Fujairah
New Silk Road
WEEKLY NEWSLETTER

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

"High Interest Rates and Strong USD Main Driver Capping Oil Prices!"

Ilia Bouchouev, Ph.D., Managing Partner, Pentathlon Investments LLC

The main reason why oil is around $80 and not higher is macroeconomic. Higher US interest rates have choked economic growth and that means lower demand for oil. The even bigger issue is the US dollar, which has been strengthened by the higher interest rates, and since oil is denominated in dollars, the price for non-dollar denominated countries like China and India, is quite high. Secondly, from the trading perspective, there are just not enough buyers above $80. When interest rates were 1%, financial macro traders were willing to buy oil above $80, and oil call options, to hedge against inflation. Today, with interest rates at 5%, they don't need to waste capital on doing that. There are plenty of other alternatives to invest in and so the participation on the buy side has not been huge. That has made everything more complicated for OPEC, which has been replicating the strategy of central banks over the last decades, to try and impact market sentiment. But the market is selling off, mostly because it is driven by set algorithms and so it does not hear what OPEC is saying. OPEC needs to fine tune its strategy – it doesn't really make any sense to scare away the speculators. Over the last month, give or take, speculators sold 6 million financial barrels per day, compared to Saudi Arabia cutting 1 million barrels per day. Obviously, the sheer size of the financial versus physical markets matters. And not all of that financial barrels trade is being driven by what we call speculators in the traditional sense of the definition. For example, there are options traders that are risk managers, who don't even think about the physical oil market. They are quantitative traders executing mechanically and have many other reasons to trade futures, not based on supply and demand.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

5,480,000 bbl
Light Distillates

2,165,000 bbl
Middle Distillates

11,222,000 bbl
Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.57 - 4.06/m³

↑ Highest: $4.50/m³
↓ Lowest: $3.20/m³

Weekly Average Oil Prices

Brent Crude:	$81.59/bl
WTI Crude:	$76.75/bl
DME:	$82.41/bl
Murban:	$82.37/bl

*Time Period: Week 3, November 2023
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO
High = $685.50/mt
Low = $657.50/mt
Average = $673.50/mt
Spread = $28.00/mt

MGO
High = $930.00/mt
Low = $910.00/mt
Average = $920.50/mt
Spread = $20.00/mt

IFO380
High = $454.00/mt
Low = $433.50/mt
Average = $445.00/mt
Spread = $20.50/mt

*Source: Ship and Bunker, *Time Period: Nov 15 – Nov. 22, 2023*

Fujairah Bunker Sales Volume (m^3)

792 180cst Low Sulfur Fuel Oil	449,652 380cst Low Sulfur Fuel Oil	164,107 380cst Marine Fuel Oil
1,699 Marine Gasoil	37,903 Low Sulfur Marine Gasoil	4,499 Lubricants

Source: FEDCom & S&P Global Platts

CONTINUED FROM PAGE 1

Ilia Bouchouev, Ph.D., Managing Partner, Pentathlon Investments LLC

Outlook for carbon credits trade and other new instruments?

I am somewhat skeptical about the carbon market because it is not fully free. Carbon, at least on the supply side, is basically controlled by the government. We've seen examples of how carbon trading has taken off to a point and then overnight, collapses to zero when a new government comes in and with a strike of a pencil, cancels the whole program. That reminds us that it's not a true market-based market. Where I see more positive development for new instruments is due to the Energy Transition, which is changing global flows and which is going to take time and not be in sync across all regions. The market is going to become more integrated. I see potential for the globalization of gas markets like LNG futures for example. Gas markets so far have been regional, but there's potential for them to become more like oil. And new contracts are already being developed in the traditional oil space also, such as the ICE Murban crude contract for Asia, and with WTI now part of the Brent contract. So, we will see more of those second-tier contracts. I wouldn't be surprised if energy markets become more like equities, where WTI and Brent are benchmarks, but also with individualenergy futures that can be traded locally and regionally. One other area that will continue to grow is the options market, which provides more flexibility in an increasingly volatile futures market.

Expectations for oil trading in a currency other than the US Dollar?

On the physical side, it's plausible that a portion of the oil market could be priced in other currencies. On the purely financial side, there are attempts to do that already, such as the futures contract in Shanghai which is dominated in local currency. From the trading perspective, it's also good because effectively, it creates more arbitrage opportunities, and it will further integrate the markets for commodities and foreign exchange. So, it adds to the overall pool of trading instruments.

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ACCELERATING TOWARDS NET ZERO

Marking a new chapter in ADNOC's transformational journey to a lower carbon future, we have brought forward our Net Zero ambition to 2045 and aim to achieve zero methane emissions by 2030.

Fujairah Spotlight

Inside Fujairah's carbon capture project that converts CO_2 to minerals within rocks

Adnoc is undertaking a pilot project with a British-Omani sustainability company 44.01 to permanently convert carbon dioxide from the air into a mineral within rock formations in Fujairah. The project is being carried out in partnership with the Fujairah Natural Resources Corporation and Masdar.

Source: The National

The Philosophy House in Fujairah launches 3rd Fujairah International Philosophy Conference

The third edition of the Fujairah International Philosophy Conference, organized by the Philosophy House in Fujairah was held under the patronage and presence of His Highness Sheikh Mohammed bin Hamad Al Sharqi, Crown Prince of Fujairah. The conference was held to mark the World Philosophy Day and will continue from November 19-20, 2023.

Source: Zawya

FUJAIRAH DATA: Oil product stocks jump to six-week high

Stockpiles of oil products at the UAE's Port of Fujairah jumped 12% in the week ended Nov. 20 to a six-week high, according to data from the Fujairah Oil Industry Zone. The total rose to 18.867 million barrels as of Nov. 20, the FOIZ data published Nov. 22 showed. The total stockpile is now down 8.7% since the end of 2022.

Source: S&P Global Commodity Insights

Asia Fuel Oil-VLSFO cash premium rises; Fujairah bunker sales rebound in October

Cash premium for very low sulphur fuel oil (VLSFO) edged higher on Friday as marine fuel sales at the Middle Eastern bunker hub Fujairah picked up. The premium for 0.5% VLSFO rose to $27.91 a metric ton from $26.33 in the previous session.

Source: Hellenic Shipping

Energy Markets Views You can Use

Danial Rahmat
Senior Energy Security Consultant

Iran and Venezuela are both increasing their production.

That does place some pressure on other OPEC members, especially Saudi Arabia, which is solely bearing the responsibility for supporting prices and protecting the market, while it also suffers geopolitical threats around the region. Iran plans to increase production by 300,000 b/d by March, according to the Ministry of Petroleum, and most of this will come from new fields.

Would Iran expect Saudi Arabia and others within OPEC to reduce output further to make room for its new volumes?

If Saudi Arabia decrease their production further, they might permanently lose part of their market share, and they also have to think about their long-term supply contracts to China and India. However, when the Saudis are producing at a maximum level, they have no leverage in markets. Now, they do have leverage and they could go to a price war with the others by increasing their production. Cutting barrels has offered them that so-called lollipop weapon. Iran has to consider the sensitivity of this issue, because nobody's going to buy Iranian and Russian sanctioned oil if global prices drop. All they have is the discounts that they can offer to China and India. The problem is that Iran also needs to use every moment it can to sell its oil. What's needed is a trust between Iran and Saudi if they want to get to a sort of conclusion, but that is lacking. If they don't make a deal with the Saudis, the kingdom is not going to tolerate continued pressure to control prices.

Kieran Gallagher
Managing Director
Vitol Bahrain E.C

Outlook for global oil products as winter approaches?

Chinese heavy industry data looks unseasonably sluggish and so there are reasons to be concerned about that market, and we could see a healthier products export program before the Chinese New Year towards the end of January. In the Arabian Gulf, we've had some refinery issues as some have come out of turnarounds, so we have had some volatility; Singapore gasoil cracks last week were on certain days, at $4 a barrel volatility. As we go into winter, all eyes will be on middle distillates, and because it's been unseasonably warm, despite very low gasoil stocks globally, the situation has probably been a little discounted. And we can't ignore the refinery capacity that's coming back online in the next month or two, so diesel and jet fuel supply into Europe should start to pick up.

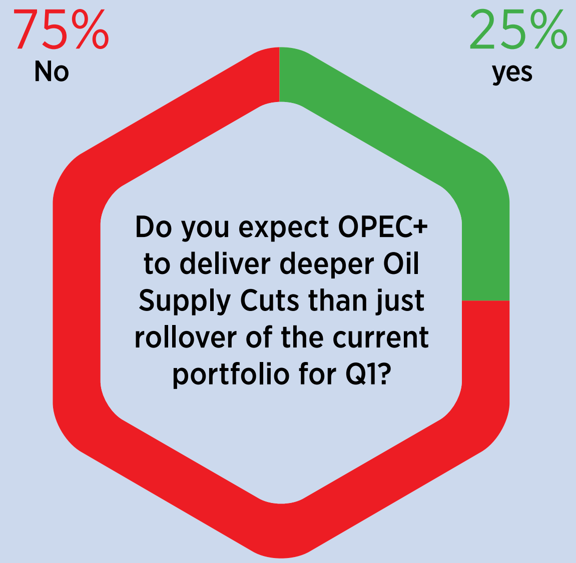
Will the re-enforcement of sanctions on Russia and Iran put a dent in supply?

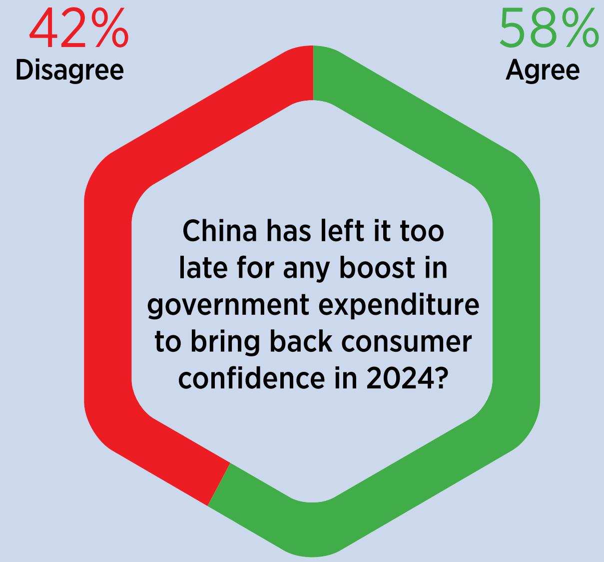
The US is monitoring the markets and the price caps and how they're going to continue to enforce those obviously remains to be seen. It's certainly headline grabbing. But will it disturb the flows? I'm not so sure - I think that we have seen large fleets dedicated to that particular business.

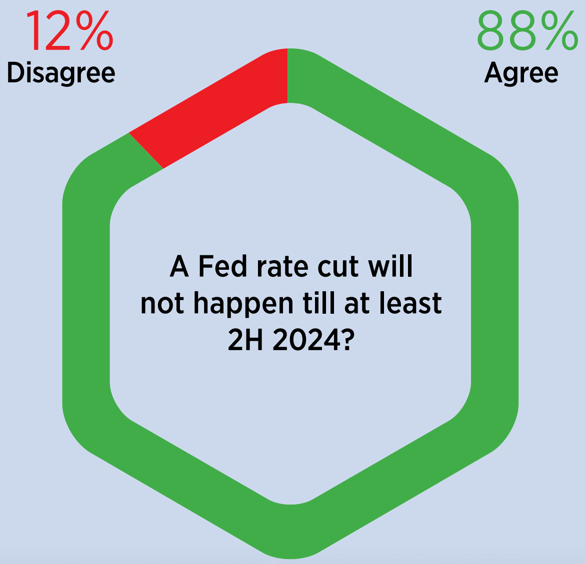
Next move by OPEC+ to keep a tightness in the market and Brent above $80?

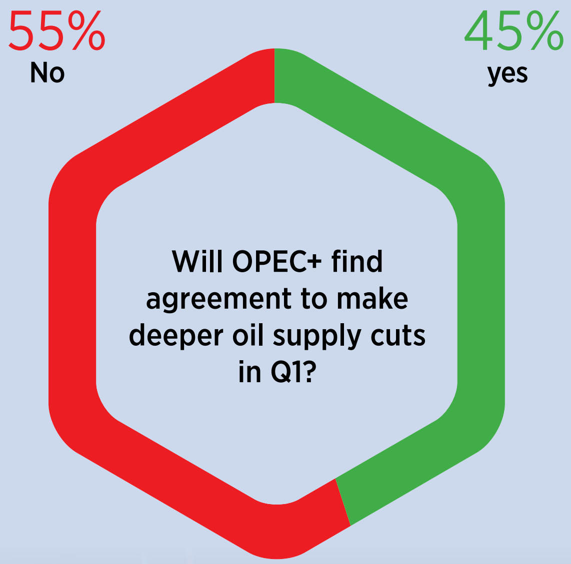
We have been seeing more non-OPEC supply coming into the market. We also need to watch the scale of managed money. About 9000 lots of net length came out of the market between Nov 7th and 14th because of concerns over the amount of supply. The big question now is not whether OPEC+ will rollover its existing voluntary cuts, but will it be forced to cut further at their meeting later this month. If so, I think it's got to go beyond just Saudi Arabia, and the expectation perhaps is what other big producers like the UAE and Kuwait are willing to do.

Weekly Surveys









Source: GI Research March 2023

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Energy Markets Views You can Use

Bill Spindle
Senior Global Correspondent, Cipher News

Saudi is in something of a bind.
Production cuts are hitting its economy. We saw that in the last quarter. And yet there really is no other leadership in OPEC to do this. The UAE is planning on increasing production early next year and some others are simply way below their quotas and not in any position to carry the weight. So, at the end of the day, it falls on Saudi. But they're in a tough spot because increasingly they have a lot of expenditures at home as part of their big Vision 2030 diversification plan, and they need that money.

Expectations from COP 28 on concrete actionable steps?
The UAE will be managing two big underlying tensions. One is that the global stock take will show that the world is further behind than before on fighting climate change, with opposition still from many to phase out fossil fuels. The other tension is one of financing in the global north versus global south. Both are huge, unresolvable issues. What could be achieved is if the UAE can push through a package of funds and reforms to the global multilateral banking system that might deliver the pledge to triple renewables. As for the oil and gas industry, what it could do most to give itself credibility, is to come up with a solid agreement on methane. The sector is coming around to the view that there's no escaping accountability for this, given the new technologies and regulations that are in place.

Have geopolitical tensions accelerated Energy Transition momentum?
Certainly, in Europe and many other places, the reaction has been to boost renewable energy and other alternatives to the more volatile fossil fuels, as much as possible, while at the same time emphasizing that energy security requires a lot of reserves of fossil fuels. One example is China, where coal plants are being approved almost by the dozen, and yet renewable energy, particularly solar, is hitting eye popping records every year. So, both things are happening at once and that's going to be the balance going forward.

Daniel Richards
MENA economist, Emirates NBD

Rolling over Saudi voluntary cuts will be the baseline when OPEC next meets.
If that doesn't happen, then we'll probably see prices drop significantly. One of the other issues at the meeting in two weeks will be fully assessing the production allocations for the African cohorts, with a further downgrade for Nigeria and Angola potentially on the cards, as they have struggled to even live up to their reduced targets over the last four or five months. We will also see some focus on players, like Iraq, who have not been complying as much as they could be with production cuts. The country has managed to boost its southern oil fields production considerably as it has incrementally brought output back online in Kurdistan over recent months, some of that selling into local markets. It's about 100,000 b/d over the OPEC+ allocation.

Outlook for China demand?
OPEC will also be looking at the situation in China, which has been weaker than many were expecting. But the Q1 seasonal demand data was always expected to be softer on a global scale, so more curtailment of supply is possible. On the gas front in China, there was some concern that rebounding energy demand this winter would pull a lot of volumes away from Europe, but that hasn't happened to the extent expected. Chinese demand is outstripping others, but it is not phenomenal, so gas supplies in Europe are not in as fragile a state as they would have been otherwise.

Fujairah Weekly Oil Inventory Data

FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone

TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 18.867 million barrels with a rise of 1.948 barrels or 11.5% week-on-week staying well below the 20-million-barrel level. The stocks movement saw a rise across the board for light distillates, middle distillates and heavy residues.

- Stocks of light distillates, including gasoline and naphtha, increased by 84,000 barrels or 1.6% on the week to 5.480 million barrels. The East of Suez gasoline complex strengthened Nov. 21, tracking a widening US-RBOB Brent crack ahead of the Thanksgiving festivities, sources said. Saudi Arabia's gasoline inventory edged down 0.89% on the month to about 3.345 million mt in September, data from the Joint Organization Data Initiative showed Nov. 20, amid planned refinery turnarounds. The country's refinery output fell 1.67% on the month to 2.478 million mt in September, the data showed. Domestic gasoline demand edged down 0.11% over the same period at 1.825 million mt, the data showed, despite national day celebrations on Sept. 23. In tenders, Lanka IOC was heard seeking a combination cargo for Jan. 2-3 delivery, S&P Global reported earlier. The cargo consisted of 10,000 mt of 500 ppm sulfur gasoil, 3,000 mt of max 10 ppm sulfur gasoil and 15,000 mt of 92 RON gasoline for delivery to Trincomalee. The tender closes Nov. 23, with next-day validity.

- Stocks of middle distillates, including diesel and jet fuel, rose by 98,000 barrels or 4.7% on the week to 2.165 million barrels. Sustained weakness in East-West arbitrage economics, coupled with softer demand in Asia and Northwest Europe has pushed the benchmark FOB Singapore 10 ppm sulfur gasoil cash differential to a six-month low, but industry sources said Nov. 22 that demand could rebound on low inventory. "Regional demand is soft but I wouldn't say it is weak. Australia and Southeast Asia are not absorbing as many barrels but demand is still slightly better than in Europe," a regional gasoil trader said. Some industry sources were hopeful that low inventory levels could spur near-term demand from Europe. "If we get a regular [cold] winter, we will be in a supply deficit as inventories of diesel are still very low. The best chance for supply surplus is either a major recession or a warmer-than-normal winter, neither of which right now look that promising," Phil Flynn, senior account executive at Price Futures Group, said in a Nov. 22 note.

- Stocks of heavy residues increased by 1.766 million barrels, up 18.7% on the week as they stood at 11.222 million barrels. Spot trading activity in the world's largest bunkering hub of Singapore was average at best Nov. 20 as flat prices jumped on the day amid tight prompt supplies, while local traders in Fujairah saying terminal operations have returned to normal following some thunderstorm-led disruptions at the end of last week. During and outside the MOC, Fujairah-delivered marine fuel 0.5%S was heard offered at \$680-\$695/mt with lead times for delivery ranging from Nov. 23-Dec. 2. "The weather has cleared, but there are still some loading delays... Some can do [loadings] by Nov. 22-23, but most of the suppliers' earliest delivery dates start from Nov. 26-27 onwards," a local trader said. "In the Fujairah bunkering hub, it's been a busy day [in terms of trading activity.] But it's more of smaller quantity [parcels]," another trader said.

Source: S&P Global Commodity Insights

ENERGY MARKET NEWS

1. OPEC PLUS POSTPONES POLICY-SETTING MEETING
2. SWITZERLAND SEEKS DATA ON COMMODITY TRADE AS RUSSIA-UKRAINE WAR DRAWS SPOTLIGHT
3. A THANKSGIVING TRADITION RETURNS: HECTIC TRAVEL IN THE US
4. LIVE UPDATES: ISRAEL SAYS HOSTAGE RELEASE WILL NOT TAKE PLACE BEFORE FRIDAY, AS TALKS ARE ONGOING
5. CHINA STRUGGLES TO SPEND ITS WAY OUT OF ECONOMIC CRISIS
6. VENEZUELAN OUTPUT RISES TO 850,000 B/D
7. CHINA GOVT ADVISERS CALL FOR STEADY GROWTH TARGET IN 2024, MORE STIMULUS
8. AFRICAN NATIONS READY FOR OUTPUT FIGHT AS OPEC DELAYS MEET, OIL PRICES TANK
9. RUSSIA'S FUEL EXPORTS ARE SET TO HIT A FOUR-MONTH HIGH IN NOVEMBER
10. MORE AMERICANS ARE EXPECTED TO 'BUY NOW, PAY LATER' FOR THE HOLIDAYS. ANALYSTS SEE A GROWING RISK

RECOMMENDED READING:

THE OPEC+ PAUSE IS LEAVING OIL MARKETS ON EDGE
EXIT POLL PUTS FAR-RIGHT, ANTI-ISLAM POPULIST WILDERS AHEAD IN DUTCH ELECTION
'THERE'S NO MONEY': ARGENTINA'S MILEI DOUBLES DOWN ON ECONOMIC SHOCK THERAPY
ENVIRONMENTAL CHALLENGES FOR OIL COMPANIES ARE BEYOND SIMPLISTIC HEADLINES
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Energy Markets COMMENTARY WEEK IN REVIEW

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GI Soundings Week in Review

"OPEC+ Considers its Options as Negative Demand Sentiment Outweighs Impact of Cuts!"

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.

- **Omar Najia, Global Head, Derivatives BB Energy**
- **Maleeha Bengali, Founder, MB Commodity Corner**
- **Marc Ostwald, Chief Economist & Global Strategist, ADM Investor Services International**
- **Laury Haytayan, MENA Director, Natural Resource Governance Institute**
- **Paul Horsnell, Head of Commodities Research, Standard Chartered Bank**
- **Vibhuti Garg, Director - South Asia, IEEFA**
- **Henning Gloystein, Director - Energy, Climate & Resources, Eurasia Group**
- **Gulmira Rzayeva, Founder & Managing Director, Eurasia Analytics**

Omar Najia, Global Head, Derivatives BB Energy INFLATION "If you look at inflation adjusted prices for crude or oil products, they are cheap. Your MacDonalds might have gone up by $1 or whatever, but oil did not. So, I don't think there's an argument for the demand destruction which has been all the rage this year, and the world is still waiting for this soft or hard landing."

Maleeha Bengali, Founder, MB Commodity Corner OPEC CUTS "Inflation will be higher for longer, and the more OPEC keeps cutting production and keeping oil prices higher, the embedded inflation in the market is going to be higher, which makes the Fed's work harder."

Marc Ostwald, Chief Economist & Global Strategist, ADM Investor Services International FED RATE POLICY "I don't think the Fed's going to be cutting before the second half of next year. Much depends on the evolution of core inflation in the US, which has remained stubborn. That's going to be important because it is where real rates are, that's going to matter to the FED most, and they would probably consider a cap of 2% for real rates, to be sufficiently restrictive."

Laury Haytayan, MENA Director, Natural Resource Governance Institute RED SEA SECURITY "The capture of that Israeli vessel by the Houthis is something to be worried about in terms of seeing how they might escalate such activities. The Red Sea is a very sensitive area and not just for Israel's economy. It's also important for the Egyptians and for the Saudis with their vision for NEOM and the security around that."

Paul Horsnell, Head of Commodities Research, Standard Chartered Bank OIL PRICE "Oil is cheap; the back of the curve is just too low at $70, partly because of a loss of liquidity, and partly to do with the structural way that markets trade. Trying to make this industry work in the long term at $70 doesn't work. You end up with huge supply gaps."

Vibhuti Garg, Director - South Asia, IEEFA INDIA COAL "Global geopolitical externalities have led to India continuing its reliance on its domestic fuel, which is coal. While the country's doing extremely well with renewable energy, it's expecting peak power demand to go up from 240 GW this year to 335 GW by 2030, so it needs to increase its coal-based capacity."

Henning Gloystein, Director - Energy, Climate & Resources, Eurasia Group OPEC+ CUTS "If the slowdown in demand continues, and OPEC+ wants to maintain a price of $80, they're probably going to have to cut more. The question is how deep is Saudi Arabia willing to cut, and for how long do they want to withhold supply while others like the US and Brazil raise their supply and enjoy these high prices?"

Gulmira Rzayeva, Founder & Managing Director, Eurasia Analytics EUROPE GAS "Gas demand in Europe will continue to drop because it has taken many measures, and the mechanisms have been quite successful so far. What's interesting is the long-term nature of the recent agreements for gas from Qatar, many of which will last beyond the 2050 net zero pledges made by European countries."

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