

ENERGY MARKETS FORUM DAILY BULLETIN



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THURSDAY /// DEC 9th /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL STAYS ON THE REBOUND AS OMICRON FEARS EASE
2. OPEC+ LIFTS CRUDE OUTPUT BY 500,000 B/D AMID OMICRON UNCERTAINTY
3. US OIL INVENTORIES EDGE LOWER, FUEL SUPPLIES SURGE
4. OPEC OFFICIAL HITS AT 'MISGUIDED' EFFORTS TO PARE OIL & GAS
5. JPMORGAN SAYS 2022 TO SEE FULL GLOBAL RECOVERY
6. BANK OF ENGLAND NOW EXPECTED TO RAISE RATES IN Q1
7. UK ANNOUNCES PLAN B RESTRICTIONS TO COMBAT SPREAD OF OMICRON VARIANT
8. FINLAND'S PM SORRY FOR CLUBBING AFTER COVID CONTACT
9. RECORD EU CARBON PRICES COULD RALLY FURTHER
10. TWO COMMODITIES TO BEAT OIL IN 2022

RECOMMENDED VIDEOS & REPORTS

- US EMPLOYERS HAVE 11MN JOB POSTINGS TO FILL
- BIDEN SAYS US WILL NOT UNILATERALLY SEND TROOPS TO DEFEND UKRAINE
- THE FRAGILE STATE OF FOOD SECURITY IN THE MAGHREB
- TURKEY'S INFLATION CRISIS REVEALS SYSTEMIC WEAKNESS IN TURKEY'S FOOD SECURITY
- GERMANY'S OLAF SCHOLZ TAKES OVER FROM MERKEL AS CHANCELLOR

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NEW SILK ROAD

PODCAST



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NEW SILK ROAD LIVE

TOP 3

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TAKEAWAYS

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Hello all. Thursday. That Thursday of the year where everyone is getting ready for their work Christmas party. Except we're not. Because we're still in a pandemic. That is of course unless you work for the British Conservative party, then it's knees mother up brown all over the House of Commons. #Partygate. Anywayyyyy. Before I get sued and banned from entering my home country, let's talk oil, shall we? Actually, let's start with today's cracker. One joke after another here - I just found out I'm colourblind. The news came out of the purple. I mean, I look at myself sometimes like how the Fonzy does. Right, next joke? Brent is trading this morning at \$76.33/bl up 0.51 and WTI is trading up 0.61 at \$72.97/bl. Mark Twain once said something that makes



BY MATT STANLEY
DIRECTOR
STAR FUELS

me believe he would have enjoyed this oil market very much "All you need in life is ignorance and confidence; then success is sure". Well, you know something Twainy? You're spot on. On one hand we have builds on US oil

product stocks, a negligible draw on crude, new covid restrictions in the UK and other EU countries and just about everyone, including OPEC and the IEA, predicting a flip to surplus in crude oil come Q1-2022. Oh, let's also not forget that US oil production was up to 11.7mn bpd last week, a high not seen since early May 2020. Then on the other hand we have ummmm, ermmm, coughs awkwardly, bullish sentiment? I mean I know people are less fearful of Omicron, but it is seemingly being totally dismissed now. A good friend said to me this morning "I think people are forgetting the covid forest for the omicron tree". And you know what? I think that's totally accurate. The issue is that the globe is in varying degrees of what effect Omicron is having. If

you look out of your office window in Melbourne then the story is vastly different in the EU, where work from home is being encouraged and here lies the problem, the global economy and recovery has been fractured, and these fractures continue to open as variants (sadly) expand their reach to all parts of the globe. Will things return to full lockdown as we saw in Q2-2020? No, no they won't, but, as I said last week, markets are concerned not about Covid itself, but about government reactions to Covid. I just wonder whether this apparent ignorance oil markets have shown about potential headwinds will ultimately end in tears. Still could be worse, you could be on better. com Zoom call. Commentary returns on Monday. Good day, and weekend in advance.

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Vandana Hari
Founder & CEO
Vanda Insights



How is Omicron factoring in to markets this week?

The market has reclaimed about \$7 of the \$14 drop that happened as a result of Omicron storming onto center stage. One could argue that there is plenty more headroom but the optimism that has come back is also quite an emotional reaction, and that will continue in both directions, depending on what data and information we receive on the virus. So far, it is quite preliminary.

Does the oil price continue to drift up if Omicron drifts away?

It's still early days. The WHO has said that we need at least two weeks to determine the potential impact. I think we could see a lot of back and forth and volatility. At any point, I would caution against taking an extrapolating position in whichever direction prices are moving in. I think the oil community will be more cautious on buying into any crude rally or rebound.

How will elevated Saudi OSPs to Asia land with Asian refiners?

The Saudi move was in line with the narrative that we saw coming out of the OPEC+ meeting, which reflected quite a mature, cool-headed decision given market circumstances and it had a sort of calming influence. As far as demand is concerned, the EIA has said this week what we have been hearing for the past few months - that the world is probably going to flip into oversupply in Q1 and that will continue to grow throughout 2022. That's the forecast. To some extent, Saudi Arabia was sending a signal to the market that it is not scared of demand. Asian crude demand growth rates are not going to be spectacular as we go into 2022 but they're also not falling off a cliff.

What's the latest sentiment on Iranian oil returning to market?

The market is not going to bake in Iranian oil until there's a real signal. For the next few weeks, Omicron is going to be the single biggest determinant of sentiment in addition to perhaps what the Fed does and signals at its meeting next week. Those two are far more crucial for oil prices going forward than Iranian geopolitics. ■

**Paraphrased comments*

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Mashreq 60-SECOND SOUNDBITE

Dr. Carole Nakhle
Chief Executive Officer
Crystal Energy

**"Oil is rebounding with
all markets in a relief
rally that Omicron isn't
yet proving to be as bad
as first forecast"**

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Mashreq 60-SECOND SOUNDBITE

Mike McGlone
Senior Commodity Strategist
Bloomberg Intelligence

**"I still expect WTI
to drop towards
its long-term average
of \$50/bl a barrel
next year"**

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