

Daily Energy Markets BULLETIN



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WEDNESDAY /// JAN 26th

TOP 10 DAILY NEWS DIGEST

1. OIL DIPS ON PROFIT-TAKING AHEAD OF FED UPDATE
2. OFFSHORE OIL IS MAKING A COMEBACK AS DEMAND RETURNS
3. CHINA SLASHING CRUDE STOCKPILING ENDS OIL DEMAND GROWTH DRIVER
4. EU'S BIGGEST OIL REFINERY PLANS TO TAKE PROCESSING UNITS OFFLINE
5. GERMANY HAS SOUGHT ENERGY EXEMPTION IN RUSSIA FINANCE SANCTIONS
6. CHINA OFFERS HONGKONG COVID TEST HELP AS OUTBREAK SPREADS
7. BIDEN SAYS PUTIN AT RISK OF PERSONAL SANCTIONS OVER UKRAINE
8. STOCKS DON'T RISE OR FALL BECAUSE OF INTEREST RATES
9. HOW THE US SHOULD RESPOND IF RUSSIA INVADES UKRAINE
10. UAE'S STATE OIL FIRM PREPARES FOR FIRST BOND ISSUE

RECOMMENDED REPORTS

- SHIFTING POWERS: CLIMATE COOPERATION, CHAOS OR COMPETITION?
- IRAN: REMOVAL OF SANCTIONS WILL OPEN ROOM FOR ANY DEAL
- BACKGROUND PRESS CALL BY SENIOR ADMINISTRATION OFFICIALS ON RUSSIA UKRAINE
- CHINA-CENTRAL ASIA NEIGHBORLY RELATIONS A GOOD LESSON TO WASHINGTON
- MAIN ORIGIN OF PRIMARY ENERGY IMPORTS, EU27, 2009-2019
- KRG RESUMES SYRIA CRUDE TRADE
- ROBIN MILLS, QAMAR ENERGY: ENERGY THIS WEEK



Daily Energy Markets PODCAST



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Daily Energy Markets PODCAST



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TOP 3

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TAKEAWAYS

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FX

Currency markets failed to show much conviction ahead of the conclusion of today's FOMC meeting. The DXY was generally higher against peers although hardly in any earth-shattering moves. EURUSD extended losses for a second day, falling by 0.22% to 1.1301 while USDJPY held relatively stable at 113.88. GBPUSD received a bid, settling up 0.1% at 1.3501. Commodity currencies showed a mixed performance overnight with USDCAD moving in favour of the loonie, albeit by less than 0.1% as USDCAD fell to 1.2629. AUDUSD saw a similar-sized gain to close at 0.7151 while NZDUSD was the notable underperformer, falling by almost 0.2% to 0.6687.

Equities

It was another volatile day for equity markets ahead of the FOMC meeting, but this time there was no respite for US indices as seen later in the session on Monday. All three benchmark indices closed down, with the NASDAQ dropping -2.3%, trailed by the S&P 500 (-1.2%) and the Dow Jones (-0.2%). By contrast, European equities had a more positive day following Monday's sell-off, but even the gains recorded there were insufficient to claw back to previous levels. The FTSE 100 added 1.0%, while both the CAC closed 0.7% higher and the DAX 0.8%. There were positive moves locally as the DFM added 0.3% and the ADX 0.1%. Within the region, the Tadawul closed 0.3% higher and Turkey's Borsa Istanbul added 1.8%.

Commodities

Oil markets failed to show much conviction for much of the day until the API reported a draw in US crude stockpiles for last week. Brent futures then managed to gain and settled up 2.2% on the day to USD 88.20/bbl while WTI added 2.8% to USD 85.60/bbl. The API estimates that crude stockpiles in the US fell by 875k bbl last week while gasoline inventories rose by 2.4m bbl. Official data from the EIA will be out later today with markets watching to see if last week's increase in stocks was a one-off.

Source: Emirates NBD

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Jorge Montepeque
President & Founder
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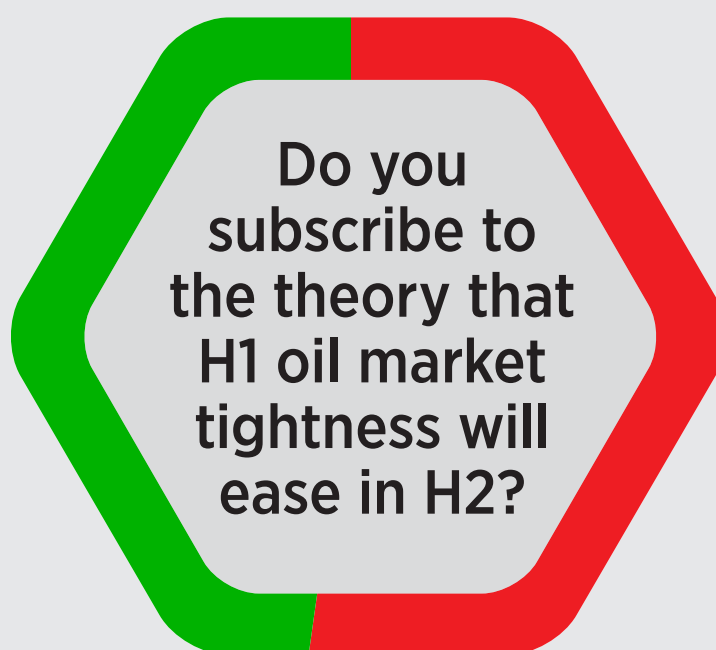


Daily Energy Markets INDUSTRY SURVEY



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48%
Yes



52%
No

Source: GI Research Jan 2022

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VIEWS YOU CAN USE



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Randall Mohammed

Managing Director
PetroIndustrial USA



Are we going to see US production recover in 2022?

We expected shale to come back a lot quicker last year. US production is at 10.5 million bd and based on producers' forecasts, we could get to 12.5 million bd sometime in 2023. The Permian had record production in December, and we expect that trend to continue. The more economical basins are going to start producing first and as the price begins to inch closer to \$100, we could find production coming from the other basins, like in North Dakota and Pennsylvania.

Anywhere else we could see an easing of oil supply this year?

There are places like Guyana, which today produces 120,000 bd but that's not enough to satisfy demand. We need to see producers like Iran playing a role in this whole scenario.

Is the banking sector still supporting the shale recovery?

We have seen capital pull back in the last couple of years but as prices begin to escalate, I think you're going to see that come back, slowly but surely. By 2023, there's going to be an extra 1 million or 1.5 million bd coming out of the US.

Where is the Fed today in terms of its strategy to tackle inflation?

It's under serious pressure and has recognized that inflation is much bigger than what we thought. But even though they've got the conventional tools like open market operations and interest rates to control liquidity, the other side of the equation is the problem with supply chains. That's not easily resolved by either the FED or the Biden administration and is a problem they are going to grapple with probably for the next two or three quarters. We're also still in economic recovery mode and if the Fed moves too quickly, we're going to stall the economy. The Fed should taper over an eight to ten month period, while keeping their eye on those leading indicators - unemployment claims and inflation. ■

**Paraphrased comments*

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Mashreq 60-SECOND SOUNDBITE

Robin Mills

Chief Executive Officer
Qamar Energy



**"It is very difficult for US/
EU to Sanction Russian
energy significantly"**

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Mashreq 60-SECOND SOUNDBITE

Laury Haytayan

MENA Director
Natural Resource Governance Institute



**"Lebanon political
settlement is waiting
on Iran nuclear talks to
conclude"**

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