

# ENERGY MARKETS FORUM DAILY BULLETIN



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MONDAY /// SEP 20<sup>th</sup> /// 2021

## TOP 10 DAILY NEWS DIGEST

1. CANADA'S OIL PATCH HEADS FOR HOSPITAL TRIAGE WITH VIRUS RAGING
2. OPEC TO STICK TO OIL PRODUCTION DEAL IN OCT, IRAQ OIL MINISTER SAYS
3. FED WILL ATTEMPT TO NOT ROCK THE BOAT FURTHER IN THE WEEK AHEAD
4. TANKERTRACKERS SAYS THIRD TANKER CARRYING FUEL TO LEBANON UNDERWAY
5. LIBYA LEADER SAYS STATE OIL FIRM BOSS SANALLA CAN REMAIN IN POST
6. LESS THAN 25% OF US GULF CRUDE STILL OFFLINE AFTER HURRICANES IDA
7. FAUCI DEFENDS FDA DECISION TO REJECT BOOSTER COVID SHOTS FOR ALL AMERICANS
8. SINOPEC FORESEES CHINA OIL CONSUMPTION TO PEAK AROUND 2026
9. ING PLEDGES TO REDUCE FUNDING FOR UPSTREAM OIL AND GAS
10. PUTIN'S RULING PARTY CLINCHES ELECTION VICTORY, EXIT POLL SHOWS

### RECOMMENDED VIDEOS & REPORTS

- IEA'S BIROL SEES HIGH GAS PRICES FOR WEEKS TO COME
- VANDA INSIGHTS: PRICES SLIDE EARLY MON ON TAPERING ANXIETY AHEAD OF FED MEET
- "OIL MARKETS OVER-ESTIMATING SCALE OF OPEC+ IDLE SUPPLY"

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## DAILY ENERGY MARKETS FORUM NEW SILK ROAD LIVE



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## PODCAST

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**Dr. Charles Ellinas**  
Chief Executive Officer  
Cyprus Natural Hydrocarbons Co.



**Omar Najia**  
Global Head, Derivatives  
BB Energy



**Randall Mohammed**  
Former VP, Energy Solutions  
Ahart Solutions International

### FX

Markets took a sharp risk-off tone toward the end of the trading week with the DXY index gaining solidly on Thursday and Friday. The headline index settled at 93.195 at the end of trading, a gain of 0.6% week/week. EURUSD bore the brunt of the decline even as headlines suggested the ECB could move faster on rates than expected. EURUSD settled at 1.1725 at the end of week, down 0.75%. GBPUSD also fell sharply, down by more than 0.7% at GBPUSD 1.3741. While the BoE may give a hawkish tilt at this week's MPC meeting, it's unlikely to move immediately given a recent slowdown in UK data. Commodity currencies were the other major losers over the week with USDCAD up 0.57% to 1.2764 and AUD and NZD both dropping more than 1% to 0.7279 and 0.7040 respectively.

### Equities

Global equity markets were hit by a bout of risk-off sentiment on Friday which led to some multi-month lows at the close of the week. The FTSE 100 dropped -0.9% w/w to end the week at levels last seen in July as mining firms were hit by the iron ore price slump. The CAC ended down -0.8% w/w and the DAX -1.4%. In the US, the S&P 500 was the biggest w/w loser, dropping -0.6%, followed by the NASDAQ on -0.5% and the Dow Jones on -0.1%.

### Commodities

Energy commodities managed to avoid the general risk aversion that took hold of markets, particularly in the second half of the week. Both Brent and WTI added more than 3% over the week to settle at \$75.34/bl and \$71.97/bl respectively.

Near-term conditions in the oil market remain positive with supply disruptions helping to drain inventories. However, from October onward the market will need to absorb the additional flow of barrels from OPEC+ countries, with Russian announcing it will increase its exports in line with its production increases. While energy commodities rode out the risk-off storm, metals markets weren't as lucky. Precious metals prices were lower as a whole with spot gold down 1.9% at \$1,754/troy oz while copper and aluminium fell 3.9% and 1.3% respectively. The downswing has been most apparent in iron ore which fell a third week running, this time by more than 14% to \$115/tonne.

Source: Emirates NBD

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## NEW SILK ROAD

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#### Christof Rühl

Senior Research Scholar - Center on Global Energy Policy  
Columbia University



#### Is US inflation leveling off?

It's way too early to tell. All the stimulus mechanisms are still in place and asset purchases continue unabated. The US Fed has stopped tapering and interest rates are still low. The expenditure multiplier through the government is still upon us. Therefore, the inflationary effects are still in the future. The numbers show that the US Fed has managed to reach its target of +2% inflation, so it's time to start taking the foot off the accelerator. However, we all know that the market tanks a little bit when they start talking like this and there is an immediate reaction of 'maybe they shouldn't do anything.' Overall, the jury is still out.

#### What is your outlook for China's economic recovery?

One of the most intelligent things ever said about this pandemic is that Covid-19 is not the end of the world and will not be a switching point that changes everything. Rather, it will be an event that accelerates existing trends. This has been very true. China was already on a trend of slowing growth as it transitions from industry to services. It was already on a trend where people got very worried about financial instability popping up. There isn't a single country in the world which has successfully transitioned from industrialization to a service economy without a financial crisis. So why would China be the first one? We will see, at a minimum, a continued decline in China's growth with all the negative implications for energy and oil markets.

#### Are current oil demand outlooks too reliant on projections for global GDP growth?

Every year we need less oil to produce the same global GDP. At current GDP levels, you would need about 2.2mn b/d less than the year before. So, to produce the same GDP at the end of 2021 globally, which we had pre-pandemic, we will need 4.3mn b/d less than 2019. That is the gap. It's not because demand is not recovering or very weak. We are seeing the normal pattern of efficiency improvements. We should not expect, as most analysts do, that the GDP level of 2019 equals the oil demand of 2019. ■

*\*Paraphrased comments*

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