

ENERGY MARKETS FORUM DAILY BULLETIN



Consultancy
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MONDAY /// NOV 1st /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL DROPS ON CHINA FUEL RESERVES RELEASE; OPEC+ MEETING IN VIEW
2. AS OIL NEARS \$100, INDIA & JAPAN JOIN US IN PRESSURING OPEC TO ACT
3. SAUDI POSTS ITS FIRST QUARTERLY BUDGET SURPLUS SINCE 2019
4. ALGERIA ORDERS TERMINATION OF CONTRACT FOR GAS PIPELINE CROSSING MOROCCO
5. INTEREST IN OPEC CRUDE DOESN'T FIT TIGHT MARKET NARRATIVE
6. MIDEAST GULF GASOLINE PREMIUM AT MORE THAN DECADE HIGH
7. US, EU SOUND WARNING TO IRAN ON FUTURE OF JCPOA
8. G20 COUNTRIES AGREE TO SUPPORT TOURISM RECOVERY
9. BEIJING ANNOUNCES RELEASE OF STATE OIL PRODUCT RESERVE
10. ASIAN FACTORIES SHAKE OFF LOCKDOWN BLUES, NOW FACE SUPPLY HEADACHES

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RECOMMENDED VIDEOS & REPORTS

- CHINA'S ECONOMY SLOWS AS BEIJING WRESTLES WITH DEBT
- GLOBALFOUNDRIES CEO: WE'RE SOLD OUT OF SEMICONDUCTOR CHIP CAPACITY THROUGH 2023
- HIGHER OIL PRICES LIFT EXXONMOBIL, CHEVRON PROFITS
- WORLD LEADERS GATHER FOR COP26 IN A NEW BID TO AVERT CLIMATE DISASTER
- THREE DEAD AS 'TALIBAN' ATTACK AFGHAN WEDDING OVER MUSIC

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NEW SILK ROAD

PODCAST



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NEW SILK ROAD

TOP 3

MONDAY /// NOV 1st

TAKEAWAYS

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FX

The dollar gained sharply on Friday, more than recovering losses earlier in the week. The broad DXY index added 0.5% over the course of the week, closing out at 94.123 as markets adjust to expected tightening of Fed policy. EURUSD fell more than 1% at the end of the week, settling at 1.1558 and down 0.7% for the week as a whole while USDJPY rose 0.4% to 113.95. GBPUSD also fell on Friday, down 0.8% on the day to 1.3682 and down 0.5% on the week. The Bank of England sets policy this week and could raise rates—not our central forecast—just as the UK is enduring slow growth and suffering from supply chain issues. Among the commodity currencies, CAD failed to get much positive traction from the hawkish BoC meeting during the week and USDCAD rose 0.18% to 1.2388. Both AUD and NZD rose over the week to 0.7518 and 0.7171 respectively as markets judge the central banks there more likely to respond quickly to inflation pressures.

Commodities

Oil prices recorded their first weekly decline since early September for Brent markets and late August for WTI. That said, with drops of just 1.3% in Brent to USD 84.38/bl and 0.2% for WTI to USD 83.57/bl the declines were marginal. Weak data out of the US and China over the last few days, along with pending tightening of monetary policy from the US and perhaps UK could, on the margins at least, weigh on the outlook for demand in the coming months. More crucial for oil markets this week will be the next OPEC+ meeting where the producers' bloc will set policy for December. Public statements from officials within OPEC+ suggests they will proceed with adding 400k b/d per month, slower than many importing nations have wanted, and helping to keep oil markets tight and prices holding onto their elevated levels.

Equities

Equity markets were mixed last week, with strong performances in Europe and the US matched by weaker performances in Asia. Japan's Nikkei was an outlier, gaining 0.3% w/w, but the Hang Seng (-2.9%), the Shanghai Composite (-1.0%) and the Sensex (-2.5%) all ended the week lower. In the US the NASDAQ was the biggest gainer, adding 2.7% w/w, while the S&P 500 closed 1.3% higher and the Dow Jones lagged with a 0.4% gain. In Europe, the FTSE 100 added 0.5%, the DAX 0.9% and the CAC 1.4%.

Source: Emirates NBD

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ENERGY MARKETS FORUM Consultancy Intelligence Publishing **Mashreq 60-SECOND SOUNDBITE**

Omar Al-Ubaydli

Director of Research
Bahrain Center for Strategic International
& Energy Studies (DERASAT)

**"Iran deal is
dead - you can
stick a fork in it!"**

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ENERGY MARKETS FORUM Consultancy Intelligence Publishing **Mashreq 60-SECOND SOUNDBITE**

Mike McGlone

Senior Commodity Strategist
Bloomberg Intelligence

**"Infrastructure Bill is
going to go through -
it's when, not if!"**

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DAILY ENERGY MARKETS FORUM NEW SILK ROAD



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Adi Imsirovic

Senior Research Fellow

The Oxford Institute for Energy Studies



Why did oil prices start to drop last week?

They had reached levels that are probably not quite sustainable in the short run. Refinery runs and cracks - gasoline and gasoil - are quite strong but also quite toppy because we are seeing builds of products in the market. But overall, it's relative. It's still a very tight market, but having reached over \$85, we started to see some profit taking. The drop in gas prices last week was also a contributing factor. We have to see how much further that's going to go.

Any expectation for the OPEC meeting this week?

OPEC + and particularly Saudi Arabia, which is the member with meaningful excess capacity, should be very careful to use any additional discretionary volumes. There have been many disruptions to supply, such as in Mexico, Libya and Nigeria, which have helped cause the premiums we've seen in prices, but some of that production will recover. OPEC is right in being a little cautious. The average supply deficit for this year has been around one million bd, but next year, they see a surplus of supply of up to 2.6 million bd on average. Its decision at the meeting this week will be very much driven by these numbers.

Outlook for global economic growth and oil demand for the remainder of Q4?

Demand in the US is looking very good with some unusual moves of reverse flows of sweet crude going there. Demand in the transportation sector is now exceeding pre-pandemic levels. And we're soon going to see how demand for jet fuel pans out, with the US lifting restrictions on foreign travel on November 1st. Europe has also witnessed strong gasoline demand in October, not typically a strong month. And in Asia, Indian gasoline is also looking strong, so all indicators are positive. ■

**Paraphrased comments*

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