ENERGY MARKETS FORUM
DAILY BULLETIN

Consultancy Intelligence Publishing

MONDAY /// APRIL 5th /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL PRICES DIP AFTER OPEC+ AGREE TO EASE OUTPUT CUTS
2. SAUDI RAISES OIL PRICE FOR ASIA AMID INDIA'S BID TO CUT OIL IMPORTS
3. BIDEN WILL PUSH THROUGH INFRASTRUCTURE PLAN IF NO REPUBLICAN SUPPORT
4. INDIA'S COVID-19 OUTBREAK AT ITS WORST
5. CHINA'S LIAONING PASSES THROUGH JAPAN'S MIYAKO STRAIT
6. ROCKETS HIT NEAR IRAQ BASE HOUSING US TRAINERS
7. EX-CROWN PRINCE OF JORDAN ISSUES SCATHING ANTI-GOVERNMENT VIDEO
8. MOZAMBIQUE SAYS TOTAL'S LNG PROJECT IS SAFE FROM MILITANTS
9. PHILIPPINES ACCUSES CHINA OF PLANS TO OCCUPY SOUTH CHINA SEA 'FEATURES'
10. PANDEMIC DESTROYS HOPES FOR FRENCH ECONOMY REBOUND

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RECOMMENDED VIDEOS & REPORT

- OVER HALF OF RANSOMWARE VICTIMS PAY OFF CRIMINALS
- TRANSPORTATION SEES STRONG GROWTH AS CHINA WELCOMES FIRST PUBLIC HOLIDAYS
- EXPONENTIAL GROWTH IN SHIPPING CONTRACTS
- GOLD LOAN: LENDERS TO CUT TENURE, WATCH COLLATERAL AS PRICE FALLS
- LAUNCH OF NEW MURBAN OIL FUTURES CONTRACT

DAILY ENERGY MARKETS FORUM
NEW SILK ROAD LIVE PODCAST

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Operating Partner, Prostar Capital
CEO, Tankbank International

Bora Bariman
Managing Partner
Hormuz Straits Partnership

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BB Energy

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TOP 3
MONDAY/// APRIL 5th
TAKEAWAYS

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DAILY OIL COMMENTARY

FX

The dollar extended gains for a third week running with the DXY index closing at 93.022, a rise of 0.28%. Strong ISM numbers and an enormous nonfarm payrolls report are contributing to the bullish USD case as the economy in the US benefits from vaccinations and large government stimulus. EURUSD and USDJPY remain the main vectors for dollar strength at the moment with EURUSD down 0.3% over the week, closing at 1.1759 and representing its third weekly loss in a row. USDJPY added almost 1% over the week and closed at 110.69, although a test of 111 does seem likely in the near term. GBPUSD swung throughout the week but managed a 0.3% gain against the dollar. At 1.3822 sterling is holding well above the 1.37 level which would represent a near-term support. Performance among commodity currencies was more mixed. USDCAD ended the week roughly neutral at 1.2578 while the AUD gave up 0.35% and the NZD recovered some of the prior week's losses, rising 0.46% against the USD.

Equities

Equity markets were back on the front foot last week, with all major global indices recording higher levels. Gains at the close of the week were especially robust, bolstered by a number of strong data points including the sizeable NFP net gain in March and the JP Morgan global manufacturing PMI, which hit a 10-year high. In the US, it was the NASDAQ which saw the strongest gains, climbing 3.9% w/w with a 1.8% gain on Friday, although it is still the laggard ytd. At the start of the fourth quarter, the tech-heavy index is up 4.6% since the start of the year, compared to 7.0% for the S&P 500 and 8.3% for the Dow Jones. The S&P 500 gained 2.8% last week, sufficient to take the index above the 4,000 level for the first time In Europe, the composite STOXX 600 also hit record highs with a 2.2% w/w gain, despite the ongoing struggle with Covid-19 in many of the continent's major economies. Despite a slow vaccination rollout and political recriminations in Germany, the DAX gained 3.3% last week, while in France the CAC closed 2.5% higher. In Asia, the Shanghai Composite recorded a second consecutive week of gains, although even with ending the week 1.9% higher compared to the previous Friday it remains some -5.7% off the levels recorded in February.

Commodities

OPEC+ surprised oil markets at the last minute by choosing to increase production over the next three months, rather than roll-over output cuts as we and the market had expected. The producers block is going to add roughly 2mn b/d back to markets from May to July in the form of higher production allocations for each member along with Saudi Arabia rolling back its voluntary 1mn b/d output cuts. Oil prices managed to rise on the back of the OPEC+ decision to increase output, seemingly as an endorsement of better demand expected in the months ahead. Brent futures managed a 0.45% rise to $64.86/bl while WTI was up a comparatively stronger 0.8% at $61.45/bl. Murban futures settled at 63.90/bl in their first full week of trading. Forward curves in the oil market endured some divergence in performance. The backwardation in front month Brent spreads widened to 0.4/bl from 0.14/bl a week earlier while longer dated spreads actually saw a smaller backwardation. In the WTI market, front month spreads continued to swap between contango and backwardation, albeit at modest levels. The drilling rig count in the US continues to push higher with 13 rigs added last week. Since the rig count began rising considerably from September 2020, it has now recovered around 31% of the drop in rig counts catalyzed by the Covid-19 pandemic and sharp drop in oil prices.

Source: Emirates NBD

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Mike Muller
Head
Vitol Asia

Market Reaction to the OPEC+ Decision to Raise Supply?

It was not a huge price response to the news as OPEC+ seems to have tuned it roughly in line with expectations. The market feels that world supply can be increased somewhat because demand growth has the capacity to absorb it over the Q2 period into July. It is very clear that we have many signals in the market that economic recovery and therefore oil demand growth is something that we will see. We have the markets now trading beyond the refinery turnaround season, so demand for crude is better, and you see that manifesting itself in various things.

Outlook for China Crude Oil Demand?

China's refinery maintenance season is over, and it has been busily responding to the higher oil prices, as they always do, by drawing inventories rather than importing more oil, and that draw is going to be seen in the coming weeks and months. I do expect Chinese crude oil buying to get back, not just to normal, but to keep growing. The new constructed Chinese refining system is highly integrated with petrochemicals for the most part, and it has a resilience for many reasons, including domestic pricing, and therefore they will continue to take market share away from other Asian refiners. The consequences are already being seen because there have been refinery closures and announcements of scale back of capacity -- Shell in the Philippines and in Singapore, along with two Australian refineries, have fallen by the wayside in the last four or five months. So those are your casualties.

Oil Market is Stuck in Range-Bound Structure?

The big question to watch out for is whether there is going to be a summer holiday vacation season for the Northern Hemisphere or not? This Easter statistics on the leisure transport side are promising, with the booking of short-haul flights and the like pushing up against pre-Christmas highs. Travel is going to be vital because there are still up to 3 million barrels a day of Jet-fuel demand to come back, and that is the lion's share of the remaining demand loss that we are seeing. I think that if people cannot take their children on holidays because children are not getting vaccinated, then that will result in things like you see right here in Singapore where all the five-star hotels are full of staycationers, and people are filling up the cruises to nowhere that zip up and down the Malacca Straits. ■

**Paraphrased comments*

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OPEC+ Deal

	OPEC+	Saudi	TOTAL
May	350,000	250,000	600,000
June	350,000	350,000	700,000
July	450,000	400,000	850,000
			2,150,000

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