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Top News - Oil

U.S. crude exports to Europe expected to fall in Jan as shipping economics weaken
U.S. crude oil exports to northwest Europe are likely to slip early next year after hitting a record high in November, as the arbitrage for transatlantic shipments has slammed shut and freight rates have climbed, analysts said this week.
The spread between U.S. West Texas Intermediate (WTI) crude and Brent futures has narrowed to a discount of around $3.40 per barrel over the last two sessions, the smallest closing spread since October 2023. A narrower spread makes it less economic to ship barrels from the U.S. across the Atlantic.
"A discount of $4, in my opinion, is always the line in the sand between a big export number versus a small export number," said Bob Yawger, director of energy futures at Mizuho. The tighter spread comes as freight rates have increased and inventories in the U.S. - including at the key storage hub in Cushing, Oklahoma - have dropped to 23 million barrels, their lowest mid-December level in 17 years.
The decline in stockpiles means U.S. barrels are being priced to stay at home.
At the end of November, the WTI/Brent spread had widened to roughly $4.50 per barrel, encouraging more flows across the Atlantic Ocean to higher priced markets and driving U.S. crude exports higher.
But the spike in flows may be short lived. Freight rates for moving barrels from the U.S. Gulf Coast to northwest Europe have climbed roughly $1 from November to around $3.80 per barrel this month, according to data from commodity pricing firm Argus.
The narrowing WTI/Brent spread contributed to those higher freight rates which are being used to price shipments for late January arrival, according to Sparta Commodities analyst Neil Crosby.
"We would expect more limited U.S. to Amsterdam-Rotterdam-Antwerp flows in the short-term to emerge," Crosby said.
The inclusion of WTI Midland crude in the dated Brent index has meant that the spread between the two is increasingly correlated to freight rates, as the price of Dated Brent is set by WTI Midland on many trading days.
U.S. exports bound for Amsterdam-Rotterdam-Antwerp hit a record high of 771,000 barrels per day (bpd) in November, according to data from ship tracker Kpler. WTI priced at a steeper discount than $4 against Brent through most of October, according to LSEG, when those cargoes would have been booked, making those transatlantic flows more profitable.

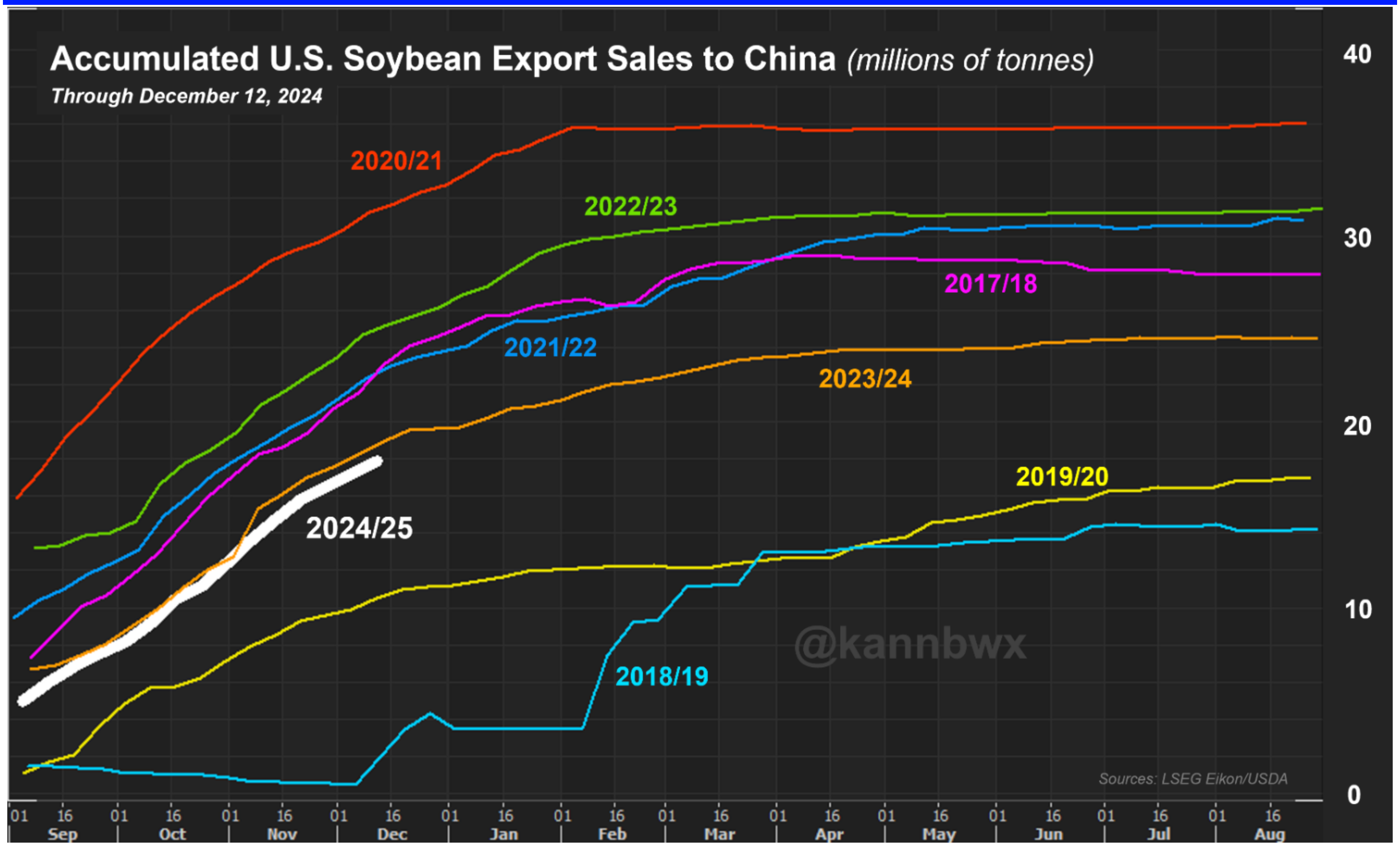
China's Nov fuel oil imports extend gains to seven-month high
China's fuel oil imports hit their highest in seven months for November, customs data showed on Friday, as more supply was drawn over for the bunker pool, according to industry sources.
The imports totalled 2.55 million metric tons, or about 540,000 barrels per day, data from the General Administration of Customs showed.
The volume was higher by 24% month-on-month and more than doubled year-on-year. This included purchases under ordinary trade, which are subject to import duty and consumption tax, as well as imports into bonded storage.
More low-sulphur fuel oil continued to be drawn towards China for the bunker supply pool, sources said. The latest batch of marine fuel export quotas had been below market expectations, leading to less domestic supply available for bunkering. In contrast, high-sulphur fuel oil demand for Shandong's refinery use had softened, said Emma Li, Vortexa's China oil market senior analyst.
"Chinese high sulphur fuel oil demand is very weak, independent refiners are still struggling to finish their crude import quotas," Li said.
On the exports front, fuel oil volumes for bunkering totalled 1.71 million metric tons in November, up 42% month-on-month and climbing 31% year-on-year.
The exports are measured mostly by sales from bonded storage for vessels plying international routes.
The tables below show China's fuel oil exports and imports in metric tons. The exports section largely captures China's low-sulphur oil bunkering sales along its coast.

Top News - Agriculture

EXCLUSIVE-China's state importer books US soy purchases as tariff threat looms
China's Sinograin has bought nearly 500,000 metric tons of U.S. soybeans this week for shipment in March and April, paying more for U.S. supplies for state reserves rather than buying cheaper Brazilian beans, two U.S. traders familiar with the deals said.
China is the world's top soy buyer and a crucial market for both U.S. and Brazilian farmers, who supply the bulk of China's imports.
The industry is monitoring sales and trade flows to China closely ahead of President-elect Donald Trump's inauguration on Jan. 20, on concern that another round of tit-for-tat tariffs would erode the value of U.S. soybeans.
Soy prices hit four-year lows this week on trade tensions and amid high U.S. stockpiles and a looming record harvest in Brazil.
Sinograin's purchases this week follow deals China booked last week for around 750,000 tons for shipment from January to March.

Those are modest volumes for Sinograin, China's state-run grains trader and strategic reserves manager, which typically buys millions of tons at a time, the traders said.
Sinograin prefers U.S. beans when it is buying for storage because they are less prone to spoilage than those from Brazil, traders said.
Sinograin did not immediately respond to a request for comment on Thursday.
That would explain Sinograin paying more for U.S. beans, rather than buying cheaper Brazilian beans that will be abundant during the March-April delivery period, according to market analysts.
Sinograin bought at around 90 cents a bushel over Chicago Board of Trade March futures and 80 cents over May futures on a free-on-board (FOB) basis, according to one trader, around 80 cents to $1 above Brazilian FOB prices for that period.
The purchases come as overall Chinese agricultural imports have slowed. They also come as Brazil, China's top soy supplier, is preparing to harvest a record crop.
Poor processing margins for turning soy into animal feed and oil are discouraging imports, and tariff threats by Trump have stoked tensions between the two economic powers.
U.S. exporters have been racing to ship soybeans to China before Brazilian supplies hit the market early next year and before Trump takes office.
Imports by private crushers could be subject to any tariffs imposed on U.S. supplies by China in response to Trump's mooted duties. That would make the soybeans costly.
State-run importers, however, are more likely to receive tariff exemptions, traders said.
Chinese purchases of the most recent U.S. soybean crop for shipment through next summer are running about 6% behind last year, compared with forecasts for a mere 2.6% drop in Chinese imports of soybeans, according to U.S. Department of Agriculture data.
The purchases may be intended as an olive branch to trade hawks in the incoming U.S. administration, the traders said. But market analysts said they were more likely intended to replenish the country's strategic reserves, because the volumes were not big enough to score political points.
"If the Chinese do it for political appeasement it's millions of metric tons, not a few tons here and there," said Dan Basse, president of Chicago-based AgResource Co.
The recent purchases were much smaller than other deals viewed as political appeasement, such as the roughly 3 million metric tons purchased in a single week ahead of an APEC summit in November 2023 where relations between China, Taiwan and the U.S. were at the top of the agenda, he said.
The price premium for U.S. beans also suggests China is looking to top off its reserves - and that the buying spree could be short-lived, Basse said.
Volumes in China's state reserves are a closely guarded secret, although supplies are regularly auctioned off to domestic crushers then refilled with fresh supplies.
"When South America is a dollar a bushel cheaper than the United States, it's hard to keep doing this," Basse said.

Chart of the Day



LSEG DATA & ANALYTICS

Unlike private Chinese crushers which are more price sensitive, Sinograin tends to be more focused on soybean quality, said a veteran soy industry executive in China. "Brazil beans are so easily degraded in storage, never being considered for the reserve program," the executive said. "Only quantity will tell if the purchases are out of concerns over a possible trade war."

Mexican sugar exports to US could cease if tariff is applied, says report

Mexican sugar exports to the United States could cease if the incoming Trump administration goes ahead with the idea of applying a 25% tariff on Mexican sugar, broker and supply chain services provider Czarnikow said in a report on Thursday.

President-elect Donald Trump pledged to impose a 25% tariff on Canada and Mexico if the countries do not change policies on trade of products such as pharmaceuticals and do not act to control illegal immigration.

"The proposed tariff would probably stop all flows of Mexican sugar to the U.S.," said the report written by Czarnikow chief analyst Stephen Geldart.

The U.S. imports around a third of the sugar it uses. Mexico is its largest supplier, since it uses a duty-free quota as part of the United States-Mexico-Canada Agreement.

Geldart said a 25% tariff would make Mexican sugar exports to the U.S. inviable. He said North American sugar market players do not believe Trump will go ahead with the tariff.

"However, we don't like this argument as it suggests that President-elect Trump will place economics over political leverage," the analyst said.

If the 25% is applied, the U.S. will have an annual sugar shortfall of between 500,000 metric tons and 1 million tons.

"U.S. sugar prices would probably rise, at the very least to a level at which duty-paid sugar imports become viable," the report said, adding the U.S. government would probably have to increase the tariff rate quota agreed with the World Trade Organization.

In that case, the main beneficiary would be Brazil, the world's top producer and exporter.

"We question whether Trump would want a Lula administration to be a major winner of the 2025 Trade War.

The question extends beyond sugar and into other commodities like corn and soy," said Geldart, referring to Brazil's leftist President Luiz Inacio Lula da Silva.

Top News - Metals

Copper giant Peru foresees another production plateau in 2025

Peruvian copper production is expected to remain flat in 2025 for the third straight year, according to the country's top mining association and industry analysts, as declining ore grades and a lack of new projects cap output.

The South American country is a global copper powerhouse, ranking third in production behind Chile and the Democratic Republic of the Congo, which unseated Peru from second place in 2023.

Yet poorer ore grades after years of extraction are making it more difficult for miners to maintain output levels, just as a major copper supply deficit is looming in the next decade due to anticipated demand for electric vehicles, renewable energy and data centers.

The expected gap has put pressure on some of the world's biggest miners to secure more supply through massive acquisitions, such as BHP's $49 billion bid for Anglo American that was rejected this year.

Copper prices on the London Metal Exchange began the year just above $8,580 a metric ton, and after falling from a record high of more than $11,000 a ton in May are now at about $8,869 a ton. Peru's top mining association SNMPE expects the country's 2025 copper output to hit around 2.8 million metric tons, matching 2023 and what is expected for 2024, as miners contend with poorer-quality resources and development bottlenecks for new projects.

"By 2025, Peruvian copper production is expected to be similar to this year's expected 2.8 million tons," said Victor Gobitz, SNMPE's head, in an interview last week.

Peru's mining ministry has not issued a 2025 forecast and did not respond to a request for comment.

Juan Carlos Ortiz, vice president of Peru's Institute of Mining Engineers, said he expected flat production given the lack of new projects.

"We are going to repeat the copper production of 2024," said Ortiz, who is also vice president of operations at Minas Buenaventura.

A dramatic turnaround is looking unlikely anytime soon. Peru's last new mine was Anglo American's $5.5 billion Quellaveco, which opened in 2022 with expected annual capacity of 300,000 tons.

It currently accounts for more than 10% of domestic output.

BOOSTING PRODUCTION

At best, Peru could get a bump from Southern Copper's Tia Maria project, with production expected in 2027, and Teck Resources' Zafranal, forecast for 2029.

Together, they would add about 150,000 tons of annual output.

Miners are also working to boost their processing capacity to compensate for poorer ore grades.

Most of the $3.8 billion invested in the sector so far this year was for concentrator plants and equipment, representing a 2% increase from last year.

As well, energy use at copper mines increased 2.3% year-over-year through October, according to private power sector body COES.

"What matters now is that work continues," Gobitz said, referring to small projects such as Tia Maria, Zafranal and mine expansions. "We're not seeing a project like Quellaveco."

Of Peru's 10 biggest copper mines, seven reported lower production through October, the latest month with official data available, compared to last year.

At the largest, Freeport McMoRan's Cerro Verde, production fell 5.4% year-on-year through October.

Freeport previously told investors it expected lower ore grades to affect 2024 sales volumes.

"Annual production will vary with ore grades, but Cerro Verde's 2024 operating rates have been strong," Freeport spokeswoman Linda Hayes said. She added that most of Cerro Verde's spending is for operational improvements, and urged Peru's government to streamline regulatory processes and encourage exploration.
Despite Peru's struggles, it may have a chance to recoup its No. 2 global spot from its African rival. By the end of August, Congo's production fell nearly 6% from 2023, leaving room for Peru - down less than 1% - to pull slightly ahead.

EXCLUSIVE-Nornickel in talks with Xiamen C&D to shift copper smelting to China

Chinese conglomerate Xiamen C&D and Russia's Nornickel are in talks to create a joint venture in China to process Nornickel's copper raw material into metal, two sources with knowledge of the matter told Reuters.
Nornickel has struggled to import equipment to sanctions-hit Russia, where it produces copper used in the power and construction industries.
It said in April it would close its Arctic facility and build a copper plant in China by mid-2027, but it has since been looking at buying a stake in an existing smelter rather than the original idea of building from scratch, one of the sources said.
"Nornickel is negotiating for possible organisation of production in China. If agreements are reached, we will disclose them," Nornickel said in response to a request for comment. It declined to provide any detail.
The smelter in question is Shandong-based Yanggu Xiangguang Copper in which Xiamen C&D holds a majority stake, the sources said.
They asked not to be identified because they were not authorised to speak on the issue.
Nornickel and Xiamen C&D have yet to reach a final agreement, finalise the size of the investment or stakes in the potential joint venture, they added.
"It's an opportunity for the Xiangguang (facility) as low processing fees have added pressure on smelters to generate profit especially next year," the second source said.
Xiamen C&D did not respond to Reuters' requests for comment. Xiangguang declined to comment.
Xiangguang has annual production capacity of 400,000 metric tons of copper cathode. This roughly matches Nornickel's need to move its copper smelting base from the Arctic facility to China, the world's largest consumer of the metal.
Nornickel produced 425,000 tons of refined copper last year, nearly 2% of global mined output.
Xiangguang smelter relies on concentrate from third parties for processing.
The sector's profitability and smelting activity have been hit by low processing fees following an expansion of capacity in China.
According to analysts, the smelter is operating at 60-80% of capacity and needs a guaranteed feed supply.
The sources said securing a supply was the incentive on the Chinese side for a deal.

MARKET MONITOR as of 07:46 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$69.04 / bbl	-1.24%	-3.64%
NYMEX RBOB Gasoline	$1.92 / gallon	-0.58%	-8.81%
ICE Gas Oil	$675.75 / tonne	-0.52%	-9.99%
NYMEX Natural Gas	$3.63 / mmBtu	1.37%	44.51%
Spot Gold	$2,605.29 / ounce	0.44%	26.31%
TRPC coal API 2 / Dec, 24	$109.75 / tonne	-1.79%	13.14%
Carbon ECX EUA	€68.31 / tonne	0.92%	-15.01%
Dutch gas day-ahead (Pre. close)	€42.65 / Mwh	4.79%	33.91%
CBOT Corn	$4.49 / bushel	0.50%	-7.33%
CBOT Wheat	$5.46 / bushel	0.46%	-14.62%
Malaysia Palm Oil (3M)	RM4,453 / tonne	-1.22%	19.67%
Index	**Close 19 Dec**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	348.49	-0.60%	15.62%
Rogers International	28.56	-0.56%	8.47%
U.S. Stocks - Dow	42,342.24	0.04%	12.34%
U.S. Dollar Index	108.30	-0.10%	6.87%
U.S. Bond Index (DJ)	439.00	-0.74%	1.92%

They also said a consequence of processing Nornickel's feed would mean Xiangguang's metal would no longer be deliverable against the copper contract on the London Metal Exchange (LME), a market of last resort.
The LME banned from its system metal produced in Russia on or after April 13. Nornickel is not under Western sanctions imposed on many other Russian firms after Moscow invaded Ukraine in February 2022.
But many Western consumers have self-sanctioned, declining to renew contracts with the company since then and Nornickel has diverted its metal to China.
Both sources also said that, if the deal is agreed, technology would need to be modernised at Xiangguang smelter so that it can process the nickel and platinum group metals that Nornickel's copper concentrates contain.

Top News - Carbon & Power

US presses EU to align methane regulations for LNG
U.S. officials doubled down on their appeal to EU counterparts to ensure liquefied natural gas shipments that meet current U.S. methane regulations also automatically comply with Europe's new standards for gas imports, a letter seen by Reuters on Thursday showed.
President Joe Biden's administration sent a second letter to Ditte Juul Jørgensen, EU Director-General for Energy on Dec. 17, to speed up support for its case that US Environmental Protection Agency rules should be deemed "equivalent" to the EU regulations, whose emission reporting requirements begin to kick in in 2025.
European Union countries approved a law in May to impose methane emissions limits on Europe's oil and gas imports from 2030, pressuring international suppliers to cut leaks of the potent greenhouse gas.
Linking U.S. and EU methane standards would safeguard the United States' growing LNG trade with Europe while also cementing Biden's strict rules on methane, a powerful greenhouse gas, even if they are eventually repealed by President-elect Donald Trump's incoming administration.
"The letter is meant to emphasize in detail the full suite of substantive emissions standards, their robust implementation and compliance, and the reporting requirements' role in ensuring transparency and accountability," EPA Assistant Administrator for air and radiation Joe Goffman told Reuters.
Goffman co-signed the letter with Brad Crabtree, assistant secretary at the Energy Department's Office of Fossil Energy and Carbon Management. They sent their first letter to the EU at the end of October, just days before the U.S. election.
EU officials were not immediately available for comment.
The United States is the world's top oil and gas producer, and its exports of LNG surged after Russia's invasion of Ukraine led European countries to cut their dependence on Russian energy and seek other sources.
The DOE has paused permits for new LNG exports and said this week it had found that rising LNG exports risk dramatically raising greenhouse gas emissions and could also trigger price hikes for U.S. energy consumers.
The EPA has finalized rules that crack down on releases of methane, the main component in natural gas and LNG, from existing and new oil and gas facilities, and set a fee targeting large methane leaks from energy infrastructure.
In its letter to the EU this week, the officials highlighted the emissions reductions potential of the regulations.
EPA methane standards would reduce 58 million tons of methane emissions from 2024 to 2038 while the Waste Emissions Charge rule would result in cumulative 34 million metric tons CO_2-equivalent reductions through 2035, they wrote. The EU has not yet designed the exact methane limits, or determined how another country's domestic methane regulations could be considered "equivalent" to its own.
Trump, a climate-change skeptic and a big supporter of fossil fuel development, has promised to immediately end the moratorium on new LNG export permits when he returns to the White House on Jan. 20 and has vowed to roll back most of Biden's climate-focused rules.

China's coal imports from Australia rise to highest level since April 2020
China's coal imports from Australia rose to their highest in more than four years in November, customs data showed on Friday, as shipments continue to recover from an unofficial ban on Australian coal that was lifted in January 2023.
Australian coal imports were 9.3 million metric tons in November, according to the General Administration of Customs, the highest since April 2020 and up 47% from the same month of 2023. Year to date, at 74.15 million tons, 2024 coal imports from Australia have already exceeded last year's 52.47 million tons and are on track to top the 77.51 million tons imported in 2020, the last full year before the ban. China halted Australian coal imports after Canberra questioned the origins of COVID-19, but relaxed the ban to secure energy supplies and because Chinese buyers favour high quality Australian coal for power generation and steelmaking.
Indonesia remains China's top supplier of coal with shipments increasing 40% compared to November 2023, to 25.6 million tons. For the first 11 months of 2024, Indonesian imports were up 6% to 211.44 million.
Russian coal imports to China, limited by sanctions on Russian coal traders, fell 3% to 7.1 milliion tons last month and were down 8% year-to-date at 86.76 million tons. But Russia was still on track to hold onto its spot as China's number-two coal supplier for the year. Mongolian imports were up 4% last month to 8.23 million tons. Year to date shipments rose 22% to 75.23 million tons. China's total coal imports rose 26% year-on-year in November to 54.98 million tons.
From January to November, China's coal imports rose 14.8% on the year to 490.03 million metric tons, exceeding 2023's total imports and setting a fresh annual record.

Top News - Dry Freight

China's Nov soy imports from Brazil falls 25% y/y, US arrivals jump

China's soybean imports from Brazil shrank 25% in November from a year earlier, while shipments from the United States rose as buyers concerned about rising trade tensions between Washington and Beijing raced to secure supplies. The world's largest soybean buyer received 2.79 million metric tons of U.S. soybeans in the month, compared to 2.29 million tons a year ago, according to the General Administration of Customs data on Friday.

China imported a total of 7.15 million tons of soybeans in November. For the 11 months of 2024, China imported a total of 97.09 million tons of the oilseed, on track for an annual record as U.S exporters rushed to move their shipments before incoming president Donald Trump enters the White House. Tariff threats from Trump, who will be sworn in on Jan. 20, have sparked fears of another trade war between Washington and Beijing that could halt soybean trade. Shipments from the U.S, the world's second largest producer, have been surging since April. However, despite the decline in Brazilian imports, the majority of China's imports for November came from the country at 3.94 million tons. Meanwhile, arrivals from Argentina surged to 242,227 tons from 54,214 tons a year earlier. For the January-November period, China's total U.S. soybean imports fell 9% from a year ago to 17.88 million tons.

Total shipments from Brazil during the 11 months rose 10% to 71.7 million tons.

China's Sinograin has bought nearly 500,000 tons of U.S. soybeans this week for shipment in March and April, paying more for U.S. supplies for state reserves rather than buying cheaper Brazilian beans, two U.S. traders familiar with the deals said. Sinograin's latest purchases follow deals China booked last week for around 750,000 tons for shipment from January to March.

Tunisia buys 100,000 T soft wheat, 100,000 T durum, traders say

Tunisia's state grains agency is believed to have purchased about 100,000 metric tons of soft wheat and about 100,000 tons of durum in an international tender for the same volume on Thursday, European traders said.

The soft wheat was believed to have been bought at the lowest price of $255.39 a ton cost and freight (c&f) included for 25,000 tons from trading house Viterra, traders said.

Viterra was also believed to have sold another 25,000 ton soft wheat consignment at $256.39 a ton c&f. Bulgarian trading house Buildcom was said to have sold two 25,000 ton soft wheat consignments at $256.77 and $257.37 a ton c&f.

The durum was believed to have been bought at the lowest price of $339.49 a ton cost and freight (c&f) included for 25,000 tons, with the lowest price also from Viterra, traders said.

Viterra also sold another 25,000 ton durum consignment at $340.49, Amber sold 25,000 tons at $340.29 and Casillo 25,000 tons at $340.69 all per ton c&f, traders said.

In its last reported tender on Nov. 27, Tunisia's state grains agency purchased about 100,000 tons of soft wheat and about 100,000 tons of durum after seeking offers for the same volume.

Reports reflect assessments from traders and further estimates of prices and volumes are still possible later.

The wheat and durum were both sought in four 25,000-ton consignments for 2025 shipment between Jan. 15 and Feb. 25, depending on origin supplied.

Traders said Thursday's tender made no mention of payment by outside agencies.

Finance for several tenders in past months has been provided by the World Bank and other agencies assisting Tunisia to deal with its recent financial difficulties.

Picture of the Day

Smoke rises from a power station following Israeli airstrikes in Sanaa, Yemen December 19. REUTERS/Khaled Abdullah

(Inside Commodities is compiled by Nandu Krishnan in Bengaluru)

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

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LSEG
10 Paternoster Square, London, EC4M 7LS, United Kingdom

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