ENERGY MARKETS FORUM ILY BULLETIN



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TUESDAY /// MAY 25th /// 2021

TOP IO DAILY NEWS DIGEST

- 1. OIL STEADY NEAR WEEK HIGH AS PROSPECT OF IRAN SUPPLY GLUT WANES
- 2. EU BANS BELARUSIAN FLIGHTS FROM BLOC'S AIRSPACE
- 3. IRAN STARTS TO STORE MORE BARRELS AT SEA
- 4. WHITE HOUSE, KREMLIN AIM FOR BIDEN-PUTIN SUMMIT IN GENEVA
- 5. AIRPORT LINES, BIG CROWDS HAVE RETURNED
- 6. FED THINKS IT CAN HAVE IT ALL: STRONG ECONOMY, JOB GROWTH, STABLE INFLATION
- 7. DOLLAR DRIFTS LOWER AS FED SPEAKERS SOOTHE INFLATION FEARS
- 8. IRAN & IAEA EXTEND MONITORING DEAL, AVERTING CRISIS IN NUCLEAR TALKS
- 9. PEOPLE PROTEST OVER LACK OF JOBS IN GULF OIL PRODUCER OMAN
- 10. WHY CHINA WILL BE THE WORLD'S LARGEST OIL REFINER IN 2021

RECOMMENDED VIDEOS & REPORTS

- MIDEAST: RAMADAN HOTEL OCCUPANCY REBOUNDS CLOSE TO PRE-PANDEMIC LEVELS
- US CITIZENS WARNED NOT TO TRAVEL TO JAPAN AS TOKYO OLYMPICS NEAR
- SECRET MEETING BETWEEN SAUDI & IRAN MAY TRIGGER MAJOR POLICY CHANGE
- EXAMINING THE LIKELIHOOD OF A COMMODITY 'SUPERCYCLE'
- TSA CHECKPOINT TRAVEL NUMBERS (CURRENT YEAR(S) VERSUS PRIOR YEAR/SAME WEEKDAY)







DAILY OIL COMMENTARY

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FX

XM Australia

The dollar was offered across all major peers thanks to a general riskon move in markets. The broad DXY index fell 0.19% to 89.844, holding close to the 90 level that has been a resistance in the last six months. EURUSD managed gains of nearly 0.3% to settle at 1.2216 while USDJPY fell to 108.75, a drop of 0.19%. Elsewhere AUD and NZD recorded the only other notable gains among majors with the AUD up 0.26% to 0.7752 and the NZD rising 0.5% at 0.721. TRY managed to appreciate against the USD with the pair falling by around 0.33% to 8.3876 while USDZAR witnessed a similar sized drop to close at 13.9245. USDINR moved in the opposite direction, however, closing at 72.965 and up 0.17%.

Equities

the Crossroads

Equity markets started the week on the front foot after many sold off last week. In the US the NASDAQ was the notable gainer, closing up 1.4%, but the Dow Jones (0.5%) and the S&P 500 (1.0%) also closed up. In the UK, reopening optimism drove gains of 0.5% in the FTSE, a sentiment largely shared on the continent as the CAC and the DAX also closed higher, by 0.4%. Within the region the DFM closed flat at the start of the week, while the ADX closed up 1.0%, continuing the strong gains the index enjoyed last week. It is now up 31.1% ytd.

Commodities

Oil markets recorded a strong set of gains to start the week even as talks continue on Iran returning barrels to the market in a substantial way. Brent futures added 3%, to close at \$68.46/ bl. WTI rose 3.9%, to \$66.05/bl and Murban jumped nearly 5% to \$68.88/bl. Iran has reportedly reached out to China to support it in nuclear negotiations currently underway. Iran also agreed to extend international monitoring of its nuclear facilities by at least an additional month.

Source: Emirates NBD

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David Rundell Vision or Mirage, Saudi Arabia at the Crossroads

"Saudi would Welcome Sitting at Table with Iran"

ENERGY MARKETS FORUM 👊 EXCLUSIVE GO SECOND SOUNDB

Peter McGuire Chief Executive Officer XM Australia

"Can Brent Break Through \$70/bl Before End of May?"



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Maleeha Bengali Founder MB Commodity Corner



Is the oil market stuck and looking for a more tangible direction?

It's at a plateau. Talk of any sort of liquidity withdrawal from the Fed can have massive consequences for the macro markets and that is why oil has not been able to go much above \$70. On the demand side, we see a massive increase in gasoline consumption, but jet fuel is still guiet because of mobility restrictions. On supply, we expect to have OPEC oil, US shale and Iranian oil coming back onstream. The only reason why this market is generally higher is that we anticipate a reopening of global economies and travel, but not for another three months.

The political momentum for stimulus seems to be seeping away in the US?

The repo market, the nemesis of the equity market in the last two years, is showing signs of distress again. The Fed has put too much liquidity into the market and we have seen the repo market unable to absorb this, with banks unable to take those extra assets onto their balance sheet. That's placing some pressure on the White House to pull back on further expenditure commitments. We don't see the inflation concerns as transitory. The Fed needs to act now to avoid massive stagflation - supply bottlenecks are not going away anytime soon - and any removal of money will mean that commodity and equity markets face headwinds.

Should we expect more volatility in financial markets?

The market is at an inflection point. We see stimulus in China being pulled back for example and therefore momentum taken out of asset classes. Another sign of inflection is the recent swings in cryptocurrencies. It's definitely a nervous and unsettling market today amid the inflation and liquidity argument. Once that is settled and if the Fed abandons any tapering argument, markets could go back up to their highs.

*Paraphrased comments

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