

# Daily Energy Markets BULLETIN

WEDNESDAY /// FEB 16<sup>th</sup>



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## TOP 10 DAILY NEWS DIGEST

1. **OIL PRICES HOLD STEADY AS RUSSIA-UKRAINE TENSIONS COOL**
2. **OIL REFINING INDUSTRY CAN'T KEEP UP WITH DEMAND**
3. **US CRUDE INVENTORIES CONTINUE TO DECLINE**
4. **RUSSIA'S AGGRESSION TOWARDS UKRAINE COULD BACKFIRE**
5. **CHINA TO WORK WITH ASIAN NATIONS TO GROW USE OF LOCAL CURRENCIES IN TRADE**
6. **SAUDI THANKS US FOR EFFORTS TO STOP IRAN GETTING NUCLEAR WEAPONS**
7. **US INFLATION & UKRAINE TENSION CONTINUE TO SPOOK MARKETS**
8. **AS OIL PRICES SOAR, US DRILLERS SCRAMBLE TO FIND SAND FOR FRACKING**
9. **UKRAINE HIT BY CYBER ATTACK AS US QUESTIONS RUSSIAN TROOP PULLBACK**
10. **THE FUNDAMENTAL PROBLEMS WITH SAUDI ARAMCO'S \$50BN STOCK OFFERING**

### RECOMMENDED REPORTS

- **GLOBAL OIL INVENTORIES ARE EXCEPTIONALLY TIGHT**
- **HOW FEAR OF CHINA IS FORGING A NEW WORLD ORDER**
- **CAN BELT AND ROAD INITIATIVE BRIDGE THE PEACE GAP BETWEEN CHINA AND ASEAN?**
- **INTERNATIONAL COMMUNITY SHOULD HELP AFGHANISTAN TAKE BACK LIFE-SAVING MONEY**
- **PERMIAN OIL OUTPUT SETS ANOTHER RECORD**
- **CHINA'S CPI UP 0.9% IN JANUARY**
- **BIDEN & THE DEMOCRATS ARE CONSIDERING SUSPENDING THE FEDERAL GAS TAX FOR A YEAR**



## Daily Energy Markets PODCAST



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TO LISTEN



**Dr. Charles Ellinas**  
CEO, Cyprus Natural  
Hydrocarbons Co. &  
Senior Fellow, Global



**Richard Redoglia**  
Chief Executive Officer  
Matrix Global Holdings



**Ahmed Mehdi**  
Research Associate  
Oxford Institute for Energy  
Studies

# INTERNATIONAL ENERGY WEEK

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### FX

The recovery in risk assets helped to push the dollar lower after several days of gains. We still hold a constructive view on the dollar against peers given the policy differential we believe the Federal Reserve will endorse this year but the greenback will remain strongly negatively correlated to risk. EURUSD managed to add almost 0.5% overnight to settle at 1.1359, pushed higher by geopolitical headlines while USDJPY held close to recent levels at 115.61. GBPUSD showed more limited reaction to the news, closing nearly unchanged at 1.3538. Commodity currencies rallied overnight with AUD and NZD both up by around 0.35% to 0.7152 and 0.664 respectively. USDCAD fell slightly to 1.2718 in favour of the loonie.

### Equities

An apparent easing of geopolitical tensions in Eastern Europe provided a boost to global equity markets yesterday. European indices started the day on the front foot as the FTSE 100 added 1.0%, the CAC 1.9% and the DAX 2.0%. This risk-on tone continued in the US later in the day as all three major benchmark indices ended higher. The NASDAQ led the pack with a gain of 2.5%, followed by the S&P 500 (1.6%) and the Dow Jones (1.2%). Locally, the DFM added 1.0%, the ADX 0.3% and the Tadawul 0.3%. The biggest regional gains were in Egypt and Turkey as the EGX 30 and the Borsa Istanbul gained 1.4% and 1.8% respectively. The bullish tone has continued today in early trading in Asia, as all major indices are trading up so far. At the time of writing the Shanghai Composite was up 0.7%, and the Nikkei had gained over 2.1%, recouping yesterday's losses of -0.8%.

### Commodities

Energy markets remain in thrall of the geopolitical headlines coming out of Eastern Europe and news of a possible de-escalation of tension helped to sink prices overnight. Brent futures fell more than 3.3% to USD 93.28/bbl while WTI dropped 3.5% to USD 92.07/bbl. Both contracts are edging lower in early trading today. Data from the API showed a drop in US crude inventories of 2.4m bbl at the Cushing price point amidst a broader decline of around 1m bbl. Official numbers from the EIA will be out later this evening.

Source: Emirates NBD

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HALF-TIME TALK  
INTERVIEW SERIES

*“Average Brent for 2022 at \$96/bl  
and \$112 for 2023!”*

Ehsan Khoman

Director, Head of Emerging  
Markets Research – EMEA  
MUFG Bank

CLICK HERE FOR  
FULL INTERVIEW

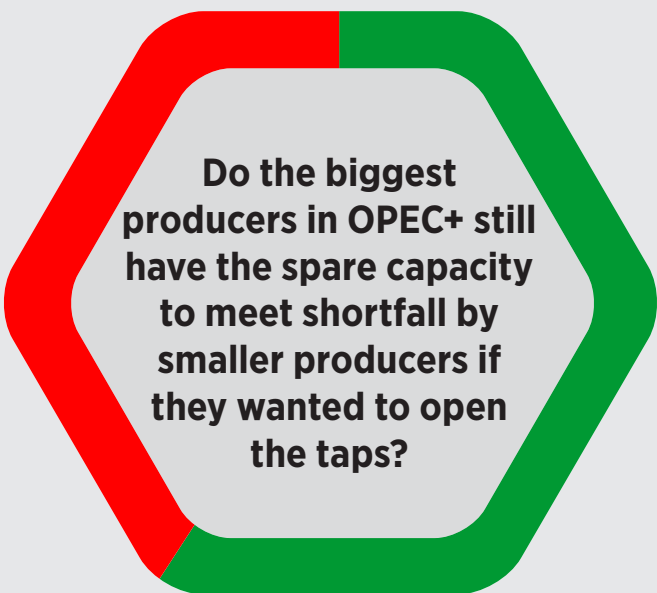


Daily Energy Markets  
INDUSTRY SURVEY



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41%  
Yes



59%  
No

Source: GI Research Feb 2022

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# Daily Energy Markets

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## Daily Energy Markets

### VIEWS YOU CAN USE



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**Bora Bariman**  
Managing Partner  
Hormuz Straits Partnership



**At what price could we see Saudi Arabia step in to add more oil?**

The IEA and US calls on Saudi are not internally coherent because they're discouraging private sector production at the same time. And we can also question how much spare capacity Saudi really has. Without significant new investment by Aramco, it would have to go to the private markets, who have pledged not to invest in oil production, to raise the hundreds of billions of dollars required to increase capacity. I don't think there's a switch that can be flipped to flood the markets with cheap oil today.

**Are markets confident Russian energy will continue to flow?**

I don't think the market or Russia, or anyone should be assured by the tone of the geopolitics today. If there is a war, all bets are off and access to commodities and goods should be more difficult. But there is something to the logic that it would not be in Putin's interest to take military action. Clearly, there's a negotiation happening on the future geostrategic alignment of Ukraine and that will need to be resolved, hopefully not by force.

**Should Russia be worried about sanctions in the event of war?**

They shouldn't be if we believe the words coming out of Putin's mouth - that he's not intending to invade Ukraine. Still, he's going to squeeze the variables up to that point. If there is a conflict, it won't be a status quo, with everyone buying Russian oil and gas as usual. The people running the Kremlin have proven to be very rational and at the end of the day, Ukraine is a member of the UN, and it is an independent country recognized by Russia. Putin wants to affect the politics of the country, but I don't see that he will be annexing it or installing a puppet regime. If he did, it would be a game changer and a negative for the Russian people not to have this cozy relationship with Germany and the EU.

**Outlook for central bank policy tackling inflation?**

Both the Fed and ECB are still massively injecting liquidity into the system. That's what is creating the 9% annualized increases in wages in the US. Spending and corporate earnings are very strong, and interest rates are at historic lows. But whether rates are increased by 0.5% or 1.5 % throughout the course of this year, if inflation is running at 7%, you still have negative interest rates. Anything greater than 50 basis points in March however, would put the brakes on the economy, so I don't see that happening because they don't want to pop the market's bubble. That's what they're concerned about - how any type of retrenchment in asset values would impact corporate sentiment and employment. ■

*\*Paraphrased comments*

## JOIN US ON TOMORROW'S PODCAST

## Daily Energy Markets

### LIVE VIDEO PODCAST

THURSDAY /// FEB 17<sup>th</sup> /// 10:30AM (UAE)



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**Matt Stanley**  
Director  
Star Fuels

ESTONIA



**Andrei Belyi, PhD**  
Professor, Founder & CEO  
Balesene OÜ

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**Ali Al Riyami**  
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