ENERGY MARKETS FORUM DAILY BULLETIN

Consultancy Intelligence Publishing

MONDAY /// MAY 24th /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL PRICES RISE AS STORM FORMS IN GULF, DOUBTS EMERGE ON IRAN DEAL
2. ASIA CRUDE OIL: KEY MARKET INDICATORS THIS WEEK
3. NO SIGN YET IRAN WILL TAKE STEPS NEEDED TO REMOVE SANCTIONS
4. OIL COMPANIES SAY KRG PAYMENT SLOW-DOWN PUTS NEW INVESTMENT AT RISK
5. FIRST WARNING SIGN IN THE GLOBAL COMMODITY BOOM FLASHES IN CHINA
6. JAPAN'S OSAKA CITY CRUMPLES UNDER COVID-19 ONSLAUGHT
7. PFIZER & ASTRAZENECA JABS EFFECTIVE AGAINST INDIAN VARIANT
8. BELARUS 'DIVERTS RYANAIR FLIGHT TO ARREST JOURNALIST'
9. NEW COVID-19 CASES HAVEN'T BEEN THIS LOW IN THE US SINCE LAST JUNE
10. IAEA DIRECTOR GENERAL PRESS CONFERENCE EXPECTED ON MONDAY

RECOMMENDED VIDEOS & REPORTS

- DID CHINA JUST SOUND THE DEATH KNELL FOR VENEZUELA'S OIL INDUSTRY?
- BITCOIN DOWN ALMOST 50% FROM YEAR'S HIGH
- US IMPOSES RESTRICTIONS ON ETHIOPIA ASSISTANCE OVER TIGRAY
- INDIAN SEAFARERS LEFT IN LIMBO DUE TO TIGHTER COVID-19 RESTRICTIONS
- SAME OLD, SAME OLD AT THE TOP IN IRAN
- CHINA TARGETS 'SPECULATORS AND HOARDERS' TO STOP COMMODITY BOOM

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NEW SILK ROAD LIVE PODCAST

Omar Najia
Global Head, Derivatives
BB Energy

Vitaly Yermakov
Senior Research Fellow
The Oxford Institute for Energy Studies

Kevin Wright
Lead Analyst APAC
Kpler

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NEW SILK ROAD LIVE

TOP 3

MONDAY /// MAY 24th

TAKEAWAYS

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DAILY OIL COMMENTARY

FX

The dollar index closed the week at 90.017, marginally lower than the previous week's level of 90.321, despite strengthening against the majors on Friday. The euro had been trading at levels last seen in January earlier in the week, before dovish comments by ECB President Christine Lagarde regarding the likelihood – or otherwise – of any imminent tightening of policy saw the single currency drop to close -0.4% lower at 1.2182, up marginally from the previous Friday's close of 1.2141. The pound also weakened Friday, closing at 1.415, but during the week it had hit three-year highs, coming close to the levels seen in early 2018.

Equities

Equity markets were mixed last week, although the prevailing move by the end of Friday was for a modest rise. The notable exception was in the US, where both the S&P 500 and the Dow Jones ended the week lower, by -0.4% and -0.5% respectively. The latest data might have been strong, but this is further fueling the reflation debate, despite the release of dovish FOMC minutes from the last meeting. The NASDAQ actually managed to secure w/w gains of 0.3%, despite a -0.5% drop on Friday. In Europe, the FTSE 100 ended down -0.4% w/w, but there were gains seen on the continent, as the composite STOXX 600 rose 0.6% w/w. The CAC closed flat and the DAX gained 0.1%, but Italy's FTSE MIB closed 0.8% higher. In Asia, the Shanghai Composite lost -0.1% w/w, following a -0.6% drop on Friday as regulators warned again against bubble risks – especially those associated with cryptocurrency speculation. The Nikkei gained 0.8% w/w but remains down -2.4% m/m given the concerns over a resurgent coronavirus there that have troubled markets in recent weeks. In the region, the DFM closed up 1.5% on Friday for a 2.0% w/w gain, but it was the ADX that was the notable gainer, with strong rises at the start of the period leading to a 5.0% rise by the end of the week. The Borsa Istanbul gained 0.5% w/w but remains down -1.7% ytd.

Commodities

Both major benchmarks closed lower last week. Brent futures lost -3.3% to close at $66.4/bl, while WTI dropped -2.7% to $63.6/bl. This was the worst week in over a month for the commodity, with seemingly positive noises coming out of discussions around the JCPOA and the potential return of Iranian crude to the market weighing on sentiment. Aside from these supply issues, the situation in India illustrates that demand is not guaranteed still either. As the country has struggled to contain high Covid-19 case numbers, sales of gasoline have reportedly fallen -20%.

Source: Emirates NBD

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ENERGY MARKETS FORUM
EXCLUSIVE 60 SECOND SOUNDBITES

Kevin Wright
Lead Analyst APAC
Kpler

"Is China Demand Running Out of Steam?"

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EXCLUSIVE 60 SECOND SOUNDBITES

Vitaly Yermakov
Senior Research Fellow
The Oxford Institute for Energy Studies

"Asia is Sucking in all the Flexible LNG"

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NEW SILK ROAD

EXCLUSIVE SERIES

VIEWS YOU CAN USE

Marc Ostwald
Chief Economist & Global Strategist
ADM Investor Services International

Outlook for Chinese industrial growth following this week's released data?
We were hoping for more pickup in private consumption, but industrial production continued to be much more robust, at 19.9, paced above all by the steel and aluminum sectors, which both saw record levels of output. Steel is a concern because its strength came despite restrictions on output from the local authorities. Meanwhile, smaller downstream manufacturers in China are struggling with rising import prices across the board, in energy and industrial metals. The government has said it may intervene and it is this regulatory intervention which remains the greatest threat to Chinese growth, particularly with so much uncertainty about demand in Southeast Asia.

Are the positive revisions on economic growth at threat?
Forecasts are going to be constantly revised because there isn't that much visibility. We've got a lot of supply chain disruptions. We are going to be coming out of this recovery with many companies having had huge revenue hits and having scaled back. What they won't want to do is scale up and still be paying for all the debt. There are big risks over the next couple of months, with countries starting to remove unemployment benefits and rolling back company furlough schemes etc. This will make for a big stop start scenario and will be hugely uneven. The global economy is not going to rebuild in the same way as before. Except for the manufacturing sector, we really don't know what demand is going to look like so people will err on the side of caution, which will create price pressures.

Any notes of interest in the week ahead?
We won't see bond yields hit any levels which would start to drag away from riskier assets. The inflation story, central bank policy and pickup in commodity prices are all driving greater volatility but not necessarily a bigger downtrend. PMIs coming out at the end of the week will be anecdotal evidence in terms of footfall in leisure activities in Europe. Overall, the recovery is going to be increasingly a balancing act between two sides - Europe, the UK and North America on one, and Asia on the other. ■

**Paraphrased comments*