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OIL LOWER AS EQUITY FUTURES EASE

Oil retreated on Tuesday to stay below \$75, tracking Asian equities lower and on forecasts for a seventh straight weekly gain in distillate fuel inventories at top consumer the United States.

Chinese stocks fell 2 percent on reports that Beijing will not relax tougher property measures any time soon, curbing early gains in other Asian equity markets and tempering strong U.S. corporate earnings and forecasts for a fourth consecutive weekly fall in the nation's crude stockpiles.

U.S. crude prices fell 19 cents to \$74.76 a barrel by 0449 GMT after rising by as much as 43 cents to \$75.38 a barrel earlier. ICE Brent declined 26 cents to \$74.11.

"Market participants watch stock markets and euro events more than fundamentals," said Keichi Sano, general manager of research at SCM Securities in Tokyo.

"We shall expect more hurricanes this season, so at this point we should pay more attention to the level of stockpiles."

U.S. crude stockpiles probably fell by 2 million barrels in the week to July 9, a Reuters survey showed, after tumbling 5 million barrels a week earlier because of shutdowns and shipping disruptions related to Hurricane Alex.

U.S. distillate inventories probably rose by 700,000 barrels, the survey showed, while gasoline probably added 300,000 barrels.

The industry group American Petroleum Institute will release its weekly inventory report on Tuesday at 2030 GMT, followed by government statistics from the Energy Information Administration on Wednesday at 1430 GMT.

Crude on the New York Mercantile Exchange (NYMEX) touched \$76.48 on Friday, the highest price this month, but still more than \$10 below an early-May peak above \$87.

EARNINGS OPTIMISM - Japan's Nikkei average earlier on Tuesday edged up 0.5 percent as investors took heart from Alcoa's stronger-than-expected quarterly profit reported after the close of U.S. trade, but later slid 0.4 percent. Many investors were anticipating earnings forecasts to be revised downward, given expectations for slowing economic activity in the United States and China.

The U.S. results season officially started on Monday, with the focus now on quarterly reports from JPMorgan on Thursday and General Electric on Friday.

BP said it had installed a cap meant to halt the flow of oil from its ruptured Gulf of Mexico well on Monday and the Obama administration issued a new moratorium on deepwater oil drilling.

"BP's oil leakage trouble does not necessarily give a bullish impact to the back of the (forward price) curve," Sano said. "If deepwater developments are prohibited, then other forms of non-conventional gas and crude oil production can compensate."

METALS EASIER ON CHINESE ECONOMIC UNCERTAINTY

Shanghai copper fell more than 1 percent on Tuesday and London extended the previous session's 2 percent fall, as China denied it would ease property investment limits and worry over global economy prospects lingered.

Moody's downgraded the sovereign debt rating of euro zone member Portugal by two notches, signalling continued woes for weaker economies in the single-currency zone.

Weakening equities in China also weighed on metals. The benchmark Shanghai Composite fell 1.6 percent, the biggest single-day loss in two weeks, as government agencies denied rumours they would relax property market restrictions after the first fall in nationwide house prices since February 2009.

"The market is looking at government policies -- we can clearly see the influence of the policies on the property industry," said Zhou Jie, an analyst at Shanghai CIFCO Futures.

"Copper prices are probably going to trade in a tight range in absence of any major macro news, \$6,500 to \$6,750 for London."

Three-month copper on the London Metal Exchange lost \$55 to \$6,575 a tonne, just above the one-week low of \$6,568.

Shanghai's benchmark third-month copper futures contract hit a one-week low of 52,530 yuan a tonne, before ending at 52,560 yuan, down 1.2 percent.

The most-active contract for October delivery was down 1.5 percent at 52,290 yuan.

"We've seen metals retreating in the past few days. Prices need to consolidate, and the key behind price moves is still China's economy," said a trader based in China's eastern province of Zhejiang.

Stoking hopes of improving demand, LME's copper stockpile fell another 1,650 tonnes on Monday to 435,450 tonnes, the lowest since late November.

A near-continuous decline since the start of March has taken volumes to a fifth below the six-and-a-half year high of mid-February.

But the ratio of cancelled warrants, or material tagged for delivery, to total stocks fell to 6.8 percent, the lowest in two and a half weeks.

"Even though LME copper stocks have been declining, we also saw cancelled warrants peak and start to fall. Are people really buying a lot? This is the question," said Zhou of Shanghai CIFCO.

CORN DROPS SLIGHTLY ON BETTER CROP OUTLOOK

U.S. corn futures fell around 1 percent on Tuesday after the U.S. Department of Agriculture (USDA) reported that the condition of the 2010 crop in the United States had improved, thanks to better weather.

The USDA raised its condition ratings on the U.S. corn crop by 2 percentage points as drier weather and warm temperatures boosted crop development in key production areas of the U.S. Midwest.

The crop report was released after trading closed in Chicago on Monday.

"It was certainly a positive step after three weeks of downgrades -- the time window for corn to have a bad finish is shrinking very quickly," said a Sydney-based commodities trader.

Chicago Board of Trade (CBOT) corn for September delivery fell 1.05 percent to \$3.75-¾ per bushel by 0325 GMT while the December harvest contract dropped 0.96 percent to \$3.88. The July contract, which expires on July 14, fell 1.08 percent to \$3.67-¼.

"It is still the case of the U.S. crop looking in healthy condition, although there's still some way to go to harvest," said Toby Hassall, an analyst at CWA Global Markets.

"The (U.S.) soybean crop conditions are also healthy so we are looking at bumper harvests," he said.

CBOT soybean futures retreated from six-month highs struck on Monday.

The market faces reports of strong demand from China, the world's largest soybeans importer, and improving weather prospects in the U.S. Midwest farm belt.

Trade talk was that China had been in the market for new crop U.S. soybeans. CBOT soybeans for August delivery lost 0.43 percent to \$9.93-1/2, ending eight days of gains during which tight U.S. cash markets drove the benchmark contract to its highest level since April 26. The harvest month November contract dropped 0.42 percent to \$9.47 per bushel, maintaining a discount to near delivery contracts and reflecting expectations of a bumper U.S. crop. The expiring July contract lost 0.17 percent to \$10.30. Wheat futures for September delivery slipped 0.84 percent to \$5.31-1/4 per bushel, after staging a more than 10 percent rally since the start of the month. The rally was induced by excessive rain cutting plantings in Canada and drought and heat reducing expectations for crops in Russia and Kazakhstan.

Charts suggest the CBOT September wheat contract could fall to its next resistance level of \$5.23-3/4 as fundamental support subsides.

"I think the market has revised supply views because of adverse weather in parts of the northern hemisphere, mainly Russia and Canada, that has been reflected in firmer prices," said Hassall.

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