agreed, one major mine has been forced to close while two big producers have downgraded their production guidance.
The Panama government ordered the closure of First Quantum's Cobre Panama mine this month after the country's top court ruled that the company's mining licence was unconstitutional.
The mine entered production in 2019 and generated 350,000 tons of contained copper last year, meaning its loss is a big hit to global supply.
Both Anglo American and Brazil's Vale, meanwhile, have lowered production guidance for 2024 and 2025.
Anglo has reduced its guidance by 180,000-210,000 tons next year and by 150,000-180,000 tons in 2025, citing geological problems at its Quellaveco mine in Peru and a planned temporary closure of a processing plant at Los Bronces in Chile.
Vale's updated guidance was less dramatic but sufficient for analysts at Macquarie Bank to take a cumulative 100,000 tons off their mine supply forecasts through 2026. They are not alone in going back to their supply calculations.

MARKET MONITOR as of 07:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$74.21 / bbl	1.05%	-7.54%
NYMEX RBOB Gasoline	$2.20 / gallon	-0.22%	-11.16%
ICE Gas Oil	$793.25 / tonne	0.03%	-13.87%
NYMEX Natural Gas	$2.57 / mmBtu	3.01%	-42.64%
Spot Gold	$2,042.25 / ounce	0.10%	11.94%
TRPC coal API 2 / Dec, 23	$99.5 / tonne	0.00%	-46.14%
Carbon ECX EUA	€72.36 / tonne	0.88%	-13.83%
Dutch gas day-ahead (Pre. close)	€31.65 / Mwh	-8.13%	-58.12%
CBOT Corn	$4.86 / bushel	0.05%	-28.39%
CBOT Wheat	$6.36 / bushel	0.36%	-20.44%
Malaysia Palm Oil (3M)	RM3,776 / tonne	0.56%	-9.54%
Index	**Close 19 Dec**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	305.38	0.69%	1.34%
Rogers International	26.50	-0.60%	-7.55%
U.S. Stocks - Dow	37,557.92	0.68%	13.31%
U.S. Dollar Index	102.24	0.07%	-1.24%
U.S. Bond Index (DJ)	427.97	0.10%	9.05%

A pretty hard consensus that copper was heading for a period of supply-demand surplus both in 2024 and in 2025 is rapidly unravelling.
The newly emerging consensus is that the concentrates market will at best be balanced and possibly in deficit next year with flow-through implications for the refined market. Investors are not yet persuaded to go long on copper. LME spreads, currently in wide contango, suggest there is no immediate shortage of copper.
But copper's shifting statistical landscape has persuaded many financial players there's little point in expecting copper to break lower any time soon.
(The opinions expressed here are those of the author, a columnist for Reuters.)

Top News - Carbon & Power

EU to extend emergency gas price cap for another year
The European Union is set to extend its emergency cap on gas prices for another 12 months to serve as a safeguard against possible energy price shocks, after energy ministers backed the plan on Tuesday.
The EU first agreed the gas price limit in December 2022, after months of cripplingly high energy prices caused by Russia slashing gas supplies to Europe after its invasion of Ukraine.
Europe's energy security situation is more comfortable today than during last winter - energy prices are far lower, countries have secured new sources of non-Russian gas, and gas storage is near-full.
"Despite the relatively good start of the winter, the geopolitical situation remains very fragile. And these emergency measures help us to shield our consumers against excessive energy prices," EU Energy Commissioner Kadri Simson said.
The price cap had been due to expire in February 2024 and will now apply until the end of January 2025. The agreement by ministers on Tuesday needs to be adopted in writing, but that step is usually a formality.
EU countries agreed to extend two other energy crisis measures for 12 months. One offers faster permits for renewable energy projects to help countries replace Russian gas with clean power, and the other sets rules to ensure countries share gas during a shortage.
Czech industry minister Jozef Síkela said the EU's response to last year's energy crisis had eliminated "(Russian President Vladimir) Putin's possibility to blackmail us", referring to Russia's ability to cause gas price spikes by reducing supplies to Europe.
Russia's gas deliveries to Europe have plunged since its February 2022 invasion of Ukraine. Before then, Moscow had been the EU's top gas supplier.
Russian energy giant Gazprom has piped 27 billion cubic metres of gas to Europe this year, a sharp drop from the 180bcm it sent in 2018 when deliveries were at their peak, Reuters calculations showed.
The EU's gas price cap has never kicked in. It is designed to apply if European gas prices exceed 180 euros per megawatt hour - a level the benchmark EU gas price has not reached since the depths of Europe's energy crisis.
Prices then had peaked at above 300 eur/MWh on the front-month Dutch TTF gas contract in August 2022. The contract was trading at around 34 eur/MWh on Tuesday.

Mubadala Energy announces major gas discovery in South Andaman
United Arab Emirates' Mubadala Energy said it discovered a major deep sea gas reserve in Indonesia's South Andaman Block, which analysts said is the world's second-largest deep water discovery this year.
Through Layaran-1 exploration well at the South Andaman block, Mubadala said the discovery has potential gas-in-place for more than 6 trillion cubic feet (tcf). South Andaman Block is located around 100 km (62 miles) off northern Sumatra.
Mubadala drilled to a depth of 4,208 metres (13,805 feet) well in 1,207 metres (3,959 feet) water depth. It is Mubadala's first deep water operation, it said in a statement on Tuesday.
Given the size of the structure and a single well drilled to date, Wood Mackenzie estimates an initial 3.3 tcf of recoverable resources, which would make Layaran the second largest deepwater discovery globally in 2023, it said in a note on Wednesday. "This development offers material commercial opportunities and adds momentum to our strategic growth story," Mubadala chief executive Mansoor Mohamed Al Hamed said in the statement.
"This is not only a significant development for Mubadala Energy but a huge milestone for Indonesia’s and Southeast Asia’s energy security."
Indonesia's upstream oil and gas regulator (SKK Migas) said this discovery is important for Southeast Asia's biggest economy's goal to reach gas output of 12 billion standard cubic feet per day in 2030, it said in a statement.
Indonesia is keen to accelerate development of its gas projects.

Top News - Dry Freight

US launches Red Sea force as ships reroute to avoid attacks

The United States on Tuesday launched a multinational operation to safeguard commerce in the Red Sea as attacks by Iran-backed Yemeni militants forced major shipping companies to reroute, stoking fears of sustained disruptions to global trade.

The Houthi militant group, which controls vast amounts of territory in Yemen after years of war, has since last month fired drones and missiles at international vessels sailing through the Red Sea - attacks it says respond to Israel's devastating assault on the Hamas-ruled Gaza Strip.

This week, the attacks began to take a toll on global trade, disrupting a key trade route that links Europe and North America with Asia via the Suez Canal.

Oil major BP paused all Red Sea transits, and a slew of top shipping firms including Maersk started diverting shipments normally made through Suez around the Cape of Good Hope on Africa's southern tip. The new route around Africa adds days to journey times and raises costs. The list of companies avoiding the Red Sea continued to grow on Tuesday.

The crisis, which has grown out of the war between Israel and Palestinian Islamist group Hamas, is the latest in the Middle East to pit the United States and its allies against Iran and its regional Arab proxy militias.

Hamas killed 1,200 Israelis in a cross-border raid on Oct. 7, drawing a devastating Israeli offensive that has killed more than 19,000 Palestinians in Gaza.

Iranian proxies including the Houthis and Lebanese Hezbollah have fired rockets at Israel since the conflict began. The Houthis, meanwhile, have stepped up their Red Sea attacks, threatening to target all ships heading to Israel and warning shipping companies against dealing with Israeli ports.

U.S. Secretary of Defense Lloyd Austin, who is on a trip to Bahrain, home to the U.S. Navy's headquarters in the Middle East, said Britain, Bahrain, Canada, France, Italy, the Netherlands, Norway, Seychelles and Spain were among nations involved in the Red Sea security operation.

The group, widely dubbed in media reports a "task force," will conduct joint patrols in the southern Red Sea and the adjacent Gulf of Aden. "This is an international challenge that demands collective action," Austin said in a statement, announcing the initiative as "Operation Prosperity Guardian." He called on other countries to contribute as he condemned "reckless Houthi actions".

But it was unclear how many other countries are willing to do what mostly U.S. warships have done in recent days - shoot down Houthi missiles and drones, and rush to the aid of commercial ships under attack.

A European diplomat whose country will take part in the task force said the idea of the operation was for participating nations' ships to shoot down missiles and drones and accompany vessels through the Red Sea.

The Houthis, in a statement late on Tuesday, said they were only targeting Israeli ships or ships heading into Israeli ports and posed no threat to any country, but accused the new U.S.-led task force of being "part of the aggression against Gaza and the Palestinian people."

Mohammed Ali al-Houthi, a senior Houthi official, told Iranian TV on Tuesday that any country acting against Houthi forces would see its ships targeted in the Red Sea.

A U.S. military official who spoke on condition of anonymity played down the idea that naval ships would escort commercial vessels, given that hundreds normally travel the route daily, but said the U.S. operation would position ships in areas where they could have the greatest security benefit.

IMPACT ON GLOBAL TRADE

BP's decision to temporarily pause all transit through the Red Sea and oil tanker group Frontline's saying its vessels would avoid passage through the waterway showed that the crisis was broadening to include energy shipments. Crude oil prices rose for a second straight day on Tuesday as the Houthi attacks on ships disrupted trade and more companies were forced to reroute vessels.

Shipping companies continued to reroute on Tuesday. Denmark's Maersk, which had paused Red Sea shipping, said it would sail its ships around Africa until further notice.

Maersk said the Red Sea task force was a "positive" development, but said it was seeking more details on how it would work.

"With the line of impacted vessels building fast in the area, progressing with speed will be key for the coalition in order to minimise direct negative impact on global trade," a Maersk statement said.

International firms said they were drawing up contingency plans. Sweden's Electrolux said it had set up a task force to find alternative routes or identify priority deliveries if needed.

Many other ships were still plying the Red Sea, though several ships had armed guards onboard, LSEG data showed. A number of container vessels were anchored and others turned off tracking systems as traders adjusted routes and prices in response to the maritime attacks.

Industry sources said the impact on global trade would depend on how long the crisis persists, but insurance premiums and longer routes would be immediate burdens. The longer trip will cost up to $1 million extra in fuel for every round trip between Asia and Northern Europe, according to estimates from freight platform Xeneta. Economic policymakers said it was too early to assess the broader financial impact, but the main concern was whether disruption would get serious enough to ignite a new round of global inflation, just as central banks are finally overcoming price pressures after the COVID-19 pandemic. About 12% of world shipping traffic usually transits via the Suez Canal, the shortest shipping route between Europe and Asia, passing then as well into Red Sea waters off Yemen.

IRAN DENIES BLAME

Austin said on Monday that Iran was behind the Houthi attacks. Iran denies involvement but says it supports its Houthi allies.

The European diplomat said the task force aimed to send a strong signal to Iran and its proxies. "There is no doubt Houthis are acting on behalf of Iran," the diplomat said, speaking on condition of anonymity.

Many major Arab allies of the United States have so far declined to join the task force. Bahrain's defence minister met Western counterparts to discuss maritime security, an official social media page said on Tuesday, but gave no other details.

Ukraine says exports through Black Sea corridor have reached 10 mln T

Ukraine Deputy Prime Minister Oleksandr Kubrakov on Tuesday said that 10 million metric tons of products have been exported to 24 countries through its alternative Black Sea corridor.

Kyiv introduced the corridor, which hugs the western shores of the Black Sea, after Russia withdrew in July from a U.N.-brokered deal to guarantee the safe shipment of Ukrainian grain.

"From the beginning of the operation we increased the turnover of products from 278K tons in the first month to almost 5 million tons," Kubrakov said on X social media platform.

Moscow has stepped up attacks on Ukrainian port infrastructure since the launch of the new route, using drones and dropping explosive objects and mines in its vicinity, according to the Ukrainian military.

"Despite systematic attacks on the port infrastructure, ports accepted 337 vessels for loading," Kubrakov also said on X.

Ukrainian Economy Minister Yulia Svyrydenko said that the volume of goods exported was 19.3% lower in the first 11 months of 2023 than in the same period of last year due to Russia's blockade of seaports and attacks. However, the alternative corridor and ship insurance mechanism allowed sea exports to increase by 70% in November compared to October, she added.

According to Svyrydenko, Ukraine's exports of goods and services could grow by 9.0% in 2024, 19.4% in 2025, and 20.6% in 2026 if the corridor and insurance mechanism remained in force.

Picture of the Day

An aerial view shows flooding caused by heavy rains and water gushing through the Barron River, in Cairns, Queensland, Australia, December 18 in this screen grab obtained from social media video. Brent Paterson/via REUTERS

(Inside Commodities is compiled by Archak Sengupta in Bengaluru)

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