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Fujairah New Silk Road WEEKLY NEWSLETTER

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EXCLUSIVE INSIGHTS /// ACTIONABLE INTELLIGENCE /// DATA TRENDS /// LATEST NEWS

"China Reopening Ensures LNG Markets Will Remain Tight in 2023!"

Marc Howson, Head of Asia, Welligence Energy Analytics

A three-way shock to the LNG business in 2022 sent prices higher. One factor was cyclical - the lack of new final investment decisions on LNG liquefaction projects five years ago, meant growth in LNG supply in 2022 was very muted on a global basis versus 2021. Secondly the Ukraine invasion and subsequent dramatic fall of Russian piped gas into Europe, left volumes at the end of 2022 about 10% of what they were at the beginning of that year. Thirdly, we saw the structural shift of a vastly reduced reliance on Russian gas by their biggest customer, Europe. All these factors, combined with a China that is slowly reopening, is predominantly why we expect prices to remain elevated. A particularly warm winter in Europe has been the main driver behind the recent fall in prices, but we don't see any quick resolution to the Ukraine situation and the resumption of Russian gas into Europe, so we expect further tightening in the market over the course of 2023. What will limit prices however, certainly here in Asia, is the price sensitive nature of countries like India and emerging Asian LNG demand countries such as Pakistan and Bangladesh. Increasingly, and unfortunately for the world, because of the high LNG prices and because it's very difficult for these countries to get gas from alternative sources, a lot of them are boosting their imports of coal. There aren't huge amounts of new domestic gas fields being discovered to boost their indigenous production and there's also a real lack of cross-border pipeline infrastructure across South and Southeast Asia. And in North Asia, countries like Japan and Korea are restarting nuclear facilities or building new ones, to limit their LNG intake in the face of very high prices.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

7,089,000 bbl	2,987,000 bbl	9,912,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.61 - 4.38/m³

↑ Highest: $4.50/m³
↓ Lowest: $3.40/m³

THE WEEK In Numbers

Weekly Average Oil Prices

Brent Crude:	$86.97/bl
WTI Crude:	$80.73/bl
DME Oman:	$84.49/bl
Murban:	$85.83/bl

*Time Period: Week 4, January 2023
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO
High = $685.00/mt
Low = $645.00/mt
Average = $665.00/mt
Spread = $40.00/mt

MGO
High = $1,219.00/mt
Low = $1,167.00/mt
Average = $1,192.00/mt
Spread = $0.00/mt

IFO380
High = $417.50/mt
Low = $395.00/mt
Average = $409.00/mt
Spread = $0.00/mt

*Source: Ship and Bunker, *Time Period: Jan. 18 – Jan.25, 2023*

Fujairah Bunker Sales Volume (m^3)

1,494 180cst Low Sulfur Fuel Oil	500,082 380cst Low Sulfur Fuel Oil	159,566 380cst Marine Fuel Oil
899 Marine Gasoil	32,349 Low Sulfur Marine Gasoil	4,715 Lubricants

Source: FEDCom & S&P Global Platts

CONTINUED FROM PAGE 1

Marc Howson, Head of Asia, Welligence Energy Analytics

How big a hit will Asian LNG demand take this year?

For the first time since 2015, Asian LNG demand fell significantly in 2022, down around 7% year on year. Chinese LNG demand was reduced by almost 20% year on year. We do see growth in Chinese demand this year, but it's unlikely to go back to the strong rates that we saw at the end of the last decade.

Are the LNG flows we witnessed in 2022 now entrenched as permanent?

There is a structural shift, particularly in terms of European LNG demand, which reached 100 million tons last year, about a 60% increase year on year versus 2021. We need to look at the amount of infrastructure for LNG that's being built around Europe. Germany is the best case, with six regasification facilities planning start up this year and next. Finland has installed their first LNG FSRU, and other countries around the continent like Estonia, and potentially Cyprus and the Netherlands, are seeing increased reliance on LNG. Europe might continue to import a small degree of Russian gas, but it won't go back to anywhere near previous levels.

Will the US continue to take advantage as Europe's predominant LNG provider?

Most of the incremental supply to Europe in 2022 did come from the US, around 45%, and it will continue to dominate that growth in supply, particularly over the next ten years. In terms of other global capacity, Qatar is planning to add almost 50 million tons of LNG by 2028 from their two expansion projects. The other big LNG frontier that's going to provide more security of supply is East Africa. We've already seen the first production from the Coral floating LNG in Mozambique start up last year, which has a 3.4 million tons capacity, and there's the onshore Mozambique LNG plant that may reach FID, with 13 million tons of capacity. When you add the vast potential Tanzania has with its unmonetized gas reserves, you see that the volumes from East Africa are likely to be very significant. One of the few projects in the world that will add more supply during 2023 is Mauritania. There's also a proposed floating project in the Leviathan field in Israel and one in Malaysia.

Why don't we see more investment in fixed onshore regasification?

The primary driver for this huge explosion of interest in FSRUs is to do with the speed that they can be brought on - about nine months from first proposal. It's also a relatively low upfront Capex exercise because you don't have to build quite as much storage infrastructure onshore.

WATCH FULL INTERVIEW HERE

Energy Markets Views You can Use

Renee Pirrong
Head of Strategy at Tellurian

Does the US remain a vital LNG source for Europe in 2023?
It's unquestionable that Europe will continue to require LNG supplies through 2023 and beyond and the US is the most proximate source of supply. Prior to the war in Ukraine, Europe imported about 170bcma of natural gas from Russia, which is equivalent to about 16bcf a day in the US. Today, that number is about 1.7bcf a day. For Europe to backfill all the gas that it was getting from Russia, it would require an incremental 120 million tons of LNG supply on an annual basis, which puts its total LNG requirements in the long run at about 150 to 160 million tons. That's an enormous challenge and it's going to require not only the LNG supply that the US has today, but a robust amount of new infrastructure and projects to come.

How was the US able to more than double its LNG output within 2 years?
The ability to export to Europe is a function of the flexibility of the US LNG infrastructure and platform. Prior to the crisis, most of the LNG was geared towards Asia but as we saw the TTF price at an astounding premium to JKM last year, most of that volume was redirected into Europe, saving the European market from what would have been an astounding structural shortfall.

Will that now be disrupted with China reopening and coming back to the market?
In 2022, China took the LNG already under long-term contract - about 60 to 65 million tons. Our view is that number could grow by about 10 to 15 million tons this year and that puts the market in a very tight balance. We've already seen TTF start to trade at a discount to JKM in the early days of 2023. That sets up an interesting conundrum for the European market, where we have seen actual demand about 15 to 20% lower than normal on a weather adjusted basis. Europe will probably end the withdrawal season this year with inventories at about half full, much higher than normal. So as Europe gets more comfortable, there might be a situation where more LNG goes into Asia and that will then leave it in a paradox of sorts as it would still have to attract enough LNG to refill storage for the end of this year.

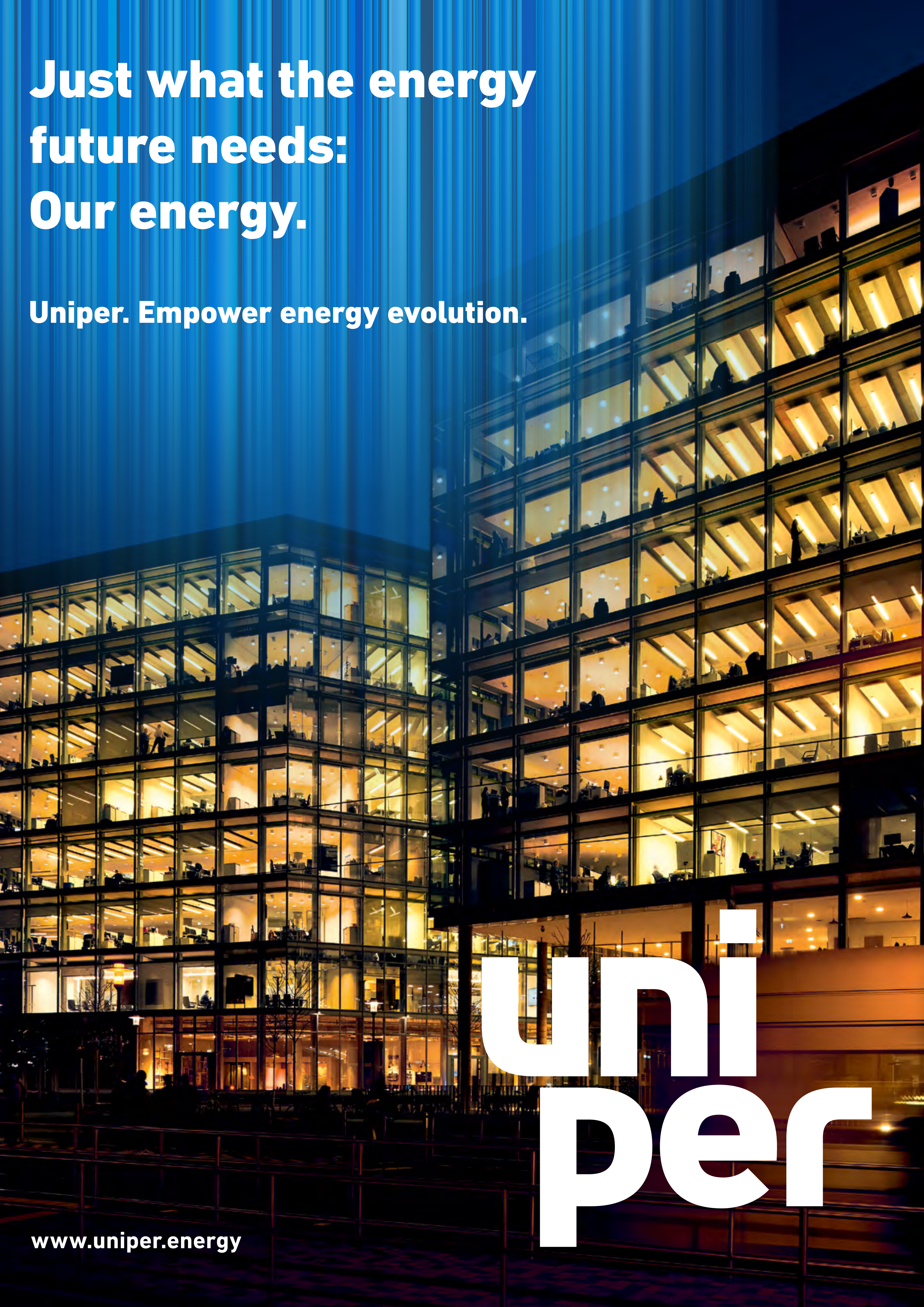
Will China look to replace expensive LNG with more coal?
The way that China's contracts are often structured is the major IOCs can pass on a lot of their high-priced LNG to their customers. So, the major NOCS are not necessarily as price sensitive because of the way that market is regulated. We won't see prices command the same panic premium as in 2022, but they will still remain elevated as China probably drives up demand. There's also a big question mark around new global supply for the next few years.

Ole Hansen
Head, Commodity Strategy
Saxo Bank

Direction for oil markets as we approach the end of January?
The market is a little rudderless right now. We have the recession risks in the US and Europe, and sanctions against Russian diesel and fuel from next month, pulling in different directions. The US has also stopped supplying the market from its SPR but at the same time we're seeing inventories rise. And then we have the questions on how strong the China recovery will be. We will probably need additional economic support from China to take some of the current resistance out of Brent.

Is anyone screaming for more oil right now?
The curve is telling us that the market is reasonably well-supplied in both oil and gas. One place of concern is the products market. What's driven markets so far this year have been diesel and gasoline prices, up about 5% on the month, whereas crude has been trading close to unchanged. Whether India or China will pick up Russian diesel or gasoline, as they have been doing with crude, is a question because they can refine that themselves and create the revenues domestically. If Russia end up with no customers for products, they'll have to reduce production.

US Fed rate policy impact on commodities consumption in 2023?
The market is looking for rate cuts starting later this year and some of the models out there for economic growth have priced that in. I'm little skeptical because we're seeing a renewed push higher in commodity prices, wage growth is starting to become an issue and if China if comes back firing all cylinders, that will also be inflationary. The Goldilocks scenario that inflation is going straight back down to 2% is not what we're facing. It will drop over the coming months but then potentially start moving higher again and that will prevent the Fed from getting too aggressive on cutting rates. Economically, we can probably manage with these interest rate levels. We've seen that in the past and sectors will have to adjust.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Fujairah Spotlight

National Bank of Fujairah's '22 net profit jumps over 195% to Dh340.4 million

National Bank of Fujairah reported a net profit of Dh340.4 million for the year ended December 2022, compared to Dh115.2 million in 2021, a 195.3 per cent jump, the lender said on Wednesday. The bank also posted its highest ever operating profit of Dh1.2 billion, a rise of 29.4 per cent compared to Dh955.6 million in 2021, underpinned by higher net interest income and net income from Islamic financing and investment activities, fee and exchange income.

Source: Gulf News

Fujairah Oil Terminal pushes back VLCC link to Q2 due to 'supply chain' issues

Fujairah Oil Terminal, the largest independent storage terminal at the Port of Fujairah by throughput, has delayed the expected startup of its $45 million project to connect its crude oil storage tanks to the port's VLCC loading facility to Q2 from Q1 2023. The amount of crude and oil products moving through its pipeline to storage tanks is still expected to be the highest in several years in 2023, Dave Noakes, senior managing director at Prostar Capital, which owns 40% of FOT, told S&P Global Commodity Insights in a Jan. 23 interview. The VLCC connection is "broadly on time" though it will be delayed from the original Q1 target to Q2 due to "supply chain issues," he said.

Source: S&P Global Commodity & Insights

Trading minnow emerges as top contender for Uniper's Fujairah refinery

Little-known Swiss commodity trader Montfort is set to beat much larger rivals to acquire German utility Uniper SE's refining and related businesses in the Middle East for nearly $80 million, several sources familiar with the matter said. The sale of Uniper Energy DMCC businesses that includes a 70,000 b/d topping refinery in the Middle East trading hub of Fujairah is part of assets Uniper is expected to sell as part of a financial aid agreement with European Commission in December 2022.

Source: Hellenic Shipping News

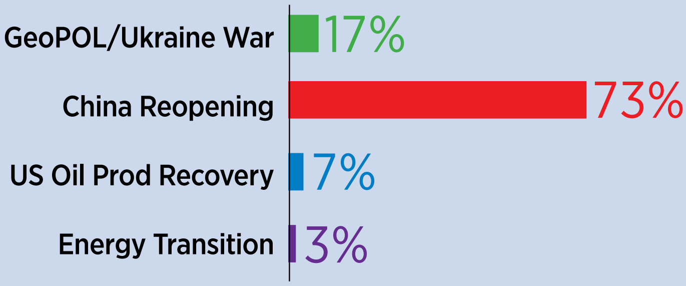
Fujairah Announces Huge Fines for Pedestrians and Drivers Who Don't Follow Rules

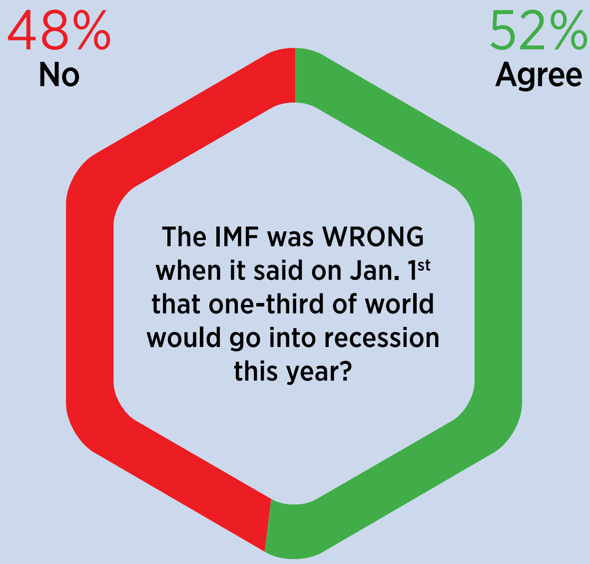
The Fujairah Police Department has launched a campaign titled "I have the right to cross safely" in order to increase safety on the roads and decrease hit-and-run accidents. This month-long initiative aligns with the objectives of the Ministry of Interior and aims to educate the community on traffic safety and pedestrian rights, particularly for vulnerable groups such as children, elderly residents, women, and individuals with disabilities.

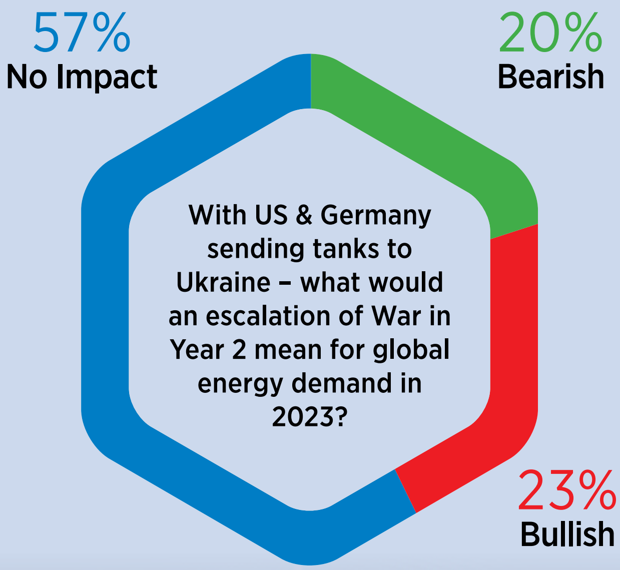
Source: Ship & Bunker

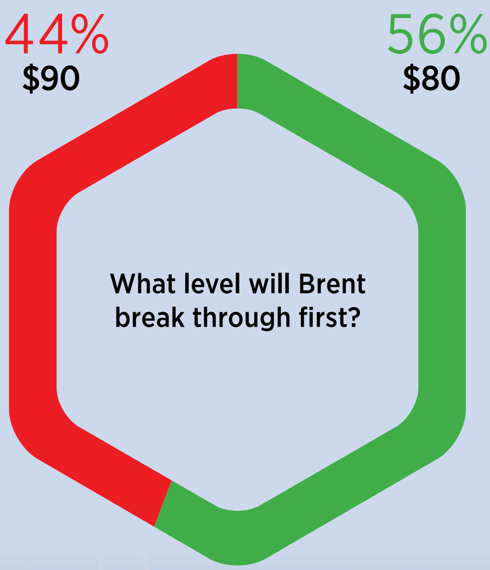
Weekly Surveys

What will have the biggest impact on the direction of oil markets through 2023?









Source: GI Research March 2023

Fujairah Weekly Oil Inventory Data

منطقة الفجيرة للصناعة البترولية
FOIZ Fujairah Oil Industry Zone

TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 19.988 million barrels with a drop of 168,000 barrels, or 0.8% week-on-week as they fell back below the 20-million-barrel level. The stocks movement saw a drop for light distillates and middle distillates and a build for heavy residues.

- Stocks of light distillates, including gasoline and naphtha, fell by 794,00 barrels or 10.1% on the week to 7.089 million barrels. The East of Suez gasoline complex strengthened in early trade Jan. 20, tracking a widened US-RBOB Brent crack spread, on the back of a rise in US gasoline demand and expectations of low Chinese exports in January amid the Lunar New Year demand, sources said. China's Ministry of Transport has forecast a 99.5% year-on-year increase in passenger trips during the 2023 Lunar New Year travel period. The country's exports are expected to rebound in February after the festive period, sources said.

- Stocks of middle distillates, including diesel and jet fuel, decreased by 321,000 barrels or 9.7% on the week to 2.987 million barrels. The East of Suez gasoil market ended the week Jan. 20 on a stronger note with supply issues and western strength pillaring support. At current levels, arbitrage of gasoil to the West is economically viable, particularly for cargoes loading from the Persian Gulf and West Coast India, even as stockpiles in Europe remained high, industry sources said. "The bullish factor [is the] French strike," a gasoil trader said, adding that demand within Asia itself is "not seeing strong support based on fundamentals". A second gasoil trader, echoing a similar sentiment, said the Asian gasoil market has "largely stabilized" but noted that the West could absorb more cargoes with the Russian sanctions due to kick in Feb. 5 coupled with protests in France

- Stocks of heavy residues increased by 947,000 barrels, up 10.6% on the week as they stood at 9.912 million barrels. Spot trading activity at the bunkering hubs of Singapore and Fujairah was said to be less-than-average on the last day of the trading week prior to the Lunar New Year, traders said. The overall low sulfur marine fuel complex, both upstream and downstream, has seen a surge in valuations in the recent days. Traders have attributed this rise to tight availability of finished grade product, especially for prompt loading. The overall balances are also said to likely be short going into February due to relatively less Western arbitrage low sulfur material expected to arrive East. In the Middle Eastern port of Fujairah, offers for delivered marine fuel 0.5%S bunker were heard at $665/mt for product deliverable from Jan. 27 onwards. No trades were heard concluded during the MOC process. The grade was assessed at $660/mt, $25/mt higher on the day. The premium for Fujairah-delivered marine fuel 0.5%S bunker over Singapore marine fuel 0.5%S cargo rose $2.58/mt on the day to $18.15/mt.

Source: S&P Global Platts

Energy Markets Views You can Use

Laury Haytayan
MENA Director
Natural Resource Governance Institute

Might we see the JCPOA negotiations revived this year?
With the demonstrations in Iran, the chances of a deal have dissipated but If Iran is seen to be selling a lot of its oil for example, the US might have more interest. There's the question also around whether Iran's leadership will focus more on domestic issues or externally through activities in Yemen, Lebanon, etc. but as long as Iran is after a nuclear bomb, the talks will resume at some point.

How is Turkey likely to play the geopolitical game going forward?
Erdogan is using his NATO leverage to show that he can play a negotiating role between Russia and Ukraine and play other cards in Syria. His focus right now is on the elections in May and because he can't do much about his economy, he wants to show to his public that he's very tough on the international stage on issues like what's happened in Sweden and who gets into NATO.

Should we be paying more attention to an escalating situation in Ukraine?
Germany has been a bit disappointed by how Russia used its oil and gas against it and Europe. It started with a strategy of being more conciliatory to Russia, but it's now resorted to sending the tanks. At the end of the day though, Russia also needs the money from oil and gas sales so we will see what happens as we enter the second year of this war. What interests me is what Italy's ENI is doing with these gas deals in Algeria and Libya, to increase production there.

Rob Barnett
EMEA Team Lead for Energy & Commodity Research
Bloomberg Intelligence

Growth projections for renewables capacity in 2023?
Wind and solar don't compete with oil in the liquids market but in gas markets, particularly in Europe these days, they are more viable. At the start of the Ukraine crisis last year, we projected that Europe could fully get off Russian gas in four years by going full throttle on renewables. They did it in about 12 months, albeit aided by factors like mild weather and a big cratering of industrial gas demand. We also had gas to coal switching and US LNG supply. Renewables are the fastest growing segment of the energy space. Solar demand globally increased about 50% last year compared to the 1% growth rate we are accustomed to seeing in the oil market.

Will Europe abandon its Energy Transition for energy security?
It's very hard to have an Energy Transition if you ignore energy security goals. It was very prudent for example in the case of Germany, to bring some of their coal plants back online last year - these decisions were quite practical. But I think all governments and most stakeholders are continuing full steam ahead on everything Energy Transition related.

Does China, or the Ukraine war hold greater weight today on energy markets?
China's reopening will be the big differential but there are other factors, such as whether a recession will happen and how deep or long it will be. The value of the dollar is also critical and how US policy decisions feed into that.

Is Europe's renewables agenda vulnerable to its reliance on Chinese materials?
Once you've got the equipment installed, there's less concern, but about 80% of the solar supply chain globally is in China. We saw the US take some significant action this past year to help try to manage that risk. The Inflation Reduction Act is basically a clean energy bill, and the US wants to push manufacturing domestically. Europe is probably going to take a very serious look at that question because if it doesn't change the incentive structure, it risks the manufacturing happening in China or perhaps the US. The wind supply chain isn't nearly as concentrated in China however, with companies like Vestas, Siemens, Gamesa and Nordex quite actively making turbines in Europe.

Energy Markets COMMENTARY
WEEK IN REVIEW

Daily Energy Markets PODCAST

MONDAY /// JANUARY 23rd /// 10:30AM (UAE)

Omar Najia
Global Head - Derivatives, BB Energy

Vandana Hari
Founder & CEO, Vanda Insights

Bill Spindle
Fomer International Affairs Fellow in India
Council on Foreign Relations

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Daily Energy Markets PODCAST

TUESDAY /// JANUARY 24th /// 10:30AM (UAE)

Neil Atkinson
Former Head of Oil Markets Division
International Energy Agency (IEA)

Rob Barnett
EMEA Team Lead for Energy & Commodity Research
Bloomberg Intelligence

Rafiq Latta
Senior Correspondent, Energy Intelligence

Series Supported By: FOIZ, CCED

Daily Energy Markets PODCAST

WEDNESDAY /// JANUARY 25th /// 10:30AM (UAE)

Rustin Edwards
Head of Fuel Oil Procurement, Euronav NV

Daniel Richards
MENA Economist, Emirates NBD

Jamie Ingram
Senior Editor, Middle East Economic Survey

Series Supported By: FOIZ, CCED

Daily Energy Markets PODCAST

THURSDAY /// JANUARY 26th /// 10:30AM (UAE)

Ole Hansen
Head - Commodity Strategy
Saxo Bank

Laury Haytayan
MENA Director
Natural Resource Governance Institute

Ali Al Riyami
Consultant & Former Director General of Marketing
Ministry of Energy & Minerals, Oman

Series Supported By: FOIZ, CCED

CLICK HERE TO LISTEN

Energy Markets Views You can Use

Rustin Edwards
Head of Fuel Oil procurement
Euronav NV

Outlook for shipping in 2023?
I've always said that freight reflects what the world economy is going to look like in about 6 to 8 months. Right now, container freight rates are in the doldrums. The market has corrected massively from where we were a year ago when it cost $20,000 to ship a box from Hong Kong to Los Angeles. That same box is now about $2,000. That basically tells you that there is no demand on the consumer side, no pull of goods from Asia into Europe and the US, and there's also no overproduction from factories in China that need to push goods out the gate, so the price move that we've seen in oil over the last ten days is not yet justified. Meanwhile, tanker freight for dirty products had a strong 2022. We haven't seen the same appreciation yet for clean products, primarily because the Russian embargo is going to impact gasoil, naphtha and jet fuel, which all require clean tonnage to move.

Will the embargo on Russian products be more effective than on crude?
I don't think the work that was done with the G7 and the EU on the embargo around crude oil has been unsuccessful, because Russia's revenues are down, and we did not have a supply shock to the market. If anything, Russia is incentivized to export even more crude because they would need their revenues higher. But with products, there's a bit more of an issue, because you start getting into the nitty gritty of the products that Russia exports. Gasoil is homogeneous around the world, so Russia should find a home for the 600,000-800,000 bd of those exports, especially if it manages to replace them into Africa. Russia's biggest problem is going to be with naphtha, which is a petrochemical feedstock and gasoline blend stock. They produce and export about 500,000 bd and without the European market to go into for the gasoline blending pool, it's basically exporting into the east for petrochemical feed, and those margins have been pretty poor. Russia is probably going to end up shutting in a few hundred thousand barrels of refining capacity because it will be economically unfeasible to get that naphtha product out the gate.

ENERGY MARKET NEWS

1. RISING CRUDE, GASOLINE INVENTORIES WEIGH ON OIL PRICES
2. DOLLAR NEAR EIGHT-MONTH LOW AHEAD OF CENTRAL BANK MEETINGS
3. DIESEL MARKETS BRACE FOR A CHAOTIC FEBRUARY
4. RUSSIAN OIL SWITCHING AT SEA GATHERS PACE IN WAKE OF EU SANCTIONS
5. NORTH ASIA CRANKS COAL IMPORTS AT FUEL INDUSTRIAL REBOOT
6. IBERIAN LNG DELIVERIES FALL AS PRICES SLUMP
7. GERMANY SEES BRIGHTER OUTLOOK FOR EU'S LARGEST ECONOMY
8. RUSSIA: WESTERN HEAVY WEAPONS TAKES CONFLICT TO "NEW LEVEL"
9. OMAN'S CO2 EMISSIONS PER CAPITA FALLS BY 16% DURING 2015-2020
10. FRANCE: STRIKES EXPECTED TO REDUCE FRENCH NUCLEAR, HYDRO OUTPUT

RECOMMENDED VIDEO & REPORTS

- UN FORECASTS FALL IN GLOBAL ECONOMIC GROWTH TO 1.9% IN 2023
- GLOBAL AIR TRAFFIC - NUMBER OF FLIGHTS WORLDWIDE
- CHINA'S COVID WAVE DRIVES UP CONSUMER INTEREST IN INSURANCE
- US TO PAY LEBANON ARMY, POLICE SALARIES FOR SIX MONTHS
- TESLA PRICE CUTS BOOST SALES DESPITE WEAK ECONOMY
- GOLDMAN, BOFA SAID TO GIVE UP LEAD ROLES ON ADNOC GAS IPO
- WHY THE US FLIPPED ON SENDING TANKS TO UKRAINE
- WHAT DO ANALYSTS SAY ABOUT LIMITING PRICES FOR RUSSIAN OIL PRODUCTS

GI Soundings Week in Review

"All Eyes Remain on China Economy for Oil Market Support!"

Over the last week, Gulf Intelligence has held high-level interviews with energy experts in the MiddleEast, Asia, Europe, and the US. This intel is harvested from the exclusive briefings.

- **Vandana Hari, Founder & CEO, Vanda Insights**
- **Omar Najia, Global Head, Derivatives, BB Energy**
- **Rafiq Latta, Senior Correspondent, Energy Intelligence**
- **Neil Atkinson, Former Head of Oil Markets Division, International Energy Agency (IEA)**
- **Jamie Ingram, Senior Editor, Middle East Economic Survey**
- **Daniel Richards, MENA economist, Emirates NBD**
- **Ali Al Riyami, Consultant & Former Director General of Marketing Ministry of Energy & Minerals, Oman**

Vandana Hari, Founder & CEO, Vanda Insights CHINA OUTLOOK: "The oil bulls might be ignoring that there's a feedback loop. China may be reopening, but we are only seeing the market responding to the prospect of how Chinese demand might look like. What do prices do when it actually starts buying, and how does that impact inflation and the FED pivot that the market is convinced is going to happen? I don't see a continued rise in prices – I would bet on an up, down oscillation as we are far from the point where we can say, it's all systems go."

Omar Najia, Global Head, Derivatives, BB Energy OIL BULLS: "Every fund that I know of is super long, and they've driven this market higher. They're not just buying crude – they're buying lots of distillate cracks. If these funds decide to get out, it's going to be a very crowded trade. In 2023, cracks on gasoil were trading down to $23 or so, and they shot up to around $29. That's massive and not far off the nutty periods we had back in September when they were around $50 – and all of this is on the back of a China that's possibly coming back."

Rafiq Latta, Senior Correspondent, Energy Intelligence SUPPLY CHAIN: "There is the European Critical Raw Materials Act brewing, and recently, the Saudis have launched a $15bn mining fund for investment abroad, so the supply chain issue is one of the big energy themes coming up. The US and European policy of putting sanctions on everything over the last few years has made this capturing of the international supply chain as critical."

Neil Atkinson, Former Head of Oil Markets Division, International Energy Agency (IEA) AVIATION DEMAND: "As we move through the year, you have to assume that normal activity in China will gradually resume, and international travel into and out of China will start to pick up. Aviation, which has been the laggard in terms of the return of normal demand patterns, holds the key to some of the optimistic demand growth numbers which the IEA and others are putting out there."

Jamie Ingram, Senior Editor, Middle East Economic Survey IRAN: "The embargo on Russian crude and products will not be a huge market altering issue, but where we might see geopolitical risk that has come back in, is from Iran. We've seen attacks by the Houthis inside Yemen recently, but they have also shown a predilection in the past towards conducting attacks deep into Saudi Arabia, and even into the UAE – that might not actually impact production but it's capable of spooking the markets."

Daniel Richards, MENA economist, Emirates NBD US MACRO OUTLOOK: "US housing sector data started to show signs that the Fed rate hikes were having an effect quickly, but labour markets are still holding up strongly and retail sales have not been impacted to the degree that was expected, or to the extent that the Fed would want to see in order to bring down that headline core inflation level."

Ali Al Riyami, Consultant & Former Director General of Marketing Ministry of Energy & Minerals, Oman MIDDLE EAST SECURITY: "Until the Iran nuclear agreement is signed, anything is possible in the region. It is like a card that Iran, or the US and the Europeans use when they need it. I don't see any solution out of this crisis soon. I think both sides are happy to have this kind of status quo. We are not happy as the region is in limbo."

Energy Markets Views You can Use

Bill Spindle

Fomer International Affairs Fellow in India
Council on Foreign Relations

Economic outlook for the US and China this year?

It's looking so far so good in the US with the Fed, but questions do remain on what will happen if this downward drift in inflation levels off at an unacceptable high rate at some point. The Fed has to change expectations around that - that's really the game that's going to happen going forward. China is coming out of COVID, and the economy is going to pick up, but further down the road the country has deeper economic adjustments to make.

Is the flush of cash in the US system defying the projections of recession?

We've seen a big surge back in markets and the optimism of the Fed being able to engineer a soft landing is supporting that. Overall aggregate jobs numbers are not showing that much erosion but at the same time, we see large layoff at Google and Amazon, and just because inflation is tailing off, it doesn't mean it's going to go right back down to 2%. It would be a remarkable achievement if the Fed pulls that off by the end of the year. The US debt ceiling is also now the big debate and it's a situation that's hard to predict from a policy point of view. For the first time, we have a very determined group in the Republican Party that is probably willing to, as I heard someone describe it yesterday, 'shoot the hostage', and so that's a volatile element.

Outlook for the Indian economy as it emerges with 8% growth in 2022?

It's had a big come back from COVID and that's been a big boost but there's still a lot of economic structural work to do. It will continue to do well, all things being equal in the global economy, but the growth will probably taper off a bit. Let's not forget there's still a war raging in Europe, so it is not at all a stable situation. It would not be surprising if the conflict takes a sharp turn in one direction or another.

Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
January 23rd - 26th

1. The market is pricing for inflation to get back to 2% target by the end of the year, which is a little delusional after 10+ years of $10+trillion money printing!
2. China's reopening will go as fast as the Chinese leadership can choreograph, but how much control do they have on all the leavers of power?
3. China sent 120 million tourists around the world in 2019, who collectively spent close to $300 billion along the way!
4. IEA forecasts that oil demand will exceed supply in 2023, is a based on a bullish outlook for China's reopening -- is this a bit of FOMO or is everybody right?
5. Energy security is likely to remain a top priority for most governments in 2023, and as a result many are likely to give Nuclear energy another look despite its big cost.
6. Russian oil exports are still getting to market and India remains one of the big beneficiaries of the heavy discounts offered by Moscow.
7. Massive correction in container freight rates from Asia to the US proof of weak demand pull from East to West, but expected China recovery still main impetus behind current oil price strength.
8. War in Europe and embargoes on Russian crude and products mostly priced in with new geopolitical risk to market more likely to come from Iranian activity in Mideast region.
9. US Fed not done with rate hikes despite improved inflation figures, with US labour and retail sectors still relatively strong.
10. Most members of OPEC+ would likely be quite content with Brent crude oil prices above $80 a barrel until it becomes clear how quick China's economy will rebound..


MARK YOUR CALENDAR
October 10th & 11th, 2023
11th ENERGY MARKETS FORUM
October 10th - 11th, 2023
Novotel, Fujairah
Port of Fujairah
ميناء الفجيرة
Port of Fujairah
United Arab Emirates
THE ARAMCO TRADING
NEW SILK ROAD
CEO
– OF THE YEAR –
AWARDS 2023
FUJAIRAH
aramco
trading
INTERNATIONAL
ENERGY
JOURNALISM
AWARDS 2023
FUJAIRAH
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Consultancy
Intelligence
Publishing
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Consultancy
Intelligence
Publishing

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Intelligence
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