Daily Energy Markets BULLETIN

MONDAY /// JAN 24th

Consultancy Intelligence Publishing

TOP 10 DAILY NEWS DIGEST

1. OIL PRICES CLIMB 1% ON FEARS OF TIGHTER SUPPLY
2. IRAQ'S AVERAGE OIL EXPORTS AT 3.2MN BPD IN JAN
3. SHRUNKEN US OIL INVENTORIES POINT TO CHRONIC UNDER-SUPPLY
4. RUSSIA-IRAN ENERGY COOP TO FADE PETRODOLLAR HEGEMONY
5. IMF WARNS CHINA OVER COST OF COVID LOCKDOWNS
6. LEAVE UKRAINE NOW, US TELLS FAMILIES OF DIPLOMATS AS RUSSIA TENSIONS BOIL
7. EUROZONE ECONOMIC RECOVERY IS SURVIVING OMICRON WAVE
8. ASIA SHARES BRACE FOR HAWKISH FED, UKRAINE TENSIONS
9. FERTILISER SHORTAGE, PRICE HIKE TO DENT WHEAT OUTPUT
10. GERMANY OFFERS COOPERATION ON RENEWABLES TO DEFUSE TENSIONS WITH RUSSIA

RECOMMENDED REPORTS

- CHINA-RUSSIA FRIENDSHIP FORGED AFTER BRIDGING DECADES-OLD DIFFERENCES
- DEBENTURE PRICES FOR HONG KONG INTERNATIONAL SCHOOLS TUMBLE
- RETURN TO THE OFFICE: CAN'T WAIT OR DREADING IT?
- "CHINA'S OIL DEMAND MAY HAVE PEAKED!" - XAVIER CHEN (BEIJING ENERGY CLUB)
- INFLATION SURGE COULD PUSH THE FED INTO MORE THAN 4RATE HIKES THIS YEAR, GOLDMAN SACHS SAYS
- NO RESPITE FOR CHINA'S STRESSED OUT SUPPLY CHAINS AS COVID-ZERO & NEW YEAR HOLIDAYS TAKE A TOLL

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Daily Energy Markets PODCAST

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Global Head, Derivatives
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Daily Energy Markets PODCAST

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TOP 3

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TAKEAWAYS

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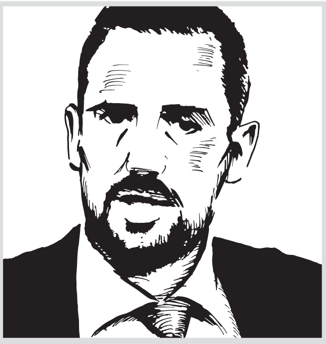

BY MATT STANLEY
DIRECTOR
STAR FUELS

I hope everyone had a good weekend. Brent is trading this morning up 0.74 at $88.64/bl and WTI is trading at $85.81/bl up 0.67. Welcome to the last Monday of January. There you go, that should cheer you up because is it just me or does the month of January just absolutely suck? If we go back to this day in 2020 then the world was starting to take more interest in stories emanating from China about a "mysterious Coronavirus-related pneumonia". Largely, the news was read and acknowledged, but largely, dare I say it? dismissed? Nobody, and I mean nobody had it in their thoughts what was to come. Yes, so that was January 2020. Then January 2021 - everyone more or less went back into lockdown owing to Covid. Here we are, January 2022 and whilst Covid is, supposedly, in the rear-view mirror, the world is facing Geopolitical risks it hasn't faced for quite some time. I ask you this though - have these issues been there all along but Covid has thrown a blanket over "other stories"? I would argue yes, apart from the escalating Russia/ Ukraine situation. Oil markets though? They seem to be pricing in supply disruptions and once again $100/bl oil is back on the cards. Now, I'm not going to comment here about why tensions are higher in Eastern Europe and The Middle East but looking at other markets and January has been nothing short of miserable. It boils down to what The Fed do on Thursday, and it seems like an interest rate hike at some point during Q1, confirming the end to monetary stimulus is now upon us. The box of Roses has been taken away and all that's left is fudge. We're in a fudge market. No market has felt the brunt of this than your mate sitting in his undies in Mum's basement buying up Crypto. Now, one could argue that the crypto bubble has popped, and it has soaked everyone underneath it. Bloomberg reported that the latest crash erased more than $1 trillion in crypto market value. 1 trillion! I only thought numbers like that were reserved for the most excitable child playing Hide and Seek. "I'll count to a trillion!!". But this is real, real investors and real money. The arguments to the upside are that "…financial markets across the globe are under tremendous pressure due to growing inflation and the strict monetary policies of powerful nations like the US." These issues were always there but are now finally being acknowledged. Will oil follow? Ah, now this my friends is the question, but for the time being, geopolitics will offer support to a supposed "tight market". Hmmmmm. Good day, and week to all.

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Daily Energy Markets VIEWS YOU CAN USE

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Peter McGuire
Chief Executive Officer
XM Australia

Will US Dollar Remain Range-Bound Through Tightening Cycle?

The US dollar has been rangebound since late November and after a short-lived bearish breakout, it's back to being neutral again against a basket of currencies. However, it's hard to see the greenback maintaining this posture in the coming week when apart from the all-important FOMC meeting, there's a raft of data due on the health of the US economy.

The flash PMI figures for January by IHS Markit will start the week on Monday. The S&P CoreLogic Case-Shiller 20-city home price index is out on Tuesday along with the closely watched consumer confidence index. New home and pending home sales for December are released on Wednesday and Thursday, respectively. Durable goods orders are scheduled for Thursday too.

But the real focus will be on the fourth quarter GDP stats on Thursday and on Friday's personal income and outlays report containing the core PCE price index and the latest consumption numbers. US GDP growth probably accelerated to an annualized 5.8% rate in the fourth quarter from 2.3% before, which would support the argument that the American economy is well and truly out of the woods and does not need any additional stimulus.

However, growth likely slowed towards the end of the quarter with personal consumption expected to have risen by just 0.1% month-on-month in December. Personal income is anticipated to have maintained the 0.4% m/m pace, while the core PCE price index is forecast to have inched higher by 0.1 percentage points to 4.8% year-on-year.

If the Fed's favorite inflation metric meets expectations, showing signs of moderating, that could weigh on Treasury yields, which are currently taking a breather from the recent surge. However, next week's data will have to play second fiddle to the Fed's policy meeting. No change in policy is expected from the Federal Open Market Committee on Wednesday but if policymakers want to get an early start on rate hikes, they will need to signal their intentions for March at the January meeting.

The other item at the top of investors' agenda is the balance sheet runoff. It's probably too soon for the Fed to go into too much detail about this but no doubt Chair Jerome Powell will be asked about it in his press conference and any revelations on the timing and speed are bound to spark a big response in the bond market, which in turn could roil FX and equity markets. ■

Source: XM Weekly Note