

Oil settles lower on uncertainty about Chinese economic growth

OIL PRICES fell on Monday as questions over China's economy outweighed OPEC+ output cuts and the seventh straight drop in the number of oil and gas rigs operating in the United States.

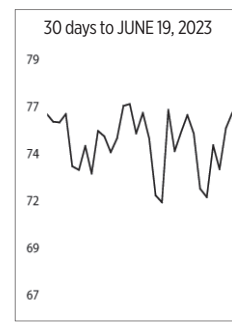
Brent crude settled down 48 cents or 0.6% to \$76.13 a barrel while US West Texas Intermediate (WTI) crude was down 49 cents or 0.7% to \$71.29 at 1935 GMT. Trading volumes were thin due to a US holiday.

Both contracts ended last week with gains of more than 2%.

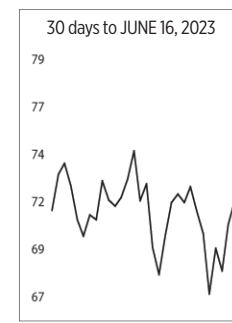
A number of large banks have cut their forecasts for China's 2023 growth in gross domestic product after May data last week showed the post-COVID recovery in the world's second-largest economy was faltering.

China is widely expected to cut its benchmark loan rates on Tuesday after a similar reduction in medium-term policy loans

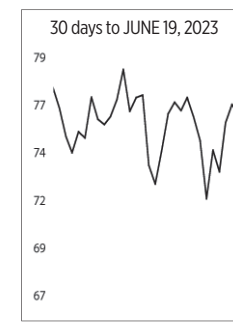
ASIA-DUBAI
(JUNE CONTRACT)



NEW YORK-WTI
(JULY CONTRACT)



LONDON-BRENT
(AUGUST CONTRACT)



Source: REUTERS

last week to shore up a shaky economic recovery. The oil market is watching for further signs of whether the global economy will pick up, said Jorge León, Rystad Energy's senior vice-president.

"Much will depend on China's economic performance in the

second half of this year and the effectiveness of the country's recently announced stimulus measures, and on the ability of the US and Europe to avoid an economic slowdown amid interest rates hikes," Mr. León wrote in a research note.

However, China's refinery throughput rose in May to its second-highest total on record, helping to boost last week's gains, and US energy firms cut the number of working oil and natural gas rigs for a seventh week in a row for the first time since July 2020.

Rising Iranian oil exports also weighed on prices. Iran's crude exports and oil output have hit record highs in 2023 despite US sanctions, according to consultants, shipping data, and a source close to the matter, adding to global supply when other producers are limiting output.

The Organization of the Petroleum Exporting Countries (OPEC) and allies including Russia (OPEC+) this month agreed on a new oil output deal and the group's biggest producer, Saudi Arabia, also pledged to make a deep cut to its output in July. — Reuters

Asian equities decline as investors fret about China's modest rate cut

HONG KONG — Stocks in Asia fell on Tuesday as investors worried China's latest rate cut was not enough to boost confidence in the weakening economy and awaited a wider stimulus package by Beijing.

China, in a highly anticipated move, cut two key benchmark lending rates for the first time in 10 months on Tuesday, with its one-year loan prime rate (LPR) lowered by 10 basis points (bps) to 3.55% and the five-year LPR cut by the same margin to 4.2%.

MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.69%. China's benchmark CSI edged down 0.03%. US markets were closed on Monday.

"I don't think they (the LPR cuts) are going to move the needle at all," said Redmond Wong, Greater China market strategist at Saxo Markets. He said a 15-basis-point cut would be a "stronger message" to boost China's property sector.

China's real estate index dropped 0.74% in early trade.

The rate cuts are the latest in a string of moves by Beijing to shore up a slowing recovery in the world's second-largest economy amid looming deflation risks, property market woes and high youth unemployment.

The People's Bank of China lowered the medium-term lending facility rate on Thursday last week. The market was speculating on what China could do next to revive the recovery but was disappointed by a lack of concrete measures from a cabinet meeting on Friday.

"We probably will need to wait for China's Politburo meeting,

headed by President Xi early in July, for any concrete announcement on a new round of stimulus," National Australia Bank Senior FX Strategist Rodrigo Catril said in a client note.

The delay in further stimulus measures weighed on sentiment and followed moves by a handful of big banks, including Goldman Sachs, to lower their growth forecasts for the Chinese economy.

Meanwhile, China and the United States failed to produce any major breakthrough during a rare visit to Beijing by US Secretary of State Antony Blinken, but both sides agreed to stabilize relations to avoid veering into conflict.

"The meeting helped improve sentiment, but the market also understands that there's strategic competition between the US and China," Saxo's Mr. Wong said.

Hong Kong stocks fell 1.03% with its tech gauge dropping 1.58% on Tuesday.

Japan's Nikkei traded almost flat with a 0.05% drop.

Australian shares bucked the trend to edge higher to a seven-week peak on Tuesday, with commodity stocks leading the charge, while traders awaited minutes of the central bank's June policy meeting for more insight into the path of interest rates.

The benchmark US 10-year Treasury yield rose 3.3 bps.

US crude fell 1.38% to \$70.79 per barrel and Brent was at \$75.83, down 0.34% on the day.

The US dollar index rose 0.088%, with the euro down 0.1% to \$1.0911. — Reuters



Gold bullion flat on firmer dollar; investors eye Powell testimony

GOLD PRICES were stuck in a relatively narrow range on Tuesday as market participants looked forward to an upcoming testimony by US Federal Reserve Chair Jerome Powell later this week, while a firmer dollar also kept bullion in check.

Spot gold held its ground at \$1,950.19 per ounce by 0447 GMT, while US gold futures fell 0.5% to \$1,962.00.

"The more cautious risk tone in today's session may aid to drive some safe-haven flows into gold, but while that can provide some short-term cushion, the upside could still be capped," IG market analyst Yeap Jun Rong said.

Stocks in Asia fell as investors worried that China's latest rate cut was not enough to boost confidence in the weakening economy and awaited a wider stimulus package by Beijing.

Markets were also focusing on Mr. Powell's congressional testimony on Wednesday and Thursday for further guidance on interest rates following the Fed's hawkish pause on monetary policy tightening last week.

While gold is considered a hedge against inflation, interest rate hikes raise the opportunity cost of holding non-yielding bullion.

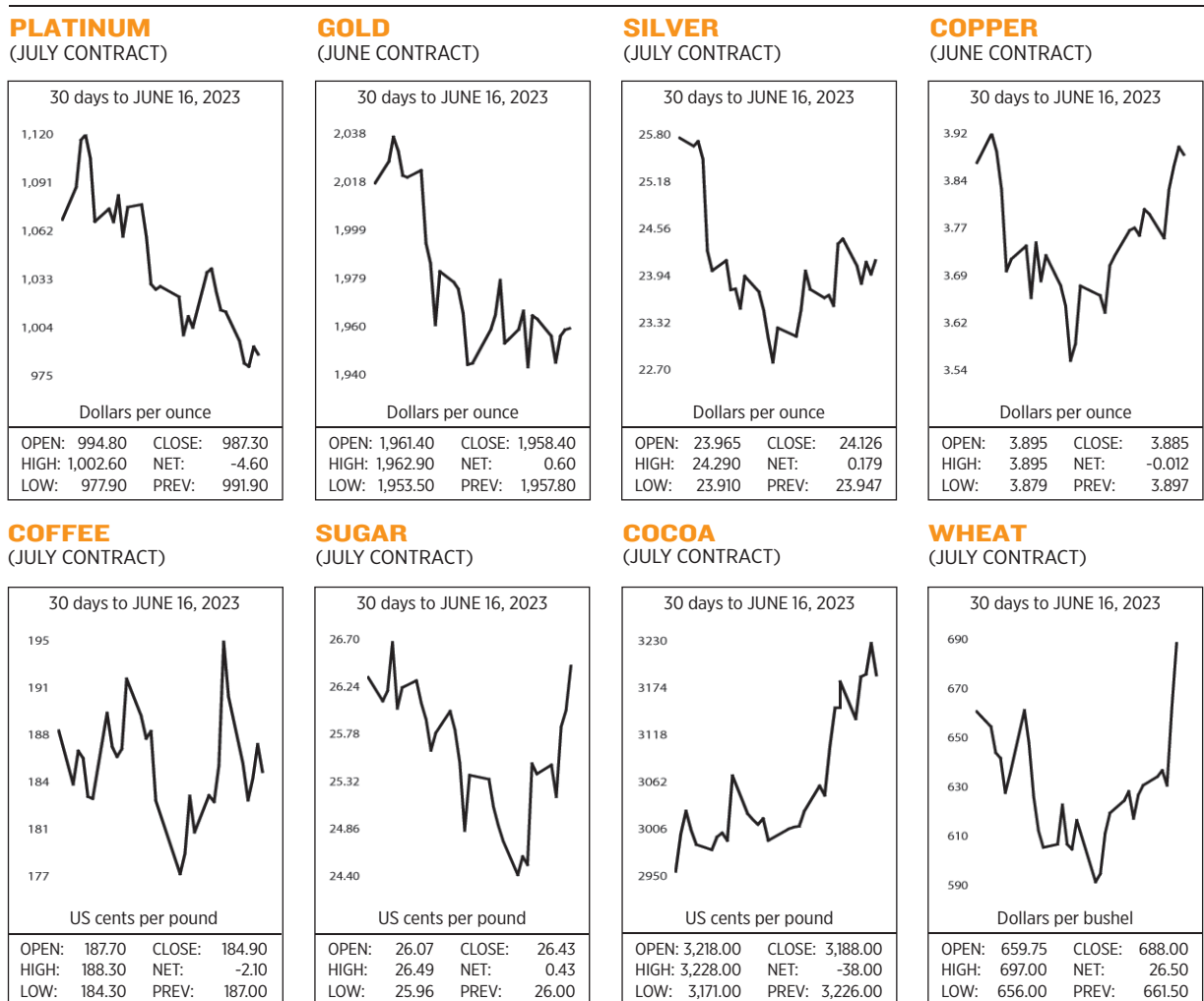
"With expectations previously pricing for a more dovish outcome from the Fed, the recent pushback by the central bank has been disappointing to some, which translates to some offloading in place," IG's Mr. Jun Rong said.

The US dollar, meanwhile, held firm making bullion less attractive for overseas buyers.

Expectations of a rate cut this year are waning, but "the Fed will be ending its hiking cycle sometime this year and start cutting next year. This constitutes a structural support for gold over the medium and long term," ANZ said in a note. — Reuters

Source: REUTERS
FRIDAY, JUNE 16, 2023

US COMMODITY FUTURES



Concepcion: Transforming agriculture will be PBBM's legacy

Go Negosyo founder and Private Sector Advisory Council (PSAC) Lead for Jobs Joey Concepcion strongly supports President Ferdinand "Bongbong" Marcos Jr.'s decision to remain as Agricultural Secretary until the required structural reforms are instituted to make the country's agriculture sector more efficient and competitive.

President Marcos made the remark in a recent event with the Department of Agriculture (DA).

"Staying as the lead for agriculture is a smart decision from the President. He can quickly make reforms and ensure that all systems are in place to help the country's farmers just like what his father did during his term," Concepcion said.

"Having met the President several times to discuss Go Negosyo's Kapatid Angat Lahat Agri Program KALAP, I know that he cares for the farmers, and he is passionate to transform the industry. Given the right time, this will be his legacy," he added.

Concepcion said he is also highly supportive of the President's program of encouraging farm clustering as an important component of his administration's agricultural modernization thrust in his recent pronouncement during his meeting with South Cotabato farmers.

Concepcion underscored the importance of farm clustering to boost productivity, ensure food security and increase the income of farmers.

Farm clustering was among those recommended by Go Negosyo's Kapatid Angat Lahat Program (KALAP) Agri Program and think tank group Foundation for Economic Freedom (FEF) during their meeting with Department of Agrarian Reform (DAR) officials, led by Secretary Conrado Estrella III.

"For the period 2001-2021, the annual average contribution of agriculture to the Gross Domestic Product (GDP) is just 0.3% while industry and the service sectors contributed 1.4 percent 3.1 percent, respectively. This is not acceptable since the asset base of agriculture in terms of land use is huge compared to that of industry and service," said Concepcion.

"Philippine agriculture needs scale. We need clustering to achieve it. For this to become a reality, titling of land needs to be cleaned up," he added.

Through clustering, Concepcion said farming would be attractive to big companies because they only want to lease agriculture lands and not purchase them.

Farm clustering would also serve as the best complement to the reforms and programs being initiated President Ferdinand R. Marcos Jr., as concurrent Department of Agriculture Secretary, to enhance food security, boost the agriculture sector and uplift the lives of farmers.

"It is different if the President himself is at the helm of the Agriculture Department. Also, he has good people implementing his vision for the country, like Agrarian Reform Secretary Estrella and other government agencies," Concepcion said.

"KALAP and the private sector, composed of big brothers in the agri sector, including Dr. Fermin Adriano of FEF, are always here to offer our expertise to help the President attain his vision," he added.

Through farm clustering, it would be easier for the government to provide assistance to farmers, such as loans and farm machinery, because it would deal with groups rather than individual tillers, FEF representative Dr. Fermin Adriano explained during the meeting with DAR.

"The process will pave way for the use of modern farm machinery and technologies, thereby achieving economies of scale, and allow the development of downstream industries, such as food processing, due to adequate and reliable supply of raw materials," he added.

Other countries that have implemented farm clustering, such as China, Vietnam, Laos, and Cambodia, all enjoyed higher yields.

In his opinion piece for the Manila Times, Adriano batted for the immediate and proper implementation of the law condoning the debt of defaulting agrarian reform beneficiaries (ARB).

"The challenge now is to formulate implementing rules and regulations that will facilitate awarding of individual land titles. This means the process should not be burdensome for the ARBs," Adriano said in his column.

He also called for the implementation of a higher land retention ceiling, currently at 5 hectares for a couple tilling the land and 3 hectares for an individual cultivator.

"The proposal of the FEF is to raise it to at least 24 hectares in accordance with the ceiling provided for the homesteaders program of the past. If adopted, this will promote the rise of Filipino middle-class farmers or 'family-operated farms,'" he said.

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