

ENERGY MARKETS FORUM DAILY BULLETIN



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MONDAY /// APRIL 26th /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL INCHES LOWER ON CONCERNS OVER COVID-19 SURGE IN INDIA & JAPAN
2. BIG-CAP BONANZA IN COMING WEEK AS OIL MAJORS, BANKS UPDATE MARKET
3. LIBYA'S OIL PRODUCTION DOWN BY 300,000 BPD DUE TO LACK OF BUDGET
4. DOLLAR HOLDS WEAK BIAS ON EXPECTATIONS POWELL WILL SHUN TAPERING
5. PM MODI SAYS INDIA SHAKEN BY CORONAVIRUS 'STORM'
6. AUSTRALIAN FRUITS FACE DELAYS AT CHINESE PORTS
7. EU SET TO ALLOW VACCINATED US TOURISTS TO VISIT THIS SUMMER
8. US LISTS MIDEAST AMONG MORE THAN 150 ON COVID TRAVEL ADVISORY
9. CHINA TO LAUNCH MONTH-LONG EFFORT TO BOOST CONSUMPTION
10. GRAIN MARKET RALLY ADDS TO INFLATION UNEASE

RECOMMENDED VIDEOS & REPORTS

- "SHALE OIL BOOM 2021: WHERE IT CURRENTLY STANDS & WHERE WE GO FROM HERE?"
- NEW BLOODLETTING HITS SPANISH BANKING SECTOR
- SUFFERING THE LIKELY RESULT OF WEST'S AFGHANISTAN EXIT
- THE WEEK AHEAD: FOMC, OPEC, VACCINES, CAPITAL GAINS TAX, BITCOIN & ETC.
- FED'S TAKING A BIG GAMBLE RIGHT NOW!

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NEW SILK ROAD LIVE PODCAST



Omar Najia
Global Head, Derivatives
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The Oxford Institute for Energy
Studies



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NEW SILK ROAD LIVE

TOP 3

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DAILY OIL COMMENTARY

FX

The US dollar extended its decline for a third week running with the DXY index falling almost 0.8% to close the week at 90.832. The market will be looking to the Fed and corporate earnings for direction in the coming days. EURUSD rose steadily against the dollar over the week, adding almost 1% in its third weekly gain. The single currency closed just shy of the 1.21 level at the end of the week. USDJPY fell nearly 0.9% over the course of the week, closing at 107.88 after having pushed as low as 107.48 on Friday. Sterling managed gains of around 0.3% against the dollar with most of the rise coming earlier in the week. GBPUSD closed the five day at 1.3875 after having hit more than 1.40 during the course of trading. In the commodity currency space, CAD, AUD and NZD all gained relative to the dollar with NZD the outperformer, adding 0.8% to close at 0.7199.

Equities

Global equity markets had a Despite clawing back some losses over the second half of the week, this was not sufficient to offset losses seen at the start of the period, and most major global equity indices closed lower than they did the previous Friday.

Rising Covid-19 cases in some major economies such as Japan and India weighed on sentiment generally, and in those affected countries in particular. These two markets saw their benchmark equity indices decline by more than most other markets last week, with Japan's Nikkei losing -2.2% w/w and India's Nifty -1.7%. Another notable loser last week was Turkey's Borsa Istanbul 100 which declined by -4.5% w/w amidst worsening relations with the US, rising Covid-19 cases and a depreciating currency. In the US, all three major benchmarks had a strong close on Friday, with the Dow Jones, the S&P 500 and the NASDAQ gaining 0.7%, 1.1% and 1.4% respectively. Nevertheless, this left them all in the red over the week by -0.5%, -0.1% and -0.3%.

Commodities

Oil prices lost some ground last week, largely on concern that extended state and municipal lockdowns in India would tank oil demand in the third largest consuming nation. Brent futures fell 1% to settle at \$66.11/bl, WTI was off by 1.6% at \$62.14/bl while Murban futures fell more than 2% to close just under \$64/bl. OPEC+ will

set the tone this week with a joint technical committee starting the week followed by a ministerial meeting on April 28th. Given that demand may wobble in the coming months on a pending slowdown in India's economy, which is directly affecting the oil refining industry there, we would expect that OPEC+ would hold production targets for the rest of Q3 steady after increasing output by 2mn b/d from May to June. However, the bloc has shown itself prone to surprise policymaking this year so we won't rule out a decision in either direction that could roil markets. Despite the drop in spot prices, time spreads at the front of the curve strengthened. WTI 1-2 month spreads moved back into backwardation while in Brent the same spread is now at just under \$0.7/bl. US drillers pulled one rig out of service last week, taking the total to 343. Compared with the same time last year, the rig count is now actually higher—by 18 rigs—and if the pace of addition that we've seen for most of 2021 holds we would expect to see some large annual increases posted over the coming months.

Source: Emirates NBD

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Jorge Montepeque
President
General Index



Can India's Covid resurgence derail the global demand recovery outlook?

Its impact will be muted in terms of energy or refining demand. It's going to have some impact across India's supply chain through - oxygen is being diverted from refinery use into hospital use so this will impact sulfur fuels production. The resurgence is a serious issue but demand for fuels continues. The trend is up. Imports of crude oil into the US are rising. India needs more oil. China needs more oil. And as we move forward, I can see inflation simmering - this is going to be a major issue for policymakers over the next two years - we're just seeing the beginning of it coming back.

How should OPEC manage any inconsistencies in demand?

Numbers are not comparable from one country to another. Plus, they are always retrospective. What's needed is to observe today's market and today's industrial and consumer behavior. People are going to restaurants; they're buying things from Amazon. Chinese factories' operating industrial activity is 24% higher than last year. PMI figures are up in Europe on the back of government support for employment. Any inconsistency in data will mean no change by OPEC because they are under pressure to supply what the market wants. Inventories are being destroyed rapidly.

What's your expectation for the OPEC meeting this week?

We are watching the tone and the rate at which Saudi Arabia returns oil. More Iranian oil is closer to becoming a reality and Saudi has the capacity to balance that out. Geopolitical military activity in the region is another bullish aspect in the market but I am hoping that it eventually leads to détente. It's public knowledge that the Iranians and Saudis are already having discussions. Economic growth requires people talking to each other and being able to move goods towards one another. ■

**Paraphrased comments*

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