AUGUST 27th 2020
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# Fujairah New Silk Road WEEKLY NEWSLETTER

Supported By:
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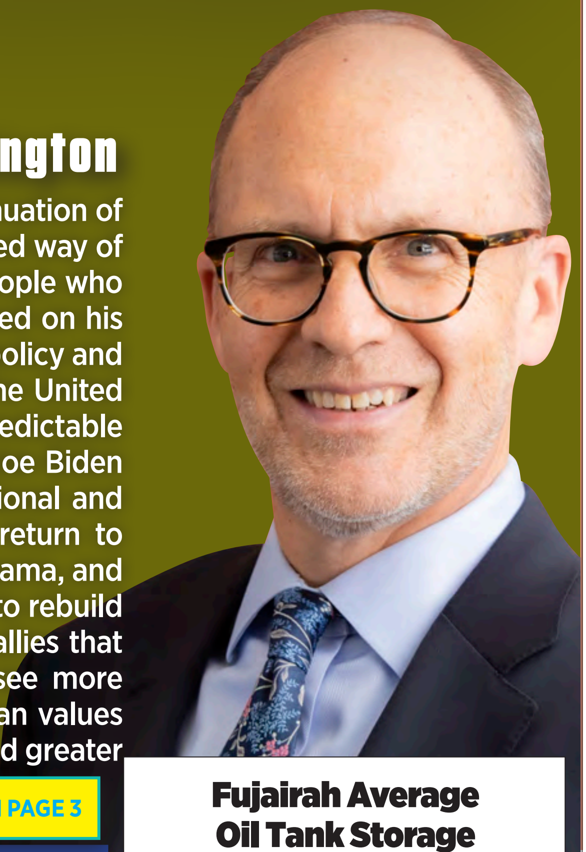
EXCLUSIVE INSIGHTS /// ACTIONABLE INTELLIGENCE /// DATA TRENDS /// LATEST NEWS

## AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

## "IF JOE BIDEN BECOMES PRESIDENT, YOU WILL SEE A RETURN TO A MORE TRADITIONAL AND INSTITUTIONAL FOREIGN POLICY."

**Ambassador Douglas A. Silliman**
**President**
**The Arab Gulf States Institute in Washington**



If President Trump wins a second term, you will see a continuation of his non-traditional, anti-establishment, and very personalized way of conducting business. He has been playing mostly to the people who support him and his base of voters. It has been very focused on his idea of America first – which really means through foreign policy and domestic policy – to bring concrete financial benefits to the United States and to the Americans. He has also been quite unpredictable and non-institutional in the way he uses foreign policy. If Joe Biden becomes president, you will see a return to a more traditional and institutional foreign policy. However, you will not see a return to Obama's foreign policy because Joe Biden is not Barack Obama, and the world is different now. What you will see is an attempt to rebuild some of the alliances with America's European and Asian allies that Trump has underutilized during his four years. You will see more caution with Russia and China, more of a focus on American values in foreign policy, promotion of democracy, human rights, and greater American economic assistance.

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### Fujairah Weekly Oil Inventory Data

| 7,059,000 bbl | 4,136,000 bbl | 15,486,000 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**
**$3.54 - 4.38/m³**

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

Source: GI Research – Weekly Phone Survey of Terminal Operators

Insights brought to you by: 2010 GI 2019 Publishing
Thegulfintelligence.com

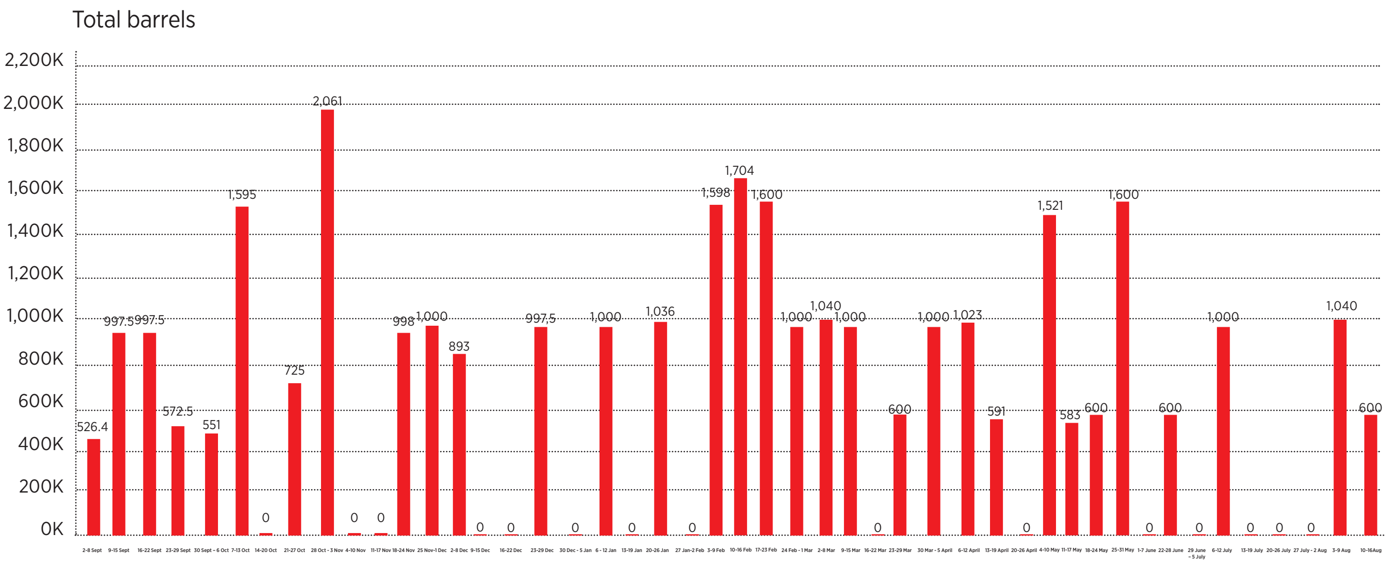
# THE WEEK In Numbers

## Weekly Average Oil Prices

**Brent Crude:** $45.63/bl
**WTI Crude:** $43.01/bl
**DME Oman:** $44.68/bl
**Murban:** $44.74/bl

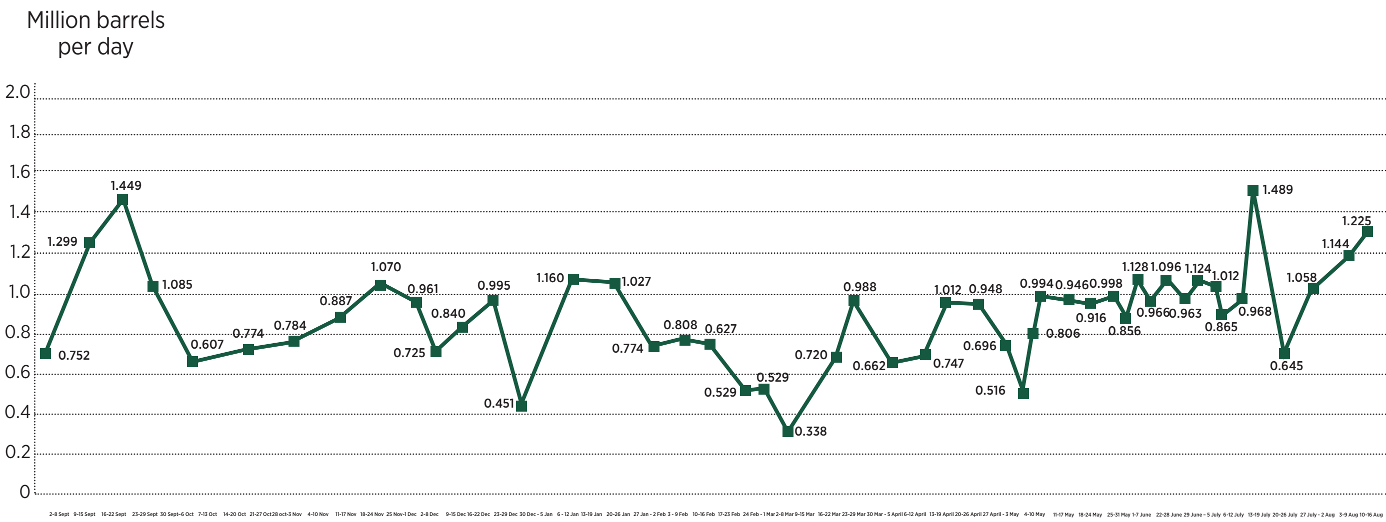
Time Period: Week 4, August 2020
Source: IEA, OilPrice.com, GI Research

## Weekly Imports of Heavy Sweet Crude into Fujairah




Source: Kpler

## Total Refined Product Exports from the GCC to Asia-Pacific




Source: Kpler

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***GIQ: How would US foreign policy towards Iran be different between President Trump and Joe Biden?***

***Ambassador Silliman:*** Iran is one of the issues in the Middle East where a President Trump and a President Biden would have different approaches. President Trump has obviously been focused on what he has called a maximum pressure campaign on Iran. He has withdrawn from the Joint Comprehensive Plan of Action (JCPOA) and has tried to align common cause between Israel and the Gulf Arab States against Iran. It's pretty clear that the maximum pressure of sanctions has hurt the Iranian economy. But Iran has responded with maximum resistance. This maximum resistance was felt in the Gulf last year with attacks on shipping off of Fujairah and continued firing of missiles from Yemen into Saudi Arabia. However, the stated goal of the Trump administration's maximum pressure campaign is unclear. Some in the administration have argued for the need for Iranian policy changes such as support for proxy militias in the region or the focus on the development of ballistic missiles in addition to nuclear technology. But others, like the former national security adviser John Bolton, have clearly angled for a change of the Iranian regime. It's a little unclear what the Trump administration actually hopes to accomplish in terms of policy changes. Trump has been trying for the past couple of years to cajole the Iranians into conducting the kind of very personal diplomacy that he has tried to conduct with Kim Jong-Un in North Korea and with Vladimir Putin in Russia. If re-elected, I can see a possibility of Trump having a different set of conversations with the Iranians and maybe even opening a direct channel to the country. That is the one wild card in Trump's unpredictability that could really change this evaluation.

If Biden were elected president, he would seek to return to the JCPOA. However, I think it would be unlikely for Iran to return to its commitments under that agreement. The Iranian regime has changed somewhat. There have been elections in the Iranian parliament that have brought in much more conservative and anti-American sentiment. There will also be presidential elections in Iran in early 2021. One thing that a Biden presidency would do on Iran is immediately begin serious consultations with our European partners, Russia, and China to see to what to extent he could reconstitute the countries that work with Iran to negotiate the JCPOA. Biden is likely to continue to put pressure on Iran because he has the base of Trump's maximum pressure campaign to work with. If you look back at the Obama administration's Iran policy, they chose to sequence an agreement on nuclear weapons technology. Then they wanted to address support for proxies and ballistic missile programs. So, you might see a Biden administration try to re-establish something that looks like the JCPOA, while continuing to put pressure on Iran to stop the support for proxy militias in the region, and to limit what Iran has done on ballistic missiles. As you saw in the past year, ballistic missiles have become Iran's strategic weapon of choice. They may no longer need a nuclear weapon. The threat of the possibility of a nuclear weapon may be just as good as actually having one in the basement. It is the ballistic missiles that have put at risk the cities of the Gulf and US, and other allied militaries in the region. That is where Iran, more practically, has its ability to project its strategic interests, along with the use of proxy forces in Iraq, Syria, and Lebanon. There will be greater domestic pressure and congressional pressure on a Biden administration to do more to address those issues because they were left undone by the Obama administration.

***GIQ: What is your outlook for China's increasing role in the Middle East?***

***Ambassador Silliman:*** China has been trying to gain a larger foothold in the region, mostly commercial but not in terms of security. China has been quite happy to let the US pay for providing security for the flow of oil to China and Asia out of the Gulf. On another note, if you look at the distribution of investment from China in the Belt and Road initiative, very little has gone to the Gulf. The Gulf is generally not in need of significant infrastructure investment from China, but Iran is. China seems to be trying to expand relations simultaneously with both Iran and Saudi Arabia on different bases. They're going to find this to be a very difficult political line to walk in doing so.

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***GIQ: How has US foreign policy towards the GCC evolved under the Trump administration?***

***Ambassador Silliman:*** Right now, the Democratic Party in the US has serious reservations about many of the policies throughout all the GCC states. Some of this is based on President Trump's very quick embrace of Saudi Arabia, United Arab Emirates, and Kuwait. President Trump has used extraordinary emergency measures to get arms sales approved even when there was a majority of Republicans and Democrats in Congress that opposed them. Policy toward the Gulf was already somewhat politicized, but Trump's very firm support for arms sales to the Gulf has further politicized it. What you are also seeing now is an attempt by some countries in the Gulf to differentiate themselves from each other. There's a growing trend in the Gulf toward expanding citizen's national identities. The new Saudi Ministry of Culture seems to be looking to create an authentic Saudi identity that its citizens can adopt as their own. In the UAE, Abu Dhabi is now taking a somewhat more independent foreign policy line from Saudi Arabia.

***GIQ: How would US foreign policy towards Yemen change under a Biden administration?***

***Ambassador Silliman:*** In a Biden administration, you will see a stronger effort and probably a lot more conversations with Gulf governments on how to find a way to end the war in Yemen. The Trump administration, and some Republicans in Congress, have chosen to see Yemen as Iran versus the Gulf. It's a much more complicated issue than that. We believe in the institute that this is very low on Iran's list of priorities for expenditure of resources. If there is an attitude in the Gulf to find an acceptable exit from the war, then there's probably the same attitude in Tehran. The question is going to be, what do the Houthis and the Yemeni government want? And, to what extent, is there still a viable separatist movement in the south of Yemen?

***GIQ: How has US foreign policy towards the Middle East evolved under the Trump administration? How would the Biden administration differ?***

***Ambassador Silliman:*** The policy that really began during the Obama administration, and was carried on into the Trump administration, is to be less involved militarily in other parts of the world – this represents a shift in American popular opinion. Very few people in the US see American deployments in Iraq, the Gulf, Afghanistan, and to some extent even in Europe, as bearing directly on the interests of the US in a newer and more globalized world. A lot of Americans in the center of the country believe that the US is spending too many of their tax dollars on helping to be the world's policeman and not on developing American infrastructure, improving the American economy, or adopting new technologies. There is this underlying attitude that the US is getting less in return than perhaps it used to. A Trump administration will continue that policy with the focus on commercial and financial benefits to the US. This is really what's driving Trump's foreign policy. A Biden administration will try to stem the deterioration of an American leadership role. It's much more institutional. The Biden administration would seek cooperation from the United Nations, European and key Asian allies and, to a broader extent, with the countries of the Middle East. It would be balanced, not by the America First idea, but the question of American idealism and American values. A Biden administration is going to be more internationalist and an attempt to recapture some of the influence that the US has lost during the Trump administration. In the Gulf, it's going to be problematic because President Trump has been very supportive of the governments of the GCC. He has asked very little of them other than to purchase American arms and American technology. A Biden administration will be more cautious about selling arms to some countries in the Gulf. We'll see if that is true for the UAE and its new deal with Israel or not. But they will also ask things on the questions of human rights, democracy, and the American values of treatment of expatriate laborers in the Gulf. The Trump administration has not emphasized these issues over the past four years.

***GIQ: How will US' ambition for energy independence impact its future relations with the GCC?***

***Ambassador Silliman:*** This will have an increasing impact on the relationship with the US and the Gulf. The former will be able to fulfill most of its energy needs from domestic production. They will be spending a lot less money in the Gulf, whose markets are already strongly shifting away from Europe and North America to Asia. What concerns me in the long term is that the countries of the Gulf may be focusing more on how to maintain good relations with their biggest customers such as India, South Korea, China, and Japan. You have seen Aramco, ADNOC, and KPC make significant investments in refineries designed for their crude. Over time, with energy markets moving to the east, I suspect political and economic priorities might also shift. The US is going to have to compete in the Gulf a little bit more than it has in the past. But, in the short-term, the US remains the premier security partner for the countries of the GCC. China has no real interest in spending the amount of money that would be needed over the next 10-20 years to develop a blue water navy and be able to keep the sea lanes open from the Gulf to China.

WATCH FULL INTERVIEW HERE

# Fujariah Weekly Oil Inventory Data

FOIZ
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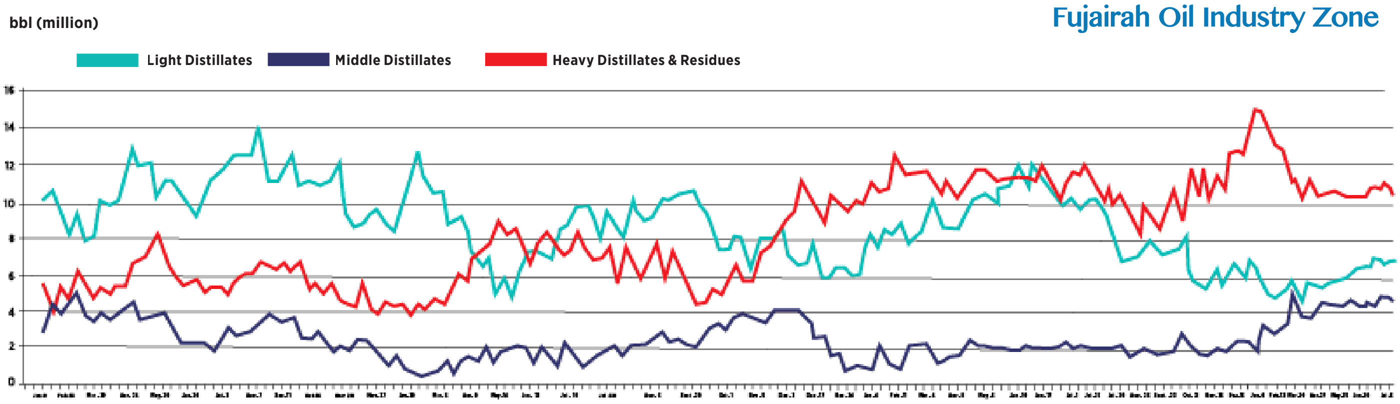
Fujairah Oil Industry Zone




## TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 26.681mn barrels. From a near four-month low last week, stock levels rebounded to their highest since July 13. Total stocks rose by 2.647mn barrels or 11% week on week, with large builds in middle distillates and residues.
- Stocks of light distillates rose by 165,000 barrels or 2.4% week on week. Total volumes stood at 7.059mn barrels. East of Suez gasoline markets remained on a more positive footing. Asian demand has improved with the recovery in demand from Indonesia, while US gasoline cracks have rallied ahead of possible supply disruptions from twin hurricanes set to make landfall in the Gulf Coast region.
- Stocks of middle distillates jumped by 747,000 barrels to 4.136mn barrels – up by 22% week on week. Stocks saw a sharp rebound after falling to a four-month low of 2.289mn barrels last week. Sentiment in the East of Suez gasoil market remained flat, with most traders observing upside was capped on the back of continued limp demand and heavy supply. Weakness in the Asian gasoil market continued due in part to poor sentiment in the Western gasoil arena instead. “The West gasoil market is weak, hence the EFS is strong,” a senior trader with a Middle Eastern company said, adding that Asian gasoil length will likely remain trapped, and possibly even lengthen, due to the firm EFS level.
- Stocks of heavy residues rose by 12.6% or 1.735mn barrels to 15.486mn barrels – a six-week high. Bunker activity in Fujairah was muted, coming off the recent Islamic New Year public holiday. Trading was said to be subdued as both buyers and sellers were said to be waiting for cues on the direction that the market would take. “Crude is trading around the same levels in the last two weeks, last week was good on demand and today people are waiting to see if the market will move up after falling on Friday,” said a Fujairah-based supplier.

Source: S&P Global Platts

## *“Brent’s response is about as interesting as listening to my old geography teacher.”*

**BY MATT STANLEY**
SENIOR BROKER
STAR FUELS

Brent is trading down 0.03c/bl this morning at $45.61/bl whilst WTI is trading at $43.21/bl, down 0.18c/bl. Historically, US hurricane season has always been something closely watched by oil traders. If we go back to the devastating Hurricane Katrina in 2005, crude oil prices went from $60/bl, up to $67/bl in a couple of days when the storm made landfall. A 10% jump back then was something quite extraordinary. Yet here we are, faced with a storm of the same proportions and one that has knocked out about 1.6mn bls/day of supply and a refining network that is close to processing zero and Brent’s response is about as interesting as listening to my old geography teacher explain to me what the endogenic process is. Gasoline stocks are decreasing, it’s the last week of summer holidays and the refining sector may struggle to keep up with demand, so surely prices should go up. Yet, owing to the extraordinary year that 2020 is, we are left in a position where stocks are of such gargantuan proportions that any lasting effects that Hurricane Laura may bring will be offset by the fact that those stocks will be enough to cover any shortfalls. What is it going to take to cause Brent to spike? The worst hurricane in 15 years supposedly isn’t doing it. More OPEC+ cuts? Well I can’t see those on the horizon any time soon with certain participants needing to catch up on cuts that were promised, and the fact that US production increased last week. It’s not a bad thing, really, being stuck in this range. It’s just whether producers can continue with prices in the mid 40’s for the foreseeable future, that is the real question.

August 27, 2020

# ENERGY MARKET NEWS

## RECOMMENDED READING & VIEWING

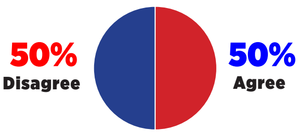

1. EIA REPORTS A FIFTH-STRAIGHT WEEKLY DECLINE IN US CRUDE SUPPLIES
2. OIL TREADS WATER AS HUGE GULF OF MEXICO STORM SHUTS OUTPUT
3. KEY DRIVER OF THE WEEK: US REFINED PRODUCTS TRADE DATA
4. OIL MARKET TREADS REBALANCING TIGHTROPE AS DEMAND RECOVERY FALTERS
5. US LPG LOADINGS REACHING RECORD LEVELS IN AUGUST
6. EU TRADE COMMISSIONER PHIL HOGAN RESIGNS OVER 'COVID-19 BREACH'
7. FRAMEWORK REVIEW COMPLETE, FED'S POWELL STARTS HARD SELL FOR HIGHER INFLATION
8. IS AN INDIA-VIETNAM MILITARY ALLIANCE ABOUT TO CLASH WITH A CHINA-PAKISTAN?
9. AS GLOBAL COVID-19 CASES PASS 24MN, US BAFFLES EXPERTS
10. CHINA'S INDUSTRIAL PROFITS GROW AT FASTEST PACE SINCE MID-2018

**RECOMMENDED VIDEOS & REPORTS**

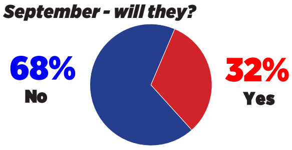
- "BIDEN VS TRUMP II - POLICY DIFFERENCES?"
- "TESLA IS A SMART ENERGY COMPANY, NOT A CAR COMPANY!"
- CRUDE FLAT EARLY THU, AWAITING FALLOUT OF USG STORM, KEY FED SPEECH
- COVID-19: SCENARIOS AND IMPACT ON GLOBAL ENERGY MARKETS

## Weekly Surveys

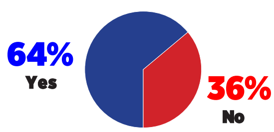
*OPEC+ Compliance with Output Cuts Will Move Oil Markets Focus Back onto Over-Supply and Away from Demand Recovery Over the Coming Weeks?*



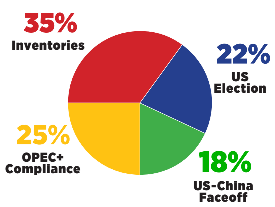

*OPEC+ states that failed to meet their target Cuts in May-June-July have agreed to make up for the total 2.3 mn bpd over production with deep cuts in August and September - will they?*

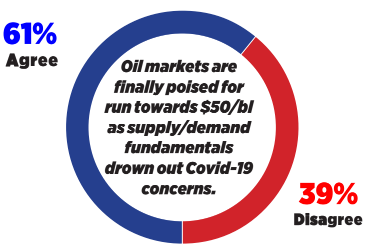



*Although U.S. oil inventories have been declining over the past couple of weeks, the margin of drawdown has shrunk considerably - will this trend continue?*




*Which of the following issues will have biggest bearing on direction of oil prices for remainder of the year?*




Source: GIQ

# Fujairah Spotlight

## Fujairah Stockpiles Soar 11% in Biggest Weekly Gain Since February

Stockpiles of oil products at the crude trading and bunkering hub of Fujairah on the UAE East Coast jumped to a six-week high, with marine bunkers and fuel for power generation soaring the most in six months.The stockpiles stood at 26.681mn barrels as of August 24th, up 11% from a week earlier. It was the biggest weekly gain since February 24th and the highest total since July 13th.

*Source: Emirates News Agency*

## National Bank of Fujairah Launches SME Community Platform in the UAE

National Bank of Fujairah announced that it launched NBF Connect, a dedicated and exclusive banking platform for Small and Medium Enterprises (SMEs) and the first of its kind in the UAE. The community platform will serve as a one-stop shop for SME members which will include access to a suite of services and solutions as well as knowledge-sharing capabilities. Co-created with SMEs, this is the first time a bank joins hands with the SME community to create a platform of this kind “for SMEs, by SMEs”.

*Source: Reinitive*

## GP Global Rules out Asset Sales in Restructuring

GP Global, which is one of the biggest marine fuel suppliers in the Middle East bunkering hub of Fujairah, has been forced into restructuring after it failed to win backing from some of its lenders. It said it has not held, nor does it plan to hold, discussions on asset sales. Instead, it is focusing on making some redundancies in lesser performing areas of its business and talking with banks and creditors for ways to return to normal operations. The company expects more progress to be made on those efforts by the beginning of next month

*Source: Argus*

## MHPS Wins Turbines Order for Fujairah Plant

Mitsubishi Hitachi Power Systems (MHPS), a part of Mitsubishi Heavy Industries (MHI) Group, has received an order for three M701 JAC gas turbine generators to be used in a 2,400 megawatt (MW) combined cycle (GTCC) plant to be built in Fujairah in the UAE. The project owners, in which Abu Dhabi National Energy Company (Taqa) and Mubadala Investment Company will jointly hold a 60% stake and Marubeni Corporation will hold remaining 40%, will build, own, and operate the UAE’s largest natural gas-fired GTCC facility.

*Source: Trade Arabia*

# GIQ EXCLUSIVE SOUNDINGS

## Oil Markets Trade Sideways Amongst a Barrage of Bullish and Bearish Signals

**Over the last week, Gulf Intelligence has interviewed energy market experts in Asia, the Middle East, Europe and the US – the intelligence below is harvested from these exclusive briefings:**

- Walter Simpson, Managing Director, CCED
- Omar Najia, Global Head, Derivatives, BB Energy
- Adi Imsirovic, Research Associate, Oxford Institute for Energy Studies
- Robin Mills, Chief Executive Officer, Qamar Energy
- Andy Laven, Chief Operating Officer, Sahara Energy Resources
- Laury Haytayan, MENA Director, Natural Resource Governance Institute
- Tony Quinn, Operating Partner, Prostar Capital & CEO
- Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy
- Edward Bell, Senior Director, Market Economics, Emirates NBD
- Rustin Edwards, Head of Fuel Oil procurement, Euronav NV
- Vandana Hari, Founder & CEO, Vanda Insights

**Walter Simpson, Managing Director, CCED**
"We are looking at low $40s/bl through October now. Who knows what is going to happen after that? It has currently been holding at this level despite bad news. Inventory levels aren't being drawn down in the US, there are restrictions at the moment because of storms, and Covid-19 second waves are ongoing."

**Omar Najia, Global Head, Derivatives, BB Energy**
"Right now, it's a little like that movie 'Groundhog Day'. You go to sleep, wake up, and it's exactly the same. Equity markets have now priced in a 'better than' v-shaped economic recovery. Markets are pricing in the rosiest future that has ever been known. Oil, meanwhile, doesn't know what to do and is going sideways."

**Adi Imsirovic, Research Associate, Oxford Institute for Energy Studies**
Adi Imsirovic, Research Associate, Oxford Institute for Energy Studies
"The market is a mixed bag at the moment. It's rather exciting on the front-end with the macro picture looking bullish as well. On the other hand, the fundamental picture hasn't changed very much. Judging from the refining margins, buying from China has been tepid. Gasoil distillate season has been very weak."

**Edward Bell, Senior Director, Market Economics, Emirates NBD**
"The approach the financial markets are taking at the moment is equivalent to a big options strategy called a "straddle". They aren't really sure which way things are going to go. But when markets move, they are going to move one way up or down very violently."

**Robin Mills, Chief Executive Officer, Qamar Energy**
"Oil companies are just not popular with investors right now. Their share in the S&P 500 is down to a historic low. With regards to capex cuts, does this mean it will store up lower production and there will be higher prices down the line? To an extent yes, but prices won't be $100/bl as some people are saying."

**Andy Laven, Chief Operating Officer, Sahara Energy Resources**
"There is such a big mix of bullish and bearish news that people are essentially not doing anything. They are going to let the world play out until there are clearer signs emerging. We will continue to see draws go up, down, left, right, and everybody is just going to ignore it."

**Laury Haytayan, MENA Director, Natural Resource Governance Institute**
"The global situation is up and down at the moment and not synchronized. There are economic recoveries in some countries and lockdowns in others. We will not have the extent of lockdowns that we saw in March and April but Covid-19 will still impact markets."

**Tony Quinn, Operating Partner, Prostar Capital & CEO**
"We aren't seeing anything really happen via the contango structure because everyone has filled everything up at the beginning of the year, and we're still suffering from high stock levels. The storage companies aren't suffering from high stock levels but some of the traders will be because it's difficult to move the product."

**Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy**
"Oil markets have been quiet and calm since June. However, a lot is happening but in opposing directions. We have forces that are exercising opposite directions on oil prices. That is why we have this artificial stability in the market at the moment."

**Edward Bell, Senior Director, Market Economics, Emirates NBD**
"For the past couple of months, central banks have taken a step back to see what the impact has been from the extraordinary stimulus measures earlier this year. The market is looking for what comes next and waiting to see if there's going to be a transformation of the Fed's inflation targeting strategy."

**Rustin Edwards, Head of Fuel Oil procurement, Euronav NV**
"The refinery runs in the US are now at 82%. That's almost full capacity runs without maximizing jet yield. Jet yield in the US has usually been up between 1.7mn b/d – 1.8mn b/d, and that has been dramatically cut down. The margins in the US have been trending upwards and ticking higher."

**Vandana Hari, Founder & CEO, Vanda Insights**
"We have seen prices crawling up to fresh five-month highs. It happened over the last week and this week as well. This week's reason appears to be the shut-ins in the US Gulf of Mexico. US crude stocks also declined last week, which was the fifth consecutive decline."

# ENERGY MARKETS COMMENTARY WEEK IN REVIEW



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# DAILY ENERGY MARKETS FORUM
## NEW SILK ROAD "LIVE" - WEBINAR Aug 23rd - Aug 27th

GIQ EXCLUSIVE

# TOP 10 MARKET OBSERVATIONS FOR THE WEEK

1. Liquidity will need to pick up in order for oil markets to find future momentum towards $50/bl

2. OPEC+ compliance with output cuts will move oil markets focus to over-supply and away from demand recovery.

3. Oil markets remain fragile with thin volumes and unlikely to find direction until more actors come into the playground.

4. OPEC+ laggards unlikely to follow through with commitments to catch-up with deeper supply cuts in August and September.

5. Oil markets likely to remain in Contango structure for the foreseeable future.

6. Oil markets will remain frozen in the headlights as long as all the bullish and the bearish news cancels each other out.

7. Inventories likely to have the biggest bearing on direction of oil prices through the rest of the year.

8. China's recovery is looking positive but don't expect it to reclaim status as locomotive to pull global growth forward.

9. Hurricanes make landfall in US and could do some lasting damage, but nothing gargantuan inventories can't handle.

10. Oil markets could be finally poised for run towards $50/bl as supply/demand fundamentals drown out Covid-19 concerns.

# ENERGY MARKETS VIEWS YOU CAN USE

**Mike Muller**
**Director – Oil Business Development & Head of Trading**
**Vitol Asia**

## "The market is not in a state of slumber as the flat price might suggest."

August appears to have looked like any other summer holiday month. Flat prices have confined themselves to a $2 range. But there is quite a lot going on, and the market is not in a state of slumber as the flat price might suggest. If you look at the price structure, we have greater contango now in crude than we had a while back. This is reflecting the notion that markets failed – in July-August – to live up to the expected demand rebound that people were suggesting. It's easy to discount that and say it's all down to Covid-19 second wave concerns, but there's been a bunch of other interesting factors as well. Hurricane Laura and tropical storm Marco are bearing down on Houston in a synchronized fashion. It is also monsoon season in parts of Asia; China's Three Gorges Dam is also 10 meters above its maximum warning level. Overall, we are seeing all-time rainfall highs, which have heavily impacted consumption.

The one product that everyone expected to be back way higher than it is now is diesel in Asia. Economies like India had been forecasted to bounce back in a big way. If you look at the refining intake or the actual consumption data that we see from the large Asian economies, they are somewhat behind where they were except for China (discounting the flood impact). So, Asia did not grow as much as it was expected to in July. In fact, on many counts, it was sideways. Airports were nowhere near as busy as they were predicted to be. Also, Asia is behind many parts of the world as regards opening up to tourism. Singapore, for example, is still not seeing very much passenger traffic to China whatsoever. As a result, things have been a lot slower and that is giving rise to a logjam of VLCCs not discharging in the northern Chinese ports. This is all a result of the slower-than-expected global recovery.

**Christof Rühl**
**Senior Research Scholar, Center on Global Energy Policy**
**Columbia University**

## "We will have some of the most splinted months ahead of us in terms of economic performance of different countries and regions."

August appears to have looked like any other summer holiday month. Flat prices have confined themselves to a $2 range. But there is quite a lot going on, and the market is not in a state of slumber as the flat price might suggest. If you look at the price structure, we have greater contango now in crude than we had a while back. This is reflecting the notion that markets failed – in July-August – to live up to the expected demand rebound that people were suggesting. It's easy to discount that and say it's all down to Covid-19 second wave concerns, but there's been a bunch of other interesting factors as well. Hurricane Laura and tropical storm Marco are bearing down on Houston in a synchronized fashion. It is also monsoon season in parts of Asia; China's Three Gorges Dam is also 10 meters above its maximum warning level. Overall, we are seeing all-time rainfall highs, which have heavily impacted consumption.

The one product that everyone expected to be back way higher than it is now is diesel in Asia. Economies like India had been forecasted to bounce back in a big way. If you look at the refining intake or the actual consumption data that we see from the large Asian economies, they are somewhat behind where they were except for China (discounting the flood impact). So, Asia did not grow as much as it was expected to in July. In fact, on many counts, it was sideways. Airports were nowhere near as busy as they were predicted to be. Also, Asia is behind many parts of the world as regards opening up to tourism. Singapore, for example, is still not seeing very much passenger traffic to China whatsoever. As a result, things have been a lot slower and that is giving rise to a logjam of VLCCs not discharging in the northern Chinese ports. This is all a result of the slower-than-expected global recovery.

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