Oil falls as recession fears weigh, but tight supply restricts losses


ALEXANDER POPOV

MELBOURNE — Crude oil prices fell on Monday, paring gains from the previous session, as fears of a global recession weighed on the market even as supply remains tight amid lower OPEC output, unrest in Libya and sanctions on Russia.

Brent crude futures for September slipped 36 cents or 0.3% to $111.27 a barrel at 0300 GMT, having jumped 2.4% on Friday.

US West Texas Intermediate (WTI) crude futures for August delivery dropped 34 cents or 0.3% to $108.09 a barrel, after climbing 2.5% on Friday.

"The recession fears are the primary bearish factor that has capped the surge in oil prices. Rising rates and a plunge in consumer confidence have dented the fuel demand outlook, while data show that the US petroleum refinery capacity has improved," said CMC Markets analyst Tina Teng.

"In addition, a strong USD also weakens broad commodity markets, including crude prices."

US consumer sentiment dropped to a record low in June despite a marginal improvement in the outlook for inflation, as the Federal Reserve said its commitment to reining in inflation was "unconditional" and increasing concerns of interest rate hikes.

Crude oil supply concerns still remain, preventing steeper price falls.

"Energy markets remain laden with specific supply risks that makes being short a nervy experience," Commonwealth Bank commodities analyst Tobin Gorey said.

Output from the 10 members of Organization of the Petroleum Exporting Countries (OPEC) in June fell 100,000 barrels per day (bpd) to 28.52 million bpd, off their pledged increase of about 275,000 bpd, a Reuters survey showed.

Declines in Nigeria and Libya offset increases by Saudi Arabia and other large producers, and Libya faces further supply disruption due to escalating political unrest, making the likelihood of OPEC meeting its newly increased production quotas even more unlikely, said ANZ Research analysts in a note.

Libya's exports have dropped to between 365,000 bpd and 409,000 bpd, down about 865,000 bpd compared to normal levels, the National Oil Corp. said last week.

In a further hit to supply, a planned strike by Norwegian oil and gas workers this week could cut the country's oil and condensate output by 130,000 bpd.

Traders will be watching out for official prices for August from top oil exporter Saudi Arabia for signs of how tight the market is, with refiners bracing for another sharp increase close to the record set in May.

Nine refining sources surveyed by Reuters expected Saudi's flagship Arab Light crude official selling price could rise by about $2.40 a barrel from the previous month. — ***Reuters***

Gold tests $1,800-mark on lower Treasury yields

GOLD inched higher in choppy trade on Monday, as weakness in Treasury yields kept prices above the $1,800-mark and marginally outweighed pressure stemming from elevated US dollar levels.

Spot gold was up 0.1% at $1,811.99 per ounce, by 0319 GMT. US gold futures rose 0.6% to $1,812.10.

Bullion prices hit a five-month low of $1,783.50 on Friday, but recovered to end the session nearly steady.

"Once again, we saw buyers support gold with its break below $1,800 on Friday, and with US yields continuing to retrace, it allows the potential for gold to rise over the near term," City Index senior market analyst Matt Simpson said.

Benchmark US 10-year Treasury yield fell to their lowest level in a month on Friday, buoying non-yielding bullion.

"But the reality is that managed funds and large speculators are increasing their short bets against gold, and if we see a close below $1,800 then it could trigger another bout of selling," Mr. Simpson said.

The dollar hovered close to a recent two-decade high, continuing to make greenback-priced gold less attractive for buyers holding other currencies, after playing a significant part in bullion's worst quarterly showing in over a year.

Asian equities started cautiously on Monday as a run of soft US data suggested downside risks for this week's June payrolls report, while the hubbub over recession was still driving a relief rally in government bonds.

SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, said its holdings fell 0.8% to 1,041.9 tons on Friday from 1,050.31 tons on Thursday.

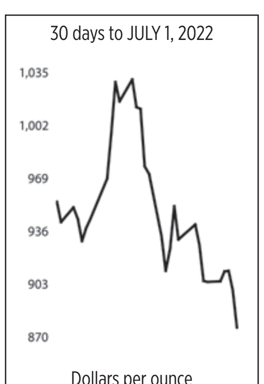
US government offices, stock and bond markets, and the Fed will be closed on Monday for the Independence Day holiday.

Spot silver eased 0.2% to $19.84 per ounce, platinum fell 0.5% to $884.49, and palladium dropped 1.3% to $1,934.40. — ***Reuters***

US COMMODITY FUTURES

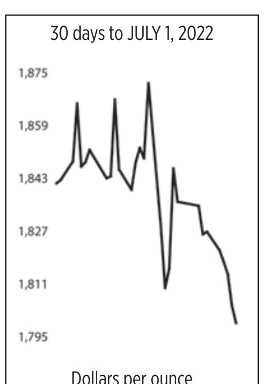
Source: REUTERS
FRIDAY, JULY 1, 2022

PLATINUM
(JULY CONTRACT)



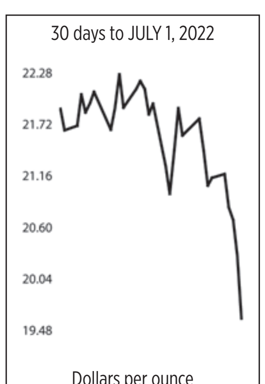
OPEN:	880.00	CLOSE:	875.40
HIGH:	892.40	NET:	-23.00
LOW:	861.00	PREV:	898.40

GOLD
(JULY CONTRACT)



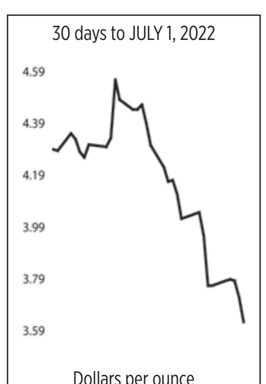
OPEN:	1,795.50	CLOSE:	1,798.90
HIGH:	1,806.10	NET:	-5.20
LOW:	1,791.60	PREV:	1,804.10

SILVER
(JULY CONTRACT)



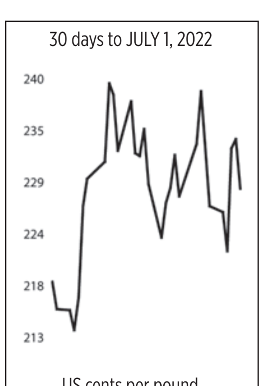
OPEN:	20.165	CLOSE:	19.597
HIGH:	20.185	NET:	-0.685
LOW:	19.265	PREV:	20.282

COPPER
(JULY CONTRACT)



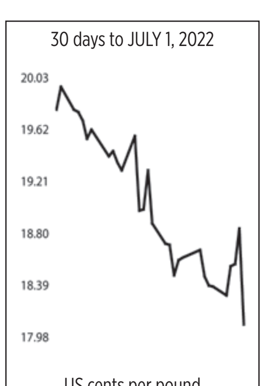
OPEN:	3.685	CLOSE:	3.619
HIGH:	3.704	NET:	-0.095
LOW:	3.571	PREV:	3.715

COFFEE
(JULY CONTRACT)



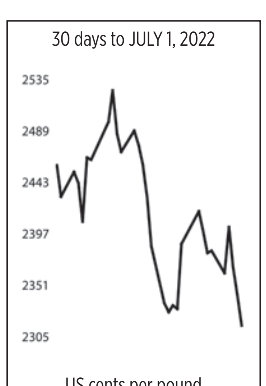
OPEN	232.85	CLOSE:	228.45
HIGH:	232.85	NET:	-5.15
LOW:	227.90	PREV:	233.60

SUGAR
(OCTOBER CONTRACT)



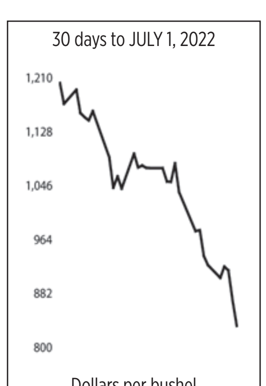
OPEN:	18.45	CLOSE:	18.07
HIGH:	18.54	NET:	-0.76
LOW:	18.06	PREV:	18.83

COCOA
(SEPTEMBER CONTRACT)



OPEN:	2,328.00	CLOSE:	2,314.00
HIGH:	2,338.00	NET:	-26.00
LOW:	2,293.00	PREV:	2,340.00

WHEAT
(JULY CONTRACT)



OPEN:	876.00	CLOSE:	831.25
HIGH:	878.00	NET:	-37.50
LOW:	832.75	PREV:	868.75

Australia forecasts record mining, energy exports

MELBOURNE — Australia's mining and energy export revenues are forecast to climb 3% to a record A$419 billion ($286 billion) in the year to June 2023, buoyed by surging coal and gas prices in the wake of Russia's invasion of Ukraine, the government said on Monday.

Sanctions on Russia for what Moscow calls a "special military operation" to disarm Ukraine have sent prices for liquefied natural gas (LNG) and coal to all-time highs, underpinning record revenue for Australia's second- and third-largest exports.

"The outlook is for the prices of energy commodities to remain strong for longer than previously forecast, as Western nations look for alternatives to Russian energy supplies," the Department of Industry said in its resources and energy quarterly report.

However, it said higher global interest rates to combat inflation could hurt global economic activity and in turn lower resource and energy export earnings.

The value of LNG exports is forecast to jump 19% to A$84 billion in the year to June 2023, even as volumes are expected to slip by 3% with output declining from gas fields feeding the North West Shelf and Darwin LNG plants.

Exports of thermal coal used in power generation are expected to rise 15% to A$44 billion on strong prices and a small rise in volume, as Australian coal is considered the main alternative to Russia's higher coal grades, the government said.

Revenue from metallurgical coal used in steelmaking is forecast to climb 3% to A$60 billion.

"With inventories of energy in the Northern Hemisphere well below normal, any supply disruptions will result in more price surges," the report said, pointing to potential declines in coal output due to heavy rains lashing eastern Australia.

Offsetting gains in LNG and coal, the value of Australia's top export earner, iron ore, is expected to fall by 12% to A$116 billion in the year to June 2023, with the average price seen falling to $99 a ton from $119. — ***Reuters***

SPOT PRICES
FRIDAY, JULY 1, 2022

METAL	
PALLADIUM free $/troy oz	1,937.00
PALLADIUM JMI base, $/troy oz	1,944.00
PLATINUM free $/troy oz	873.00
PLATINUM JMI base $/troy oz	877.00
KRUGGERAND, fob $/troy oz	1,797.00
IRIDIUM, whs rot, $/troy oz	4,840.00
RHODIUM, whs rot, $/troy oz	13,990.00
GRAINS (June 30, 2022)	
(FOB Bangkok basis at every Thursday)	
FRAGRANT (100%) 1st Class, $/ton	915.00
FRAGRANT (100%) 2nd Class, $/ton	885.00
RICE (5%) White Thai- $/ton	426.00
RICE (10%) White Thai- $/ton	425.00
RICE (15%) White Thai- $/ton	424.00
RICE (25%) White Thai- $/ton (Super)	424.00
BROKER RICE A-1 Super $/ton	406.00
FOOD	
COCOA ICCO Dly (SDR/mt)	1,694.95
COCOA ICCO $/mt	2,250.53
COFFEE ICA comp '2001 cts/lb	200.92
SUGAR ISA FOB Daily Price, Carib. port cts/lb	18.49
SUGAR ISA 15-day ave.	18.69

LIFFE COFFEE
New Robusta 10 MT - $/ton

	High	Low	Sett	Psett
Sept.	2042	2001	2006	2033
Nov.	2041	2001	2006	2031
Jan.	2034	1998	2002	2023
Mar.	2025	1996	1999	2017

LIFFE COCOA
(Ldn)-10 MT-£/ton

	High	Low	Sett	Psett
July	1707	1690	1698	1696
Sept.	1726	1704	1715	1713
Dec.	1763	1746	1754	1753
Mar.	1766	1752	1758	1757

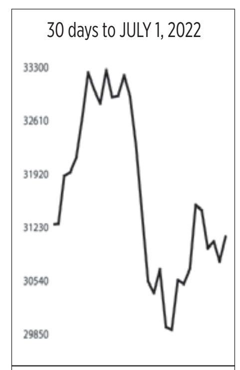
COCONUT

MANILA COPRA (based on 6% moisture)	
Peso/100kg	Buyer/Seller
Lag/Qzn/Luc 22	4,750.00/4,800.00
Philippine Coconut Oil - Crude	
CIF NY/NOLA	82.00
PALM OIL CIF NY/NOLA	85.00
COCONUT OIL (PHIL/IDN),$ per ton,	
CIF Europe	
June/July'22	1,550.00/1,600.00
July/Aug.'22	1,530.00/1,590.00
Aug./Sept.'22	1,520.00/1,570.00
Sept./Oct.'22	1,510.00/1,570.00

LONDON METAL EXCHANGE
LME FINAL CLOSING PRICES, US$/MT

	3 MOS
ALUMINUM H.G.	2,445.50
ALUMINUM Alloy	1,920.00
COPPER	8,258.00
LEAD	1,907.50
NICKEL	22,698.00
TIN	26,451.00
ZINC	3,157.00

DOW JONES

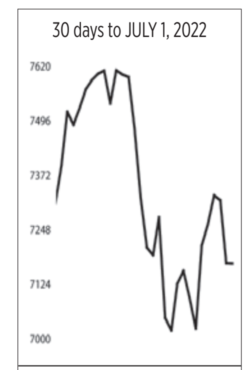


OPEN:	30,737.77	CLOSE:	31,097.26
HIGH:	31,139.35	NET:	321.83
LOW:	30,487.79	PREV:	30,775.43

NASDAQ COMPOSITE

OPEN:	11,006.83	CLOSE:	11,127.85
HIGH:	11,132.55	NET:	99.11
LOW:	10,922.71	PREV:	11,028.74

FTSE



OPEN:	7,169.28	CLOSE:	7,168.65
HIGH:	7,214.82	NET:	-0.63
LOW:	7,101.38	PREV:	7,169.28

Asian shares wobble as Wall Street futures slip; dollar stays firm

SYDNEY — Global share markets started in haphazard fashion on Monday as soft US data suggested downside risks for this week's June payrolls report, while the hubbub over possible recession was still driving a relief rally in government bonds.

The search for safety kept the US dollar near a 20-year high, though early action was light with US markets on holiday.

Cash Treasuries were shut but futures extended their gains, implying the 10-year yield was holding around 2.88% having fallen 61 basis points (bps) from their June peak.

MSCI's broadest index of Asia-Pacific shares outside Japan was flat, after losing 1.8% last week. Japan's Nikkei added 0.6%, while South Korea fell 0.8%.

Chinese blue chips edged up 0.3%, though cities in eastern China tightened coronavirus disease 2019 (COVID-19) curbs on Sunday amid new coronavirus clusters.

EUROSTOXX 50 futures added 0.5% and FTSE futures 0.8%. However, both S&P 500 futures and Nasdaq futures eased 0.7%, after steadying just a little on Friday.

David J. Kostin, an analyst at Goldman Sachs, noted that every S&P 500 sector bar energy saw negative returns in the first half of the year amid extreme volatility.

"The current bear market has been entirely valuation-driven rather than the result of reduced earnings estimates," he added.

"However, we expect consensus profit margin forecasts to fall which will lead to downward EPS revisions whether or not the economy falls into recession."

Earnings season starts on July 15 and expectations are being marked lower given high costs and softening data.

The Atlanta Federal Reserve's much watched GDP Now forecast has slid to an annualized -2.1% for the second quarter, implying the country was already in a technical recession.

The payrolls report on Friday is forecast to show jobs growth slowing to 270,000 in June with average earnings slowing a touch to 5.0%.

RATES UP, THEN DOWN

Yet minutes of the Fed's June policy meeting on Wednesday are almost certain to sound hawkish given the committee chose to hike rates by a super-sized 75 basis points.

The market is pricing in around an 85% chance of another hike of 75 basis points this month and rates at 3.25-3.5% by yearend.

"But the market has also moved to price in an increasingly aggressive rate cut profile for the Fed into 2023 and 2024, consistent with a growing chance of recession," noted analysts at NAB.

"Around 60 bps of Fed cuts are now priced in for 2023."

In currencies, investor demand for the most liquid safe harbour has tended to benefit the US dollar, which is near a two-decade high against a basket of competitors at 105.100.

The euro was flat at $1.0429 and not far from its recent five-year trough of $1.0349. The European Central Bank is expected to raise interest rates this month for the first time in a decade, and the euro could get a lift if it decides on a more aggressive half-point move.

The Japanese yen also attracted some safe haven flows late last week, dragging the dollar back to ¥135.23 from a 24-year top of 137.01.

A high dollar and rising interest rates have not been kind to non-yielding gold, which was pinned at $1,812 an ounce having hit a six-month low last week.

Fears of a global economic downturn also undermined industrial metals with copper hitting a 17-month low having sunk 25% from its March peak.

Oil prices wobbled as investors weighed demand concerns against supply constraints. Output restrictions in Libya and a planned strike among Norwegian oil and gas workers were just the latest blows to production. — ***Reuters***

Copper dips near 17-month low on China's lockdown

COPPER PRICES slipped on Monday to hover near a 17-month low as renewed lockdowns in top consumer China and the prospect of aggressive rate hikes stoked fears of global economic slowdown, denting demand for metals.

Three-month copper on the London Metal Exchange (LME) was down 0.3% at $8,027.50 a ton, as of 0404 GMT.

Copper, used in power and construction sectors and is considered a gauge of economic health, fell to its lowest since early-February 2021 at $7,955 on Friday.

The most-traded August copper contract in Shanghai fell 2.1% to 61,250 yuan ($9,153.68) a ton by the midday break.

"Softening demand and concerns over a growth slowdown are dragging on the sector. We think improving Chinese economic activity will stabilize prices," ANZ analysts said in a note.

"Inventories for metals are shrinking to multi-year lows. Supply challenges due to higher energy prices and other operational issues will allow little room for inventories build."

From the United States to the euro zone, activity at factories slowed to levels last seen during the initial wave of the pandemic.

Adding to demand worries, cities in eastern China tightened coronavirus disease 2019 (COVID-19) curbs on Sunday as coronavirus clusters emerge, posing a new threat to the country's economic recovery under the government's strict zero-COVID-19 policy.

INFLATION: Euro zone inflation hit a record high in June as price pressures broadened, and its peak could still be months away, firming the case for rapid European Central Bank rate hikes starting this month.

FED: The US Federal Reserve is widely expected to deliver another 75-basis-point rate hike this month to combat soaring inflation.

DOLLAR: The dollar hovered close to a recent two-decade high against its rivals, making greenback-denominated metals more expensive for other currency holders.

OTHER METALS: LME aluminum gained 1% to $2,468 a ton, zinc was up 1.2% at $3,066.50, and lead rose 0.2% to $1,939.

Shanghai aluminum added 0.6%, zinc slipped 1.3%, nickel fell 1.6%, lead gained 0.3%, and tin lost 1.5%. — ***Reuters***