

ENERGY MARKETS FORUM DAILY BULLETIN



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WEDNESDAY /// JULY 14th /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL RISES NEARLY 2% AS INVESTORS SIZE UP TIGHT MARKET
2. API: OIL INVENTORIES FALL BY 4.1MN BLS LAST WEEK
3. IEA SEES OIL MARKET TIGHTNESS ON OPEC+ DISPUTE
4. OPEC+ DEADLOCK IS BAD NEWS FOR OIL PRODUCERS & CONSUMERS
5. SHIPPING INDUSTRY SEEKS TO COMBAT DARK OIL TRANSFERS AT SEA
6. US CONSUMER PRICES POST LARGEST GAIN IN 13 YEARS
7. TROUBLED CARIBBEAN REFINERY SEEKS BANKRUPTCY
8. CHINA'S CNCEC TO BUILD OIL REFINERY IN SOUTHERN IRAQ
9. HUGE DIVIDEND CRIPPLES WORLD'S LARGEST OIL COMPANY
10. VACCINE DIPLOMACY SEES RUSSIA BOOST ITS GEOPOLITICAL LEVERAGE

RECOMMENDED VIDEOS & REPORTS

- MANY OPEC+ COUNTRIES WILL STRUGGLE TO PRODUCE MORE OIL
- AMERICAN AIRLINES FORECASTS FIRST POSITIVE CASH FLOW SINCE PANDEMIC BEGAN
- US RAMPS UP WARNINGS OF BUSINESS RISKS IN CHINA'S XINJIANG REGION
- ISIS FIGHTERS REGROUP IN THE HEART OF IRAQ
- CHINESE AIRLINES TARGET DOMESTIC DEMAND
- BEARISH OR BULLISH? CHINA'S VARIEGATED JUNE COMMODITY IMPORTS

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NEW SILK ROAD LIVE PODCAST



Andy Laven
Chief Operating Officer
Sahara Energy Resources



Vandana Hari
Founder & CEO
Vanda Insights



Andrei Belyi, PhD
Professor, Founder & CEO
Balesene OU

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NEW SILK ROAD LIVE

TOP 3

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TAKEAWAYS

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Brent is trading this morning at \$76.47/bl, down 0.02/bl. WTI is trading down 0.11/bl, at \$75.12/bl. A good day for the bulls yesterday which saw Brent rise \$1.24/bl. And why would this be? It is a market of two halves and one which is evidenced. If we take trading patterns yesterday for example, on the Brent futures market - at one stage, we were down at \$74.93/bl, before Wall Street woke up and kapow! Up we went to \$76.62/bl. Was there anything fundamental to back this up? The IEA report came out yesterday



BY MATT STANLEY
DIRECTOR
STAR FUELS

with a few interesting points. The main takeaway was this, which is what I am referring to. "The recent failure of OPEC and its allies to agree on a

plan to ease production cuts in August means oil-market investors face the contradictory worries of both undersupply and oversupply." We are in a market where all that matters is what you want to believe. It is the belief that the bulls have, and which can't be dismissed when we look at the state of the market and it being glaringly obvious to everyone that unless more oil is put back in the market, there won't be enough to keep up with demand. The flip side of this seemingly double-headed coin is that there will be

more oil put back in the market by both OPEC+ and non-OPEC+. Arguably US production has already started to come back. The EIA data has proven the same - 10.8mn b/d was produced on the week ending May 28. Last week, we saw 11.3mn b/d. At what point will the market sit up and take notice? If US production continues to rise? What if OPEC gets together and agrees on a new deal? Draws on gasoline will be key, especially as they will reflect the 4th of July weekend. Good day.

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CEO
Tankbank International



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DAILY ENERGY MARKETS FORUM INDUSTRY SURVEY



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42%
No

58%
Yes

China Customs
reported H1 crude oil
imports fell 3%. Will that
trend continue in H2?

Source: GI Research July 2021

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ENERGY MARKETS FORUM Consultancy Intelligence Publishing **Mashreq 60-SECOND SOUNDBITE**

Vandana Hari
Founder & CEO
Vanda Insights

"Decline in China's oil imports over in H1 is no Surprise"

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ENERGY MARKETS FORUM Consultancy Intelligence Publishing **Mashreq 60-SECOND SOUNDBITE**

Andy Laven
Chief Operating Officer
Sahara Energy Resources

"OPEC+ Impasse is much more about Tomorrow, less about Today!"

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DAILY ENERGY MARKETS FORUM NEW SILK ROAD



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Edward Bell
Senior Director, Market Economics
Emirates NBD



Oil appears to be heading to the \$80 mark – is that a ceiling?

It's difficult to say as we are in an unofficial blackout period because of OPEC – no one knows what they're going to decide so prices could easily touch \$80 and could go higher. But thankfully for importers or consumers from a price point of view, there is also this mounting anxiety around the spread of the Covid variant so more countries could need to impose mobility restrictions - that's keeping levels in a range of \$70 to \$80.

Given high prices, why are we only seeing limited US shale production?

Capex breakeven conditions are optimized for shale to increase production. On the other hand, five years down the road from now, they still only expect to see prices, in nominal terms, at around \$78 a barrel, so that's not an enormous increase from where we are today. That may suggest an ingrained reluctance to make long term capital investment plans.

Fed policy has turned less hawkish – will that remain the case?

There's an acceptance in the Fed's view that we are in a transitory inflation period. We are reopening the economy so it's natural that will bring supply chain disruptions and higher prices but then things will start to dissipate, as lumber prices in the US have already done for example. There's also an acceptance that even if we do get inflation rising considerably, the Fed and other central banks have the tools to deal with that. The Fed wants to get rates back up in a couple of years to at most 1.5% - that's a positive thing and in line with a natural recovery in the economy.

Will Europe follow suit?

There are independent dynamics to the Eurozone economy that will affect their own inflation trajectory over the longer run but we have seen a policy adjustment from the ECB very similar to what we saw introduced by the US Fed last year – targeting a more explicit level of inflation at 2%. Whether or not they'll get there depends on demographic and productivity issues across the Eurozone.

Will the US continue to lead global growth in the second half of this year?

We're actually looking at the Eurozone to be a little bit faster than the US, as long as the Delta variant is under control. In the US, we're already at 95% on the economic road to recovery to pre pandemic levels.

And China?

The Chinese government has the tools to support growth through easier monetary policy or more extensive fiscal support. Data this week showed Chinese exports doing far better than expected so it looks like it's going to be sustaining growth pretty well into the second half of the year. ■

**Paraphrased comments*

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