

Daily Energy Markets BULLETIN

TUESDAY /// JAN 25th



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TOP 10 DAILY NEWS DIGEST

1. OIL PRICES RISE ON SUPPLY DISRUPTION JITTERS AS GEOPOLITICAL TENSIONS GROW
2. OIL DEMAND WILL EXCEED PRE-PANDEMIC LEVELS BY THE END OF THIS YEAR, ARAMCO'S CEO SAYS
3. CHINA'S 2021 CRUDE THROUGHPUT UP ON YEAR
4. ASIA STOCKS, US FUTURES FALL ON FED, RUSSIA RISKS
5. OIL MARKET RUNS OUT OF BEARS IN SURGE TO THE BRINK OF \$90
6. TURKEY IMPOSES INDUSTRY BLACKOUTS AMID GAS SHORTAGE
7. US OIL CEOS OFFER OPPOSING VIEWS ON CRUDE OUTPUT GROWTH
8. UKRAINE CRISIS FALLOUT COULD HIT OIL SUPPLIES
9. MEXICO MAINTAINED OIL HEDGE SIZE DESPITE AMLO'S PLAN TO CURB EXPORTS
10. GERMANY SUPPORTS GAS IN EU GREEN LABEL ROW

RECOMMENDED REPORTS

- US RECORDS MOST COVID DEATHS IN 11 MONTHS, BUT PEAK MAY BE NEAR
- SINGAPORE TIGHTENS MONETARY POLICY ON INFLATION RISKS
- PUTIN, UKRAINE, AND THE PRESERVATION OF POWER
- ENI'S REPORT: ALTERNATIVE PATH
- US 'PREPARED TO MEET DIRECTLY' AND 'URGENTLY' WITH IRAN ON NUCLEAR ISSUE
- RUSSIA'S FORTRESS ECONOMY HAS SOME CRACKS



Daily Energy Markets PODCAST



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TOP 3

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TAKEAWAYS

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First, I have to make yet another apology. That's two in less than a month, imagine that? Me getting something wrong. Anywayyyy, the more eagle eyed of you spouted that I erroneously mentioned that yesterday was the last Monday of January. It turns out that I can't count past 30 so those of you who made me aware, I just want to say thanks for reminding me that we have another Monday of January left to go. Thanks a bunch. Oil? Shall we? We shall, and we shall do it now. Brent is trading this morning at \$87.10/bbl up 0.83 and WTI is trading up 0.66 at \$83.97/bbl. Well, yesterday was an interesting one in financial markets. We had the S+P complete a comeback like Thierry Henry putting an Arsenal shirt on again, at one point



BY MATT STANLEY
DIRECTOR
STAR FUELS

down 4% before closing up +0.28%, the sharpest snapback since October 2008. The Dow performed resolutely as well, at one stage down 1,000 points to close up 100 points. Now, I know the question you're all asking -

Is a zebra faster than a horse? Hmm, good question, I'm going zebra. But not that - why the snapback yesterday? Hahahaha. You see, it's like this. Umm. Hang on, hold my Lucozade. It's in here somewhere. Nope, sorry lost it. I must have left my answer sheet next to my copy of "Reasons to buy \$90/bbl oil". Exactly, doesn't exist. I can't explain it. Some have tried. "Oversold conditions" they called it. But the resilience of Wall Street is exemplary. Oil however, yeahhhh, not so great. This time yesterday Brent was trading at around \$88.50/bbl. Fast forward a few hours later and Brent was at a miserable \$85.04/bbl before someone went "Cheer up lads, we're in oversold territory! tally ho!". And up we went. Of course, fundamentally oil, and energy in general, is

facing potential supply issues what with the current tensions between Russia and Ukraine. I think Brent will be happy to cling on to the rise in EU gas prices on the back of this potential issue and that's why we are trading up today. I ask you this though - what with this sentence, "The Kremlin accused the West of responding with 'hysteria' as the preparations signalled NATO was gearing up for possible Russian aggression against the former Soviet state", what if the issues are resolved, or little else manifests with regards to military action, will oil prices drop back down to levels seen before this particular story was the catalyst for rising oil prices. Ah ha! Of course they won't is OF COURSE the answer! Tally Ho!!! Pfffff. Good day.

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Daily Energy Markets VIEWS YOU CAN USE



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Jorge Montepeque

President & Founder
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The run up in oil and commodities is due to monetary easing and economic recovery as the Covid pandemic recedes.

Barring any central bank intervention, oil prices should continue to drift upwards, even if not in a straight line. Oil prices are up 12% and equity markets down 7% since the start of the year while inflation is at 7%. If there's a substantial further retreat in equity markets, commodities could be affected. But if the Fed over tightens, the whole thing collapses like a house of cards. With the Biden administration facing midterm elections in less than a year, there's political pressure to do something about inflation, but not to overdo it. In the US psyche, a collapse in the equity markets is much worse than inflation. For the rest of the world as a whole, inflation is much worse. The Federal Reserve is going to be restrained in its actions.

How serious is the geopolitical fracture between Russia and Ukraine?

Big governments like to create a ring of protection around them, so Russia feels very strongly about the Ukraine remaining in its side and does not want the rest of the world meddling too much in former USSR states. Any military action would be negative for economies but positive for prices of oil, gas and power. However, nobody wants oil to go up while the rest of the world is stalling. If something was to happen militarily, the window of opportunity is at most six weeks long because the war equipment can only move while temperatures remain extremely low. What we have seen so far is a lot of posturing.

Are oil fundamentals supporting a positive price outlook?

US shale rigs will take time to generate production, so the most immediate change is our behavior as Covid fades away. China continues with its zero Covid policy and tight restrictions and that will come back to bite them while the rest of the world is moving forward. China's closure will also lead to a rise in the prices of several commodities and products and that will affect them and others. We could see a change by June if the political pressure starts to mount internally to open up. ■

**Paraphrased comments*

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Mashreq 60-SECOND SOUNDBITE

Randall Mohammed

Managing Director
PetroIndustrial USA

"We expected Shale to come back alot sooner"

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Mashreq 60-SECOND SOUNDBITE

Dr. Charles Ellinas

CEO, Cyprus Natural Hydrocarbons Co.
& Senior Fellow, Global Energy
Center - Atlantic Council

"Does Europe have appetite to put Russia under energy sanctions?"

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