Oil prices dip on stronger dollar; investors book profit after rally

HOUSTON — Oil prices edged lower on a stronger dollar and signs of profit taking after a rally in July when investors bet on tighter global supplies and demand growth in the second half of 2023.

Brent crude futures for October settled at $84.91 a barrel on Tuesday, down 52 cents or 0.6%. Front-month Brent settled on Monday at its highest since April 13.

US West Texas Intermediate (WTI) crude futures closed at $81.37 a barrel, down 43 cents or 0.5% from the previous session's settlement, which was its highest since April 14.

The dollar index, a measure of the greenback against six major currencies, rose 0.4%. A stronger dollar makes crude more expensive for investors holding other currencies.

US crude oil stocks fell by about 15.4 million barrels in the week ended July 28, according to American Petroleum Institute figures on Tuesday. Analysts had expected a drop of 1.37 million barrels.

Gasoline fell by about 1.7 million barrels, compared with estimates for a 1.3 million-barrel drop. Distillate fell by about 510,000 barrels, compared with analysts estimates for a build of 112,000 barrels.

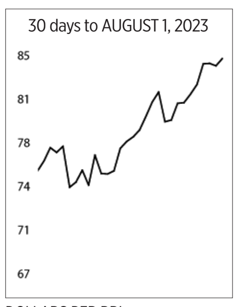
The inventory data helped crude futures tick up in post settlement trade. Brent was up 32 cents or 0.4% at $85.75, while US crude futures jumped 40 cents or 0.5% to $82.22 in thin volumes.

On the supply side, this Friday's Organization of the Petroleum Exporting Countries (OPEC) and its allies including Russia (OPEC+) meeting is expected to see Saudi Arabia roll its voluntary cuts through September, further tightening supplies.

OPEC oil output fell in July after Saudi Arabia made an additional voluntary cut as part of the OPEC+ producer group's latest agreement to support the market, and an outage curbed Nigerian supply, a Reuters survey found on Monday.

At a conference on Monday, BP chief Bernard Looney presaged oil demand growth continuing into next year and OPEC+ being increasingly disciplined. — ***Reuters***

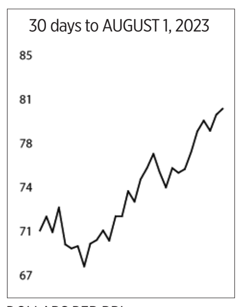
ASIA-DUBAI
(AUGUST CONTRACT)



DOLLARS PER BBL

July	26	27	28	31	1
$/bbl	84.30	84.10	84.70	85.64	85.84
Average (August 1)					**$85.84**
Average (July 3-31)					**$80.45**

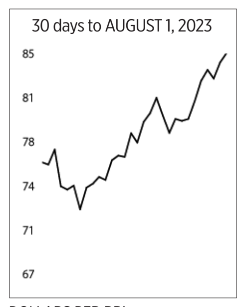
NEW YORK-WTI
(SEPTEMBER CONTRACT)



DOLLARS PER BBL

July	26	27	28	31	1
$/bbl	78.78	80.09	80.58	81.80	81.37
Average (August 1)					**$81.37**
Average (July 3-31)					**$76.04**

LONDON-BRENT
(OCTOBER CONTRACT)



DOLLARS PER BBL

July	26	27	28	31	1
$/bbl	82.92	84.24	84.99	85.43	84.91
Average (August 1)					**$84.91**
Average (July 3-31)					**$80.15**

Source: REUTERS

S&P 500, Nasdaq end lower on first day of August

THE S&P 500 and Nasdaq closed weaker on Tuesday, the first day of seasonally slow August, ahead of US jobs data and major companies' earnings reports later this week.

US stocks ended July on a strong footing, as investors welcomed better-than-expected earnings. Support also came from hopes of a soft landing for the economy which has stayed resilient as inflation has cooled with rising interest rates.

The benchmark S&P 500 hit a 16-month high on Monday, and is less than 5% away from breaching its record high closing level notched on Jan. 3, 2022.

Keeping a lid on the Dow's losses, Caterpillar added 8.9% as the global economic bellwether reported a rise in second-quarter profit, though it warned of a sequential fall in current-quarter sales and margins.

Among pharmaceutical heavyweights, Pfizer edged lower in choppy trading after the drugmaker's quarterly revenue fell short of Wall Street expectations, hit by declining sales of its COVID-19 products.

US second-quarter earnings are now expected to fall 5.9% from a year earlier, Refinitiv data on Tuesday showed, compared with a 7.9% decline estimated a week earlier.

US manufacturing appeared to have stabilized at weaker levels in July as new orders gradually improved, while a survey showed factory employment dropped to a three-year low, suggesting that layoffs were accelerating.

Arista Networks rose 19.7% as the network gear maker forecast quarterly revenue above estimates after delivering better-than-expected results.

The Dow Jones Industrial Average rose 71.15 points or 0.2% to 35,630.68. The S&P 500 lost 12.23 points or 0.27% at 4,576.73 and the Nasdaq Composite dropped 62.11 points or 0.43% to 14,283.91.

Volume on US exchanges was 10.45 billion shares, compared with the 10.72 billion average for the full session over the last 20 trading days.

Shares of Norwegian Cruise Line tumbled 12.1% after it forecast third-quarter profit below estimates, citing higher costs.

Declining issues outnumbered advancers on the NYSE by a 2.16-to-1 ratio; on Nasdaq, a 1.67-to-1 ratio favored decliners. The S&P 500 posted 23 new 52-week highs and three new lows; the Nasdaq Composite recorded 84 new highs and 70 new lows. — ***Reuters***

SPOT PRICES
TUESDAY, AUGUST 1, 2023

METAL	
PALLADIUM free $/troy oz	1,237.09
PALLADIUM JMI base, $/troy oz	1,246.00
PLATINUM free $/troy oz	927.78
PLATINUM JMI base $/troy oz	934.00
KRUGGERAND, fob $/troy oz	1,963.00
IRIDIUM, whs rot, $/troy oz	4,590.00
RHODIUM, whs rot, $/troy oz	4,090.00
GRAINS (July 27, 2023)	
(FOB Bangkok basis at every Thursday)	
FRAGRANT (100%) 1st Class, $/ton	925.00
FRAGRANT (100%) 2nd Class, $/ton	869.00
RICE (5%) White Thai- $/ton	572.00
RICE (10%) White Thai- $/ton	571.00
RICE (15%) White Thai- $/ton	560.00
RICE (25%) White Thai- $/ton (Super)	560.00
BROKER RICE A-1 Super $/ton	469.00
FOOD	
COCOA ICCO Dly (SDR/mt)	2,604.47
COCOA ICCO $/mt	3,497.65
COFFEE ICA comp '2001 cts/lb	161.54
SUGAR ISA FOB Daily Price, Carib. port cts/lb	23.77
SUGAR ISA 15-day ave.	23.90

LIFFE COFFEE
New Robusta 10 MT - $/ton

	High	Low	Sett	Psett
Sept.	2,655	2,606	2,635	2,621
Nov.	2,517	2,467	2,494	2,476
Jan.	2,436	2,390	2,414	2,400
Mar.	2,396	2,355	2,381	2,364

LIFFE COCOA
(Ldn)-10 MT-£/ton

	High	Low	Sett	Psett
Sept.	2,718	2,676	2,703	2,698
Dec.	2,720	2,687	2,715	2,704
Mar.	2,671	2,639	2,666	2,653
May	2,625	2,594	2,622	2,608

COCONUT

MANILA COPRA (based on 6% moisture)	
Peso/100kg	Buyer/Seller
Lag/Qzn/Luc 23	3,450.00/3,500.00
Philippine Coconut Oil - Crude	
CIF NY/NOLA	55.00
PALM OIL RAIL/NOLA	58.00
COCONUT OIL (PHIL/IDN), $ per ton, CIF Europe	
Sept./Oct.'23	0.00/1,090.00
Oct./Nov.'23	0.00/1,100.00
Nov./Dec.'23	1,030.00/1,110.00
Dec./Jan.'24	0.00/1,120.00

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

	3 MOS.
ALUMINUM H.G.	2,255.50
ALUMINUM Alloy	1,800.00
COPPER	8,631.00
LEAD	2,147.00
NICKEL	22,358.00
TIN	27,724.00
ZINC	2,569.00

Gold prices slip 1% as US dollar, Treasury yields settle higher

GOLD PRICES fell 1% on Tuesday, weighed down by a stronger dollar and an uptick in bond yields, while investors looked forward to more US economic data this week that could influence the US Federal Reserve's policy stance.

Spot gold was down 1% at $1,944.29 per ounce by 02:51 p.m. ET (1851 GMT). US gold futures settled 1.5% lower at $1,978.80.

"Gold prices are softening as we see movement higher in the US dollar. There is also some profit-taking ahead of a nonfarm payroll report in the week," said Edward Moya, senior market analyst at OANDA.

The dollar index rose 0.5% to a three-week high against its rivals, making gold more expensive for holders of other currency.

US Treasury yields rose as investors positioned for the Treasury's refunding announcement on Wednesday and anticipated more economic resilience going forward, despite data on Tuesday showing a slowdown in activity.

Data on Tuesday showed US job openings fell to the lowest level in more than two years in June, but remained at levels consistent with tight labor market conditions.

Gold ended July with 2.5% gains — its biggest monthly increase in four months — driven by hopes that major global central banks are nearing a peak with interest rate hikes amid signs of slowing inflation.

Higher interest rates increase the opportunity cost of holding non-yielding bullion.

Spot silver fell 2% to $24.27 an ounce; platinum fell about 2% to $930.50; and palladium dropped 3.4% to $1,238.84. — ***Reuters***

Thai, Vietnam exporters renegotiating price of 500,000 tons of rice deals

SINGAPORE — Rice exporters in Thailand and Vietnam are renegotiating prices on sales contracts for around half a million metric tons for August shipments, two trade sources said, as India's ban has tightened global supplies.

Exporters are rushing to cover rice supplies from farmers who have raised prices following a surge in the world market, putting millions of dollars worth of deals at risk.

Rice farmers and exporters who had bought shipments in advance are set to gain from tightening world supplies, while buyers are likely to lose despite booking cargoes before India's announcement of ban as sellers renegotiate contracts to get higher prices.

Rice importers have no choice but to pay higher rates as sellers will default on contracts, given the substantial increase in prices of the staple, traders said.

India late last month banned white rice exports amid uncertainty over domestic production, heightening food supply worries among importers of the staple in Asia and Africa.

Thailand and Vietnam, the world's No. 2 and 3 exporters, respectively, are estimated to ship more than one million metric tons of rice in August. India is the world's biggest rice exporter accounting for around 40% of global supplies.

Global prices of key rice varieties shipped worldwide have climbed by about $80 per metric ton since India imposed the ban on July 20, they said.

Thailand's 5% broken rice prices climbed to $625 per metric ton, versus $545 around two weeks ago, while similar variety from Vietnam has risen to $590 a metric ton as compared with $515-$525.

"The current prices are way higher than the contracted prices," said one trader in Ho Chi Minh City. "The export price surge has resulted in a sharp rise in domestic paddy prices. Several traders are now rushing to sped up their purchases from farmers."

While large exporting houses are likely to fulfil contracts, smaller trading companies are expected to default on shipments, traders said.

Importers, including the Philippines, are likely to seek direct deals with governments of exporting countries to ensure critical food supplies. The Philippines will boost its inventory of rice, including imports, with the government encouraging private traders to ramp up their purchases, a senior agriculture official said on Tuesday. — ***Reuters***

Rating agency Fitch cuts US credit rating to AA+

RATING agency Fitch on Tuesday downgraded the US government's top credit rating, a move that drew an angry response from the White House and surprised investors, coming despite the resolution of the debt ceiling crisis two months ago.

Fitch downgraded the United States to AA+ from AAA, citing fiscal deterioration over the next three years and repeated down-the-wire debt ceiling negotiations that threaten the government's ability to pay its bills.

Fitch had first flagged the possibility of a downgrade in May, then maintained that position in June after the debt ceiling crisis was resolved, saying it intended to finalize the review in the third quarter of this year.

With the downgrade, it becomes the second major rating agency after Standard & Poor's to strip the United States of its triple-A rating.

The dollar fell across a range of currencies, stock futures ticked down and Treasury futures rose after the announcement. But several investors and analysts said they expected the impact of the downgrade to be limited.

Fitch's move came two months after Democratic President Joseph R. Biden and the Republican-controlled House of Representatives reached a debt ceiling agreement that lifted the government's $31.4 trillion borrowing limit, ending months of political brinkmanship.

"In Fitch's view, there has been a steady deterioration in standards of governance over the last 20 years, including on fiscal and debt matters, notwithstanding the June bipartisan agreement to suspend the debt limit until January 2025," the rating agency said in a statement.

US Treasury Secretary Janet Yellen disagreed with Fitch's downgrade, in a statement that called it "arbitrary and based on outdated data."

The White House had a similar view, saying it "strongly disagrees with this decision."

"It defies reality to downgrade the United States at a moment when President Biden has delivered the strongest recovery of any major economy in the world," said White House press secretary Karine Jean-Pierre.

REPUTATIONAL DENT

Analysts said the move shows the depth of harm caused to the United States by repeated rounds of contentious debate over the debt ceiling, which pushed the nation to the brink of default in May.

"This basically tells you the US government's spending is a problem," said Steven Ricchiuto, US chief economist at Mizuho Securities USA.

Fitch said repeated political standoffs and last-minute resolutions over the debt limit have eroded confidence in fiscal management.

Michael Schulman, chief investment officer at Running Point Capital Advisors said the "US overall will be seen as strong but I think it's a little chink in our armor."

Others expressed surprise at the timing, even though Fitch had flagged the possibility.

"I don't understand how they (Fitch) have worse information now than before the debt ceiling crisis was resolved," said Wendy Edelberg, director of The Hamilton Project At The Brookings Institution in Washington, D.C.

Still, investors saw limited long-term impact.

"I don't think you are going to see too many investors, especially those with a long-term investment strategy saying I should sell stocks because Fitch took us from AAA to AA+," said Jason Ware, chief investment officer at Albion Financial Group.

Investors use credit ratings to assess the risk profile of companies and governments when they raise financing in debt capital markets. Generally, the lower a borrower's rating, the higher its financing costs.

"This was unexpected, kind of came from left field," said Keith Lerner, co-chief investment officer at Truist Advisory Services in Atlanta. "As far as the market impact, it's uncertain right now. The market is at a point where it's somewhat vulnerable to bad news."

LIMITED IMPACT

In a previous debt ceiling crisis in 2011, Standard & Poor's cut the top "AAA" rating by one notch a few days after a debt ceiling deal, citing political polarization and insufficient steps to right the nation's fiscal outlook. Its rating is still "AA-plus" — its second highest.

After that downgrade, US stocks tumbled and the impact of the rating cut was felt across global stock markets, which were at the time already in the throes of the euro zone financial meltdown. Paradoxically, US Treasuries prices rose because of a flight to quality from equities.

In May, Fitch had placed its "AAA" rating of US sovereign debt on watch for a possible downgrade, citing downside risks, including political brinkmanship and a growing debt burden.

A Moody's Analytics report from May said a downgrade of Treasury debt would set off a cascade of credit implications and downgrades on the debt of many other institutions.

Other analysts had pointed to risks that another downgrade by a major rating agency could affect investment portfolios that hold top-rated securities.

Raymond James analyst Ed Mills, however, said on Tuesday he did not anticipate markets to react significantly to the news.

"My understanding has been that after the S&P downgrade a lot of these contracts were reworked to say 'triple-A' or 'government-guaranteed,' and so the government guarantee is more important than the Fitch rating," he said.

Others echoed that view.

"Overall, this announcement is much more likely to be dismissed than have a lasting disruptive impact on the US economy and markets," Mohamed El-Erian, President at Queens' College, said in a LinkedIn post. — ***Reuters***

Extreme heat cuts into US small business, worker hours in July, report shows

RECORD-breaking heat waves across the US forced small businesses to close early in July, according to a report released on Tuesday, and reduced paid working hours for employees as dangerous temperatures reshape consumer behavior.

Hundreds of millions Americans dealt with extreme heat advisories in the past two weeks, as temperatures across the South and Southwest hit historic highs. These hazardous conditions have kept consumers inside and forced small businesses to close early — cutting into paid hours for employees — according to a report by the small business payroll company Homebase.

Nationally, small business employees worked 0.9% fewer hours in the first two weeks of July compared with the last two weeks of June — a standard seasonal change that is typical of summer months — the report said. But slowdowns were up to five-and-a-half times higher in cities that experienced the worst of the heat wave, highlighting the impact of high temperatures on local economies.

Small business employees in New Orleans and Memphis, for example, were on the clock 5.7% and 5.1% less, respectively, than they were in June as business owners shorten hours to adjust for fewer customers and try to protect employees from too much heat exposure. Memphis clocked 11 days with temperatures at 90 degrees Fahrenheit (32 degrees Celsius) or above in July, while New Orleans recorded 26 days in the 90s.

By contrast, businesses in cities that experienced shorter heat waves were able to increase hours of operation and the number of employees working: Boston — with just two days in the 90s — saw the largest month-to-month increase in the number of hours worked by employees at 7.8%.

Danah Lee saw it firsthand as an employee at Willie's Taco Joint in Phoenix — where earlier in July the National Weather Service recorded the longest consecutive streak of temperatures over 110 degrees Fahrenheit in history. Lee said there has been a significant decrease in foot traffic and the indoor dining areas consistently reach 95 degrees or above, despite the restaurant's best efforts to keep things cool.

Some employers in labor intensive outdoor industries are electing to shift workers' hours earlier in the day while temperatures are relatively lower rather than cutting them altogether, according to Travis Parsons, director of occupational safety and health for Laborers International Union of North America, which represents half a million builders across the US and Canada.

But Parsons said the lack of federal oversight meant that contractors were not obliged to make these accommodations in some states, leaving workers vulnerable to heat-related injuries. — ***Reuters***