

TOP 10 DAILY NEWS DIGEST

1. OIL EXTENDS RALLY ON SUPPLY TIGHTNESS, BRENT AT MORE THAN 3-YEAR HIGH
2. PHYSICAL CRUDE OIL MARKET STEAMS AHEAD AFTER OMICRON VARIANT BLIP
3. IRAN HAS INCREASED OIL EXPORTS BY 40%
4. CHINA'S GDP GROWS 4.0% IN Q4, DESPITE MULTIPLE HEADWINDS
5. ESCALATING US INFLATION FORCES MACRO POLICY RETHINK
6. CHINA CUTS RATES ON POLICY LOANS, ANALYSTS POINT TO MORE EASING AHEAD
7. IRAN AND ISRAEL IN THE RUSSIAN CALCULUS OF REALIGNMENT AND REVENGE
8. EU'S ENERGY CRISIS: DID PUTIN'S SUGGESTION OF MORE GAS MAKE ANY DIFFERENCE?
9. US GROCERY SHORTAGES DEEPEN AS PANDEMIC DRIES SUPPLY
10. CHINA 2021 CRUDE STEEL OUTPUT RETREATS 3% ON STRINGENT PRODUCTION CURBS

RECOMMENDED VIDEOS & REPORTS

- ON GPS: WILL RUSSIA INVADE UKRAINE?
- PUTIN TO HOST IRANIAN PRESIDENT NEXT WEEK FOR TALKS
- DAILY ENERGY MARKETS LIVE VIDEO PODCAST
- SNOW, ICE BLASTS THROUGH US SOUTHEAST WITH POWERFUL WINTER STORM
- AGE OF ASIA: RISE OF A MULTIPOLAR WORLD
- BANK OF JAPAN'S FUTURE PATH COULD START TO EMERGE DURING KURODA'S LAST LAP



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TOP 3

MONDAY /// JAN 17th

TAKEAWAYS

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Afternoon all and I hope everyone had a nice weekend. Brent is trading this morning at \$86.33/bl, obviously, up 0.27 and WTI is trading up 0.44 at \$84.26/bl, obviously. Today is Blue Monday, or as the internet tells me "... is the name given to a day in January (typically the third Monday of the month) to be the most depressing day of the year". Well, you can do one Blue Monday! Because I'm an oil bull and I'm nothing but happpppyyy. Vrrroooooom, look at me Mum! I can fly!!!! I'm an oil bull and I'm happyyyyyyyy, oooh look! Skittles, nom nom nom, buy some moreeee oiillllllll! vrrroooooom, see ya blue monday wouldd't wanna be yaaaaa. Or something like



BY MATT STANLEY
DIRECTOR
STAR FUELS

that at least. I said last week that even though the market is ignoring all the headwinds it is currently faced with and that in my opinion oil is overvalued right now, that it will, most likely, hit \$90/bl by the end

of this week. Judging by how things are looking so far today, I wouldn't be surprised if oil hit \$90/bl by Wednesday and then, dare I say it? \$100/bl by the end of January? I don't agree with it, I can't justify it, but when you have a runaway train the size of Texas, then pretty much nothing is going to stop this bull run the oil market finds itself in. This morning Brent hit \$86.71/bl, outdoing the recent high of \$86.70/bl we saw at the end of October. Any higher than that and you have to go back to October 2018 when we hit \$86.74/bl and before that? Hang on, let me just blow the dust off my "The Oil Album 2014", ahh yes October 2014, that's when oil was last higher.

Eight years ago. Is demand back to pre-pandemic peaks? Afraid not. It's all about the continued "supply crunch" but apparently with the OPEC+ agreement flattening out this isn't an issue either. Chinese GDP came in this morning at 8.1%, slightly above forecast, markets liked that, but dismissed warnings from several economists that China's economy faces multiple headwinds in 2022 with the property downturn the biggest one. Ignore that. Let's see what the week brings and how much longer the market can continue to keep the blinkers on. Good day, and week to all.

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Khatija Haque

Head of Research & Chief Economist
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Gulf States to See Faster Growth in 2022 as Momentum Continues from Last Year

Despite relatively tight fiscal policy, and some external headwinds, we expect the GULF economies to see faster growth in 2022 as they continue to build on the progress made last year. Overall, we forecast GDP growth in the GCC will accelerate to 5.1% on a nominal GDP-weighted basis in 2022, with the oil and gas sector contributing meaningfully to this faster growth.

The recovery in the GCC economies gained momentum in the second half of 2021 as travel restrictions eased, tourism rebounded, and domestic demand strengthened. Regional PMI surveys pointed to an acceleration in non-oil sector growth in the UAE, Saudi Arabia and Qatar, while the OPEC+ agreement to gradually increase oil production from July contributed to a recovery in the oil and gas sectors as well.

Overall, we estimate GCC economies grew 2.3% in 2021 (on a nominal GDP weighted basis) following a contraction of -4.9% in 2020. The economic recovery in the region last year was more gradual than the sharp rebound in some of the major developed economies, including the US, partly due to the size of the hydrocarbons sector and partly because direct fiscal stimulus during the Covid-19 pandemic was smaller relative to many other countries.

Last year GCC governments prioritized reduction of budget deficits, which had widened sharply in 2020, rather than accelerating GDP growth through increased spending. The recovery in oil prices last year helped to narrow deficits, but governments also remained committed to their tighter spending plans and other fiscal reforms that had been introduced in 2020. Gulf States have focused on accelerating the pace of structural reforms to attract private and foreign investment and thereby support economic growth over the medium term.

We expect this approach to continue in 2022. Saudi Arabia, the region's largest economy, has penciled in a 6% decline in spending in the 2022 budget even as revenue projections were increased. With Brent oil forecast to average just under USD 70/b in 2022 and GCC oil production expected to rise, we expect Saudi Arabia, the UAE and Qatar to post budget surpluses this year, while Oman and Bahrain are likely to see their budget deficits narrow further. ■

(Source: Emirates NBD Research)

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Mashreq 60-SECOND SOUNDBITE

Omar Najia

Global Head, Derivatives
BB Energy

**"I would not be long
this oil market much
beyond Q1"**

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Mashreq 60-SECOND SOUNDBITE

Peter McGuire

Chief Executive Officer
XM Australia

**"China's 8% growth
number for 2021
was extraordinary!"**

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