ENERGY MARKETS FORUM
DAILY BULLETIN

Consultancy Intelligence Publishing

SUNDAY /// APRIL 18th /// 2021

DAILY OIL COMMENTARY

"CHINA'S ECONOMIC GROWTH DATA COULD BLOW OUR SOCKS OFF AT OVER 15%!"

Jorge Montepeque, President, General Index

Global oil demand is strong. There are exceptions like Europe for the time being, but China is doing remarkably well.

There's economic data expected this week from China that could blow our socks off - we could see year-on-year GDP numbers for Q1 jump over 15%! China was the first country to lock down last year, and they have had a unique approach of controlling the pandemic by tightening their borders to avoid contamination. The UK and the US has been fighting it off via vaccine. But at the end of the day, China and the US are consuming a lot of energy. The emerging markets world, meanwhile, despite still having major issues with the pandemic, is getting on with life. In 2021, we should not be surprised to see global economic data very close to pre-pandemic levels. The horrible period is totally behind us and we will be facing a new normal – and that means a major drawdown in crude oil inventories. We have now had backwardated markets for over 3 months, which signals that inventories have been drawn down, and that backwardation has since steepened significantly.

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DAILY ENERGY MARKETS FORUM NEW SILK ROAD LIVE PODCAST

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TOP 3

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TAKEAWAYS

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TOP 10 DAILY NEWS DIGEST

1. OIL NUDGES DOWN BUT SECURES WEEKLY GAIN ON RECOVERY HOPES
2. OPEC+ TO GRADUALLY EASE PRODUCTION CUTS IN MAY-JULY
3. US OIL DRILLERS 'DYING ON THE VINE' AS PE FLIGHT PROMPTS FUNDING DROUGHT
4. INDIA TO KEEP HINDU FESTIVAL SYMBOLIC AS COVID-19 INFECTIONS SURGE
5. US HOUSING STARTS NEAR 15-YEAR HIGH
6. CHINA GDP GROWS RECORD 18.3% IN FIRST QUARTER
7. ARAMCO RESUMES WORK ON OFFSHORE OIL CAPACITY EXPANSION
8. INDIAN FUEL DEMAND FALLS AS COVID SURGE WORSENS
9. IRAN NUCLEAR TALKS TO LAST SEVERAL DAYS THEN PAUSE
10. OMAN BECOMES FOURTH GCC COUNTRY TO INTRODUCE VAT

RECOMMENDED VIDEOS & REPORTS

- US RELIANCE ON RUSSIAN OIL HITS RECORD HIGH
- FRAC SPREAD COUNT - UP & OUT!
- NEW STRATEGIES FOR THE BIG THREE OIL PRODUCERS
- PANDEMIC DESTROYED FEWER US BUSINESSES THAN FEARED
- SHELL TO EXHAUST DWINDLING OIL & GAS RESERVES BY 2040
- THE US RISKS FORCING CHINA'S HAND ON TAIWAN
- WE ARE GOING TO HAVE A VERY UNEVEN RECOVERY GLOBALLY

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Sara Akbar
Chairperson & CEO, OiLSERV, Kuwait
& Non-Executive Director, Petrofac

What do you make of this monthly management of the market by OPEC?
Real time data is enabling demand and supply changes all the time. On the supply side, what helps is having OPEC surplus capacity that can be brought in at any minute. When things start to become tighter - which they will - then it will be a different ball game but until we consume the remaining six or seven million barrels, the market will be managed in real time. In terms of future direction for prices, as long as economic growth remains on track for this year in major centres such as the US and China, we are likely to stay at these levels.

Geopolitical tensions seem to be having little impact on prices?
The geopolitical picture is continuously getting more tense with third party proxy wars or direct attacks on infrastructure. It's all related to the discussions between the US and Iran on the nuclear treaty. When we get that agreement, things will slowly get back to normal. Both the US and Iran are very keen to reach a deal for their own reasons. GCC countries also don't want to see more tension in the region – it's in the interest of all to have an agreement that can settle things down for a while and I believe a deal is imminent.

How is Kuwait managing its fiscal condition amidst depleted oil revenues?
Oil revenue is one source of income and in the long run, we need to lessen our reliance on it. The second is services and taxes and lastly, we have the sovereign wealth fund but traditionally we have not used income from the latter to fund expenditure. The government is looking to raise $75 billion in the market to resolve the liquidity crisis but because of internal political turmoil, we haven't managed to do so yet. ■

**Paraphrased comments*