Fujairah
New Silk Road
WEEKLY NEWSLETTER

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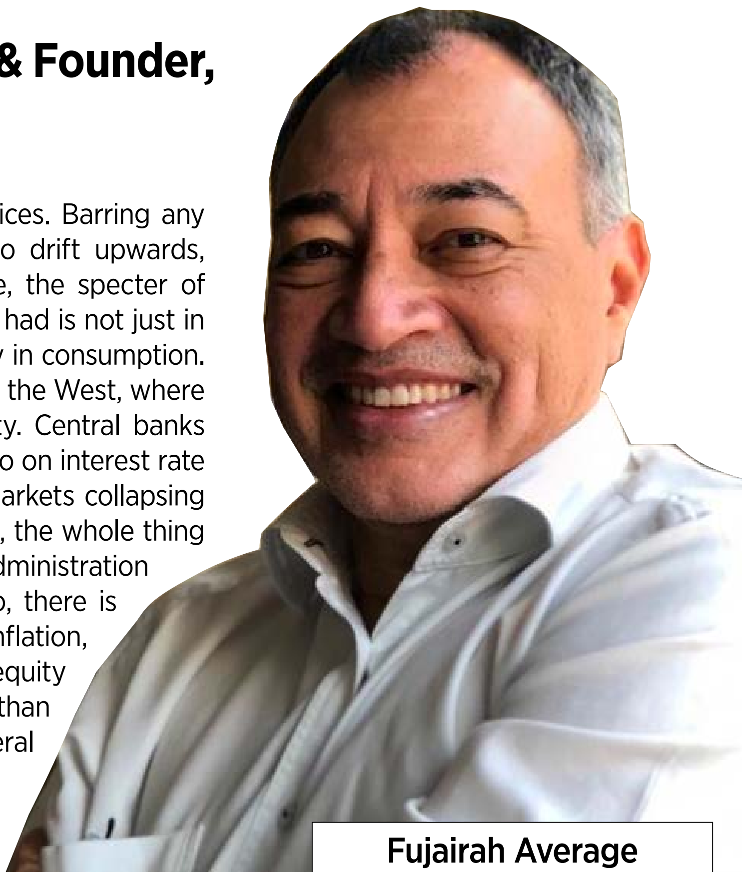
EXCLUSIVE INSIGHTS /// ACTIONABLE INTELLIGENCE /// DATA TRENDS /// LATEST NEWS

"OIL PRICES TO HIT TRIPLE DIGITS VERY SOON"

Jorge Montepeque, President & Founder, Global Markets



There's an incredible force to the upside on oil prices. Barring any central bank intervention, they should continue to drift upwards, crossing triple digits quite soon. And as they rise, the specter of inflation races ahead. However, the run up we have had is not just in oil, but in most commodities, spurred by a recovery in consumption. Covid is disappearing as far as we know in places in the West, where populations are essentially reaching herd immunity. Central banks meanwhile are worried and focused on what they do on interest rate policy, with inflation at 7% or above, and equity markets collapsing 7-10% in January so far. If the US Fed over tightens, the whole thing risks collapsing like a House of Cards. The Biden administration also has midterm elections in less than a year. So, there is political pressure to do something to take care of inflation, but not to overdo it because a collapse in the equity markets is much worse in the American psyche than high oil prices or inflation. I would say that the Federal Reserve is going to be restrained in its actions.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

5,310,000 bbl	1,796,000 bbl	9,835,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues



Source: FEDCom & S&P Global Platts

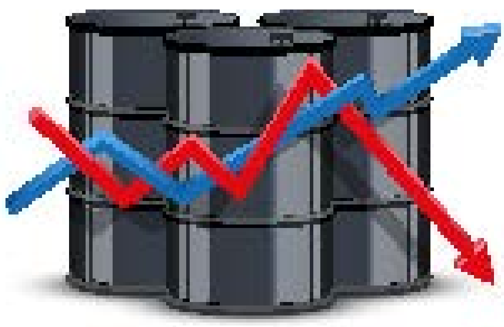
Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.54 - 4.38/m^3

↑ Highest: $4.50/m^3
↓ Lowest: $3.40/m^3

THE WEEK In Numbers



Weekly Average Oil Prices

Brent Crude:	$88.03/bl
WTI Crude:	$85.75/bl
DME Oman:	$87.19/bl
Murban:	$87.95/bl

*Time Period: Week 4, January 2022
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

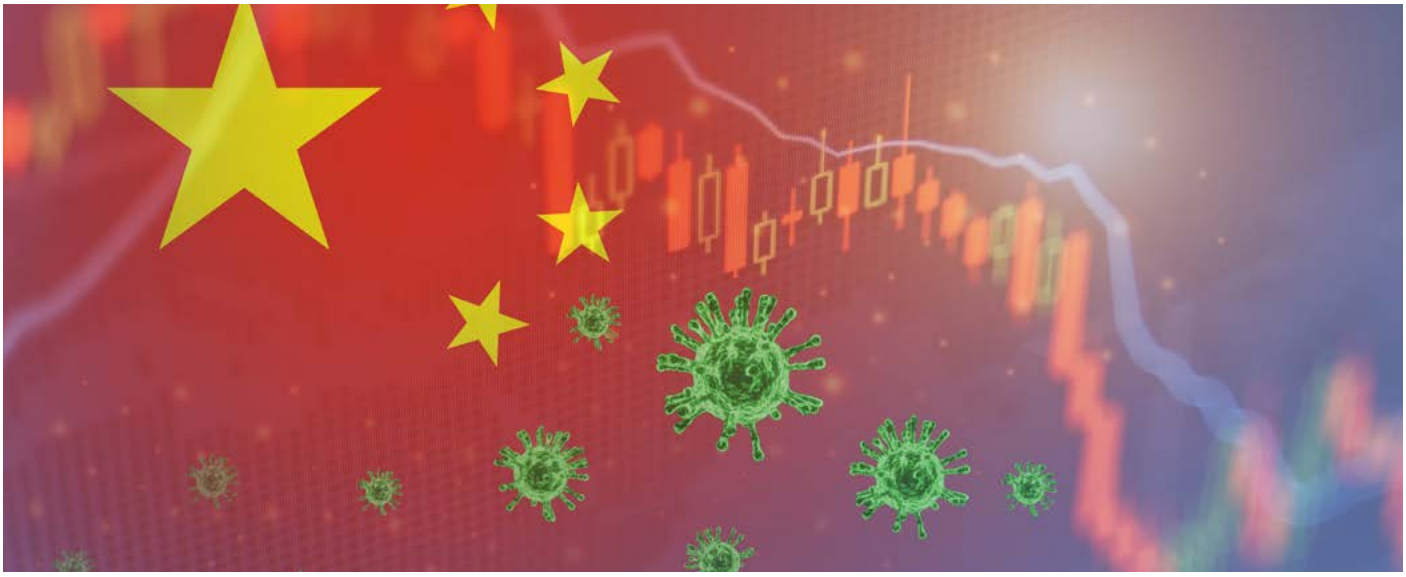
	VLSFO	MGO	IFO380
High	$690.50/mt	$828.00/mt	$523.00/mt
Low	$681.00/mt	$820.00/mt	$510.50/mt
Average	$686.00/mt	$823.50/mt	$516.50/mt
Spread	$9.50/mt	$8.00/mt	$12.50/mt

*Source: Ship and Bunker, *Time Period: January 19 - January 26*

Fujairah Bunker Sales Volume (m^3)

1,411 180cst Low Sulfur Fuel Oil	560,565 380cst Low Sulfur Fuel Oil	108,405 380cst Marine Fuel Oil
2,868 Marine Gasoil	24,443 Low Sulfur Marine Gasoil	4,936 Lubricants

Source: FEDCom & S&P Global Platts



> "China's zero Covid policy and clunky process of loading and shipping at its ports, is really messing up the world in terms of supplies, as well as affecting China itself."

CONTINUED FROM PAGE 1

Jorge Montepeque, President & Founder, Global Markets

Are tight oil supply fundamentals behind these prices?

The US shale rig count is increasing but will take time to generate production. But the most immediate change is our behavior as Covid fades away. China however continues to tighten international travel restrictions and domestic mobility. It is a fortress, trying to have a zero Covid policy. I think it's very mistaken and wrong, and it will bite them, while the rest of the world, particularly the northern hemisphere, is moving forward. The China policy however is contributing to the rise in prices of several commodities, along with a clunky process of loading and shipping at its ports. That's really messing up the world in terms of supplies, as well as affecting China itself. The question will be how long the Chinese people can take it before the political pressure starts to mount internally, to open up.

How is the Russia Ukraine tension affecting energy prices?

Russia feels very strongly about the Ukraine remaining in its side and while there have been various interpretations on whether Russia will act, I hope not, as military action will be negative for economies and equities, although very positive for oil. But nobody wants oil to go up while the rest of the world is stalling, and a higher price of gas and power will also be extremely bad for Europe. A conflict would also widen the spread between oil and equities. The world is becoming increasingly polarized in so many areas. But everything I have seen from Russia so far is posturing. It's been very clear on what it wants – a ring of protection and no meddling with that. If something is to happen militarily, it will need to be at most within five weeks while winter temperatures remain extremely low and the ground frozen.

WATCH FULL INTERVIEW HERE

GI Consultancy Intelligence Publishing

Energy Markets Views You can Use

Laury Haytayan
MENA Director, Natural Resource Governance Institute

Are the nuclear talks with Iran making any progress?
When the Russians, the Chinese and the Iranians meet, the messaging is that everything is on track but then the message gets confused by the Americans. Some people in the US team have left because they are not happy with the trajectory of the discussions and with the deadlines that the Americans and the Western countries are putting to pressure the Iranians. But it's they who are under pressure, not the Iranians. Iran does want sanctions removed but when there's no real progress in Vienna, they start using their proxies in the region to cause unrest. They want the same opportunity for economic growth as others have. Countries like Saudi Arabia and the UAE don't want their economic plans disrupted but at the same time, they don't want to be bullied by Iran.

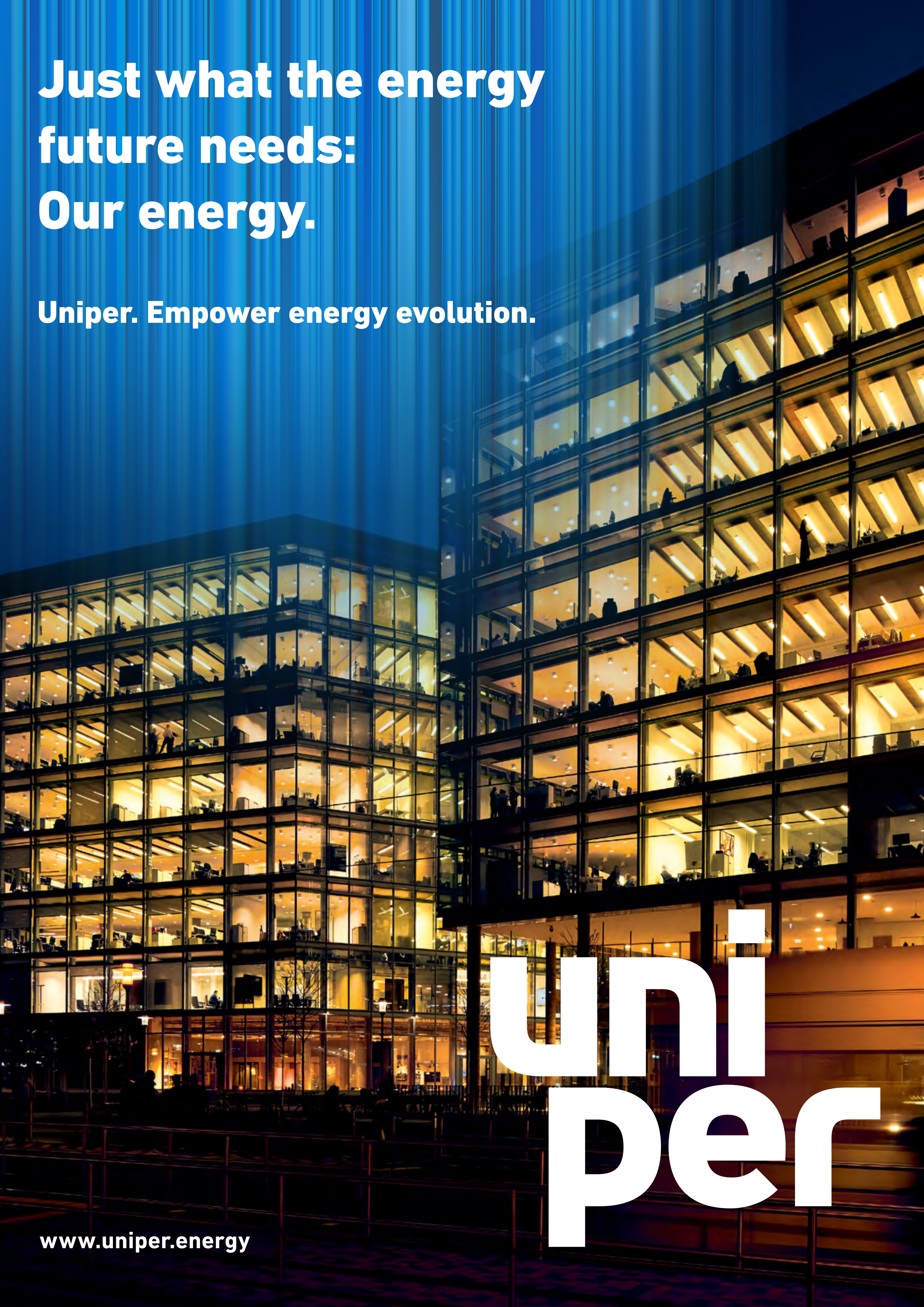
Is the US role now diluted?
No one in this region is happy with the US restricting its role to only reviving the JCPOA without talking about the destabilizing effect of Iran's proxies. But the US has told the regional powers that they need to figure that out themselves and we did see visits across the Gulf last year between those parties. But for the Iranians, it's important to have a deal with the Americans. However, with US midterm elections coming up, the Republicans are not making it easy on the Biden administration, especially if its foreign policy is looking to ease sanctions on Iran. It's not clear what the Americans want out of the Iranian talks and how they will come up with a deal or sell it to the public that this is for the good of the region and that US allies and interests are being protected.

Dr. Carole Nakhle
Chief Executive Officer, Crystol Energy

Any surprises in the US Fed announcement this week?
The shift in tone has been building up since last year. What caught my attention was Chairman Powell's referral to the strong economic and labor market recovery. Some have reacted with concern at the possibility of interest rates hikes as early as next month but the Fed also said that they will maintain a degree of flexibility. We will have a better understanding of how the market is taking it all in by next week. The main debate today is whether they should have taken this kind of action much earlier. They admit they were wrong on inflation and underestimated how fast prices were going to rise. However, if we look at the recent World Economic Outlook report by the IMF, it downgraded forecasts for most of the large economies, including China and the US, and said that the global economy was starting 2022 in a weaker position than originally expected.

US inventories building this week and yet oil prices rose?
We need to look at the whole year ahead. We might see some tightness now, but it's expected to ease significantly as we move forward. And very high prices tend to be followed by a much longer period of low prices and that will have more significant repercussions on the world economy and on producers.

Does OPEC+ have the capacity to put more barrels into the market?
Saudi Arabia does for example, but it's not doing so because they don't want to risk flooding the market and then suffer the repercussions. They want a nimble, step by step approach and to also see how all the geopolitics is going to unfold. There are also huge disparities on forecasts by investment banks - that highlights the kind of uncertainty we are facing. We also don't know what's going on with inventories in China and India, nor what is going to happen with Covid and supply chain bottlenecks.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GI Soundings Week in Review

Oil Prices Rise on Heightened Geopolitical Risks and Tight Supplies

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**
- **Henning Gloystein, Director – Energy, Climate & Resources, Eurasia Group**
- **Robin Mills, Chief Executive Officer, Qamar Energy**
- **Dr. Charles Ellinas, CEO, Cyprus Natural Hydrocarbons Co. & Senior Fellow, Global Energy Center – Atlantic Council**
- **Victor Yang, Senior Editor, JLC Network Technology**
- **Edward Bell, Senior Director, Market Economics, Emirates NBD**
- **Ali Al Riyami, Consultant & Former Director-General of Marketing, Ministry of Energy & Minerals, Oman**
- **Richard Redoglia, Chief Executive Officer, Matrix Global Holdings**

Omar Najia, Global Head, Derivatives, BB Energy

"Is it a good time to buy oil? Yes. Is it a good time to buy equities? Yes. Is it a good time to buy bitcoin? Yes. Is it a good time to hold the US dollar? No. Is it a good time to be the US hegemon in the world stage? Definitely not."

Henning Gloystein, Director – Energy, Climate & Resources, Eurasia Group

"The biggest worries in oil markets now is a lack of investment in drilling, not just in Venezuela, but in a lot of countries - so if demand picks up to pre-pandemic levels this year, it could even be earlier than the end of the year; supply won't be able to keep up."

Robin Mills, Chief Executive Officer, Qamar Energy

"The US has become addicted to sanctions as a tool of foreign policy, even though there's very limited evidence that has ever worked; but they have to do something to counter Russian threats to Ukraine?"

Dr. Charles Ellinas, CEO, Cyprus Natural Hydrocarbons Co. & Senior Fellow, Global Energy Center – Atlantic Council

"Europe doesn't believe that the Russia-Ukraine situation is going to be turned to a full-blown conflict, especially when Germany depends on Russia for gas - they don't want to overreact too soon and cause unnecessary problems."

Victor Yang, Senior Editor, JLC Network Technology

"China's oil demand grew by 4.3% last year, and we expect oil demand to grow further in 2022. We have a large refinery coming online in a few days - about 320,000 b/d in East China, and the capacity is still growing."

Edward Bell, Senior Director, Market Economics, Emirates NBD

"The meeting with the US Fed was what we were looking for in terms of when they were going to lift off rates...It is interesting though that we didn't really get any rebuttal to questions about raising rates every meeting, which has been the past pattern that the US Fed has adopted."

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

"It is good to see that things are changing. We hope market fundamentals will continue to support these good prices. However, are producers and the world economy ready to see these high prices? Are we ready to accept the idea of $90/bl or $100/bl after a few months from now?"

Richard Redoglia, Chief Executive Officer, Matrix Global Holdings

"I don't think we've been in a situation before where you have a combination of rising demand and tighter supply, with the additional marginal barrel getting squeezed out by government policies that are pushing the green agenda."

GI Weekly Surveys

GI Consultancy Intelligence Publishing

Energy Markets Views You can Use

Neil Atkinson
Former Head of Oil Markets Division
International Energy Agency

Is the upwards push on oil prices coming from fundamentals or geopolitics?
It's both. One of the fears that we had just a few weeks ago was the impact the Omicron variant would have on further restrictions of activity and lower oil demand, at a time when on the other side of the balance, supply was likely to increase. But the fear of that disruption to the economy has eased to some extent, so the focus is now switching to the apparently ever rising Russian threat to Ukraine. The tension itself is enough to cause upward momentum to prices because there are potential consequences. Maybe there will be sanctions but the only ones that would bite would be on energy. If prices do breakout from where we are today, there will be momentum to move further upwards. It's very hard to see what would cause prices to fall significantly in the near future.

Can the OPEC+ alliance survive a Russian escalation in eastern Europe?
Historically, OPEC itself has survived war between its own members but it has continued to make supply agreements, so I don't see that as a death knell of a formal OPEC+ alliance. It's still within everybody's interests within the alliance to keep it going for as long as possible. Diplomatic pressure from US could trigger a change, but I don't think the OPEC+ alliance is necessarily central to this drama in Europe.

Is the energy price crisis challenging the green agenda?
We're seeing the resumption of demand pressures, of very tight supply growth in the next few years and of the erosion of the OPEC+ spare capacity cushion as they increase their production gradually. Unless we get more investment now, we are faced with a situation where prices could rocket.

Central bank monetary policy strategy direction of travel?
The rate of inflation is increasing so it would appear consistent for them to announce a rate increase. But if they do, we are not looking at an enormous jump. It will be very small and gradual. Steady as she goes.

Cyril Widdershoven
Geopolitical Disruptive Thinker, Founder of Verocy

Look Beyond Ukraine: Russia is Positioning its Naval Forces on Global Trade Routes
At a time that the world's media is watching ongoing deliberations between the USA and Russia, with the EU and NATO on the sidelines already, Russian power projections are already preparing themselves for a global power clash. While the main conventional ground forces are positioning in and around the Ukraine Donbass area, Crimea and even on the northern border of the Ukraine (Belarus), and NATO countries are showing an increased willingness to show their capabilities, Moscow is already playing a much more intricate game than maybe some observers and especially European politicians understand.

The Ukraine is the main battlefield, at present at least, but potential conflict or military operations will not be confined to the Ukrainian grain fields or the Donbass mining regions. Putin's navy is already in play, for some to put in place additional hardware in a potential Russian invasion of the Ukraine, but in reality, the picture is even more bleak. While Europe is mainly focusing on the impact of a potential conflict on its borders for its energy supply security, Moscow already is targeting a possible global commodity and trade disruption option of historical order.

As some readers already understand geopolitics, geography and commodity and trade issues, it may be better in the coming days to read a long list of books to understand the main factors. As Robert Kaplan in his 2012 book "The Revenge of Geography: What the Map Tells Us About Coming Conflicts and the Battle Against Fate", explains, geography shapes and decides conflicts, relations and underlying geopolitical thinking. Main part to be understood is a clear fact, 85+% of global trade and commodities in maritime bound.

As the Suez Canal EverGiven disaster has shown, technology and powers can still not deal with logistical and supply disruptions. Until now we are all feeling the impact of the Suez Canal blockade, combined with the effects of COVID-19 in China. It seems that Putin has been reading these books too, which should have become clear to military and geopolitical analysts already for over a decade. Putin's main defense investments have targeted the re-emergence of a blue-water Russian fleet capability able to confront NATO or China, but in particular USA Naval forces and potential threats to its own Russian interests worldwide. The latter is not yet in place, but to expect that Russian naval powers are at the same low levels as at the beginning of the 21st century is like believing in Santa Claus. The Russian Bear clearly has got back its powers.

Fujariah Weekly Oil Inventory Data

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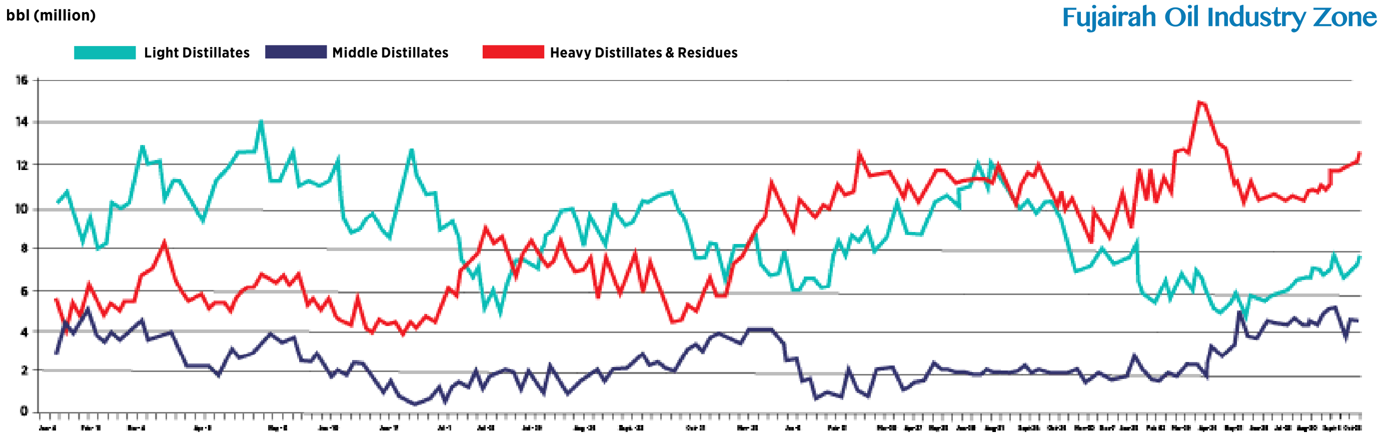
Fujairah Oil Industry Zone

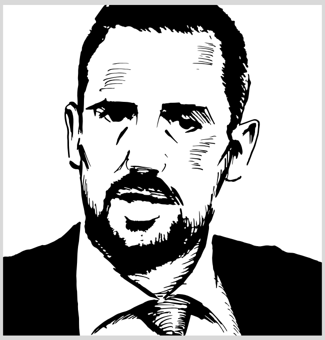


TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 16.941 million barrels. Total stocks rose 54,000 barrels with overall stocks up 0.3% week-on-week. The stock movement saw stocks of middle distillates and heavy residues draw being offset by a build in light distillates.
- Stocks of light distillates, including gasoline and naphtha, rose 799,000 barrels or 17.7% on the week to 5.310 million barrels. This is the first time they have been above 5 million barrels since late December. The East of Suez gasoline market found supported by bullish indicators from the region, but sentiment was clouded by supply-side concerns from the West. Despite falling gasoline exports from China which dropped 9.1% on the year to 14.55 million mt in 2021, Pakistan was the the second highest destination for China's gasoline outflows, with the 2021 figure standing at 2.25 million mt, surging 414% year on year.
- Stocks of middle distillates, including diesel and jet fuel, fell by 630,000 barrels or 26% on the week to 1.796 million barrels. The East of Suez gasoil market was supported on tightening supplies in the region. The crunch in export volumes from China had kept regional supplies lean, industry sources said, and as a result, pushed East of Suez gasoil prices to higher levels. Despite higher prices, an open East-West arbitrage continued to pull surplus barrels West of Suez, from the Middle East and India, exacerbating tight supplies in the region.
- Stocks of heavy residues fell by 115,000 barrels or 1.2% on the week to 9.835 million barrels. The bunker market in Fujairah saw a pickup in activity with bunker suppliers at Fujairah heard offering delivered low sulfur fuel oil at competitive rates amid eagerness to move oil cargoes. Offers for delivered marine fuel 0.5% sulfur fuel in Fujairah were heard at $662- $680/mt with offers around the lower end of the range for product deliverable from Jan. 28 onward. The same grade was assessed at $660/mt Jan. 25, down $20/mt day on day, Platts data showed. The price of marine fuel 0.5% sulfur bunkers in Fujairah represents a $5/mt discount to Singapore which saw its delivered bunkers on the same basis assessed at $665/mt.

Source: S&P Global Platts

Brent is trading down 0.67 at $89.29/bl this morning and WTI is trading at $86.70/bl down 0.65. Define irony. A Wall Street banker being interviewed about financial results stating COVID is in the rear-view mirror whilst working from home. Because of COVID. It is quite an extraordinary world we find ourselves in right now. The oil market now has so many moving parts to it that I feel like I work in a LEGO factory (other children's toys are available). Brent touched $90/bl yesterday, a feat not seen since the 13th October 2014. Goldman Sachs yesterday said that "...expectations of a limited disruption to energy flows despite tensions between Russia and Ukraine. Furthermore, an impact from a possible oil or gas pipeline outage in Ukraine should be modest because Russia can reroute flows away from Ukraine and use other pipelines instead". This was always the case to be honest, but as is the way of an oil



BY MATT STANLEY
DIRECTOR
STAR FUELS

bull he or she will ignore any of that realistic nonsense and jolly well buy the fact that it adds to the "supply disruption" argument. Over the pond and we had EIA data out last night which showed builds on crude and gasoline stocks and draws on distillates. Gasoline stocks are now at the highest since February 2021. Ignore that though. Once again however, the distillate side of the barrel is proving to be performing really rather splendidly, with stocks drawing over 4mn bbls on the back of exports picking up as demand continues to draw in from Latin America. What the market was really focused on yesterday was Jerome Powell and the first FOMC meeting of 2022 - "The committee is of a mind to raise the federal funds rate at the March meeting assuming that the conditions are appropriate for doing so," said Powell. This is the one part that caught my attention though - Powell was explicit on one key point: that with inflation high and for now apparently getting worse, the Fed this year plans to steadily clamp down on credit and end the extraordinary support it has provided to the U.S. economy during the coronavirus pandemic. Basically, that's an "Oi lads! And you ladies too. Get in here! The party is over!". Let's see how that pans out - doesn't sound like things are particularly "transitory" Mr Powell. Back over the pond again, wow I'm like a water boatman today. To me the real story about Russia/Ukraine tensions centres around wheat, check this out "In the case of an invasion and an extreme retaliatory blanket embargo on Russia and occupied Ukraine, the international market will be deprived from the largest and the third largest wheat exporter in the world (not counting the EU as a block). In a relatively short time, a huge amount of wheat could be removed from the international market. Russia is exporting 35mmt and Ukraine 24mmt in the current season. The combined of 59mmt is equivalent to a massive 29% of global exports.". Thanks to Rabo Bank for that. Hmmm. Doesn't help the inflationary argument, does it? Like I said, lots of moving parts, try and concentrate on one if you can though. Good day.

January 27 2022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Energy Markets Views You can Use

Christof Rühl

Senior Research Scholar – Center on Global Energy Policy
Columbia University

Why are we seeing a divergence between equities and energy prices?

There is a key number which sums up the surprise of equity markets quite well. In December 2020, the Fed's forecast of the inflation rate for 2021 was 1.2%. A week ago, that number came in at 7.2%. That's a gross mis projection and consequently the pivot which the Fed had to do was quite dramatic and came unexpected to markets. If inflation is persistent, we will see two things. A need for more rate rises, possibly for more time and we will see more disappointment and volatility in the markets even if the consensus among policymakers will be that an inflation rate of 3% or 4% is not too bad. Meanwhile, the oil price has gone up so smoothly and fast because of a political decision to cut supplies. There is no reason to expect equity markets and all markets to move in tandem. The key question on oil today is that OPEC is running up against its normal capacity of two million barrels. That should happen this year and will indicate when and to what extent supply will come online from outside OPEC plus.

Is the Russia Ukraine situation a big problem for the energy market?

We have is an almost intractable situation which is very likely to lead to a military escalation, probably not in the form of a full-scale invasion of the Ukraine because that would be costly. Russia does not want a thriving and prosperous Ukrainian democracy on its eastern border which could be attractive enough to attract the attention of other countries in that region. Russia wants Ukraine in its orbit as a subservient state with a nonfunctioning government which acts as a buffer of strength. The weakness in the Western response – to prefer peace at all costs and preserving gas deliveries – means that this is a situation which we will find ourselves in again after this crisis has been settled. This is a much more consequential crisis than most of us are expecting.

Immediate outlook for oil fundamentals?

Global demand is key. Secondly, if US sanctions on Russia were to happen, the maximum it would mean would be no Nord Stream two and cutting off Russian financial institutions from the swift system. I can't see this happening, but if it did, energy markets would be in complete turmoil. It would be very hard for consumers of Russian oil to pay for these exports and very hard for the US and the Europeans to maintain a united front in the face of rising oil and gas prices.

Khatija Haque

Head of Research & Chief Economist, Emirates NBD

Middle East & North Africa Set for a More Positive Economic Outlook in 2022

As 2022 begins, the outlook for the MENA region is for the most part more positive than seen over the past two years. For the GCC countries and other regional oil exporters, economies look set to enjoy both higher oil prices and increasing oil production that will both help balance the government books and drive real GDP growth. We expect the focus to remain firmly on reform and diversification and as such a marked increase in government spending is unlikely despite this boon as the authorities look to decouple their growth cycles from oil's ups and downs.

The whole region will continue to benefit from the ongoing recovery from the Covid-19 pandemic. Despite many countries in the region seeing rising case numbers as the year begins, which will weigh on activity in the first quarter, the sense remains that the pandemic is starting to play itself out. As such we anticipate that those economies with significant tourism sectors should see visitor numbers rise once more, in a positive development for employment and FX inflows.

There are two major events in the GCC this year – Dubai's Expo 2020 (Q1) and the FIFA World Cup in Qatar (Q4) – which should further support the tourism recovery in the region. While the outlook is broadly constructive, tighter monetary policy and slower global growth are potential headwinds to growth in the MENA region, and the Covid-19 pandemic still poses a key downside risk. Saudi Arabia, the region's biggest economy, will see stronger oil sector growth this year, which will drive headline GDP to 5.7% from an estimated 2.5% in 2021.

Energy Markets COMMENTARY

WEEK IN REVIEW

Daily Energy Markets PODCAST

Consultancy Intelligence Publishing

SUNDAY /// JAN 23rd /// 10:30AM (UAE)

Jorge Montepeque
President & Founder
Global Markets

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

Sean Evers
Managing Partner
Gulf Intelligence

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Consultancy Intelligence Publishing

MONDAY /// JAN 24th /// 10:30AM (UAE)

Omar Najia
Global Head, Derivatives
BB Energy

Richard Redoglia
Chief Executive Officer
Matrix Global Holdings

Neil Atkinson
Former Head of
Oil Markets Division
International Energy Agency

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TUESDAY /// JAN 25th /// 10:30AM (UAE)

Randall Mohammed
Managing Director
PetroIndustrial USA

Dr. Charles Ellinas
CEO, Cyprus Natural
Hydrocarbons Co. &
Senior Fellow, Global Energy
Center - Atlantic Council

Henning Gloystein
Director - Energy, Climate
& Resources
Eurasia Group

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WEDNESDAY /// JAN 26th /// 10:30AM (UAE)

Robin Mills
Chief Executive Officer
Qamar Energy

Laury Haytayan
MENA Director
Natural Resource
Governance Institute

Victor Yang
Senior Editor
JLC Network Technology

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Daily Energy Markets PODCAST

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THURSDAY /// JAN 27th /// 10:30AM (UAE)

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

Dr. Carole Nakhle
Chief Executive Officer
Crystol Energy

Edward Bell
Senior Director
Market Economics
Emirates NBD

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Energy Markets Views You can Use

Daniel Richards
MENA Economist, Emirates NBD

Iranian Economy Continues to Face Challenges

We anticipate an acceleration in Iran's real GDP growth this year, forecasting 3.5% in 2022 compared with an estimated 3.0% last year. However, the risks to this outlook are weighted predominantly to the downside as the Iranian economy continues to face major challenges in 2022, not least a surge of coronavirus cases at the start of the year, high levels of inflation, and a persistent impasse in the country's negotiations around a new nuclear deal.

The 2021 growth rate will have largely been predicated on the back of stronger oil production as non-oil sectors remained under significant pressure as coronavirus cases rose rapidly. By contrast, our projection for stronger growth this year is based mainly on an expectation that pressures related to the pandemic will ease rather than any boost from the oil sector, given a repeat of 2021's increase in production is unlikely.

However, the outlook for Q1 remains precarious. While current daily case numbers remain far off the levels seen last summer (the 7dma was 2,788 on January 19 compared to 39,314 on August 18), they are mounting rapidly once more as the Omicron variant has arrived in the country. Nearly two thirds of the population have now received two vaccine doses which bodes well for the recovery, but this latest wave will nevertheless hinder activity in the near term.

Later in the year, however, we see scope for a much stronger performance from sectors such as leisure and hospitality, especially given the tourism sector's ambitious growth projections. Aside from the ongoing pandemic challenges, Iranian households will also have to contend with a persistently high level of inflation which has hovered around 40%. Private consumption levels have been under duress in Iran for several years, contracting by -7.7% in 2019 and -0.4% in 2020, in part due to low labor participation rates and in part because of high inflation levels, and this will remain the case in 2022 given currency weakness will likely remain in play.

Randall Mohammed
Managing Director, PetroIndustrial USA

Are we going to see US production recover in 2022?

We expected shale to come back a lot quicker last year. US production is at 10.5 million bd and based on producers' forecasts, we could get to 12.5 million bd sometime in 2023. The Permian had record production in December, and we expect that trend to continue. The more economical basins are going to start producing first and as the price begins to inch closer to $100, we could find production coming from the other basins, like in North Dakota and Pennsylvania.

Anywhere else we could see an easing of oil supply this year?

There are places like Guyana, which today produces 120,000 bd but that's not enough to satisfy demand. We need to see producers like Iran playing a role in this whole scenario.

Is the banking sector still supporting the shale recovery?

We have seen capital pull back in the last couple of years but as prices begin to escalate, I think you're going to see that come back, slowly but surely. By 2023, there's going to be an extra 1 million or 1.5 million bd coming out of the US.

Where is the Fed today in terms of its strategy to tackle inflation?

It's under serious pressure and has recognized that inflation is much bigger than what we thought. But even though they've got the conventional tools like open market operations and interest rates to control liquidity, the other side of the equation is the problem with supply chains. That's not easily resolved by either the FED or the Biden administration and is a problem they are going to grapple with probably for the next two or three quarters. We're also still in economic recovery mode and if the Fed moves too quickly, we're going to stall the economy. The Fed should taper over an eight to ten month period, while keeping their eye on those leading indicators - unemployment claims and inflation.

"Against the backdrop of the tightest inventory levels in decades, low spare capacity and a much less elastic shale sector, this points to the skew of large energy price moves shifting to the upside, reinforcing the case for a rising allocating to commodities in portfolios."

– Goldman Sachs

ENERGY MARKET NEWS

1. OIL FALLS ON PROFIT-TAKING AFTER BRENT SURGES TO $90 A BARREL
2. OPEC+ SET TO CONTINUE WITH 400,000 BPD PRODUCTION INCREASE
3. NINE WEEKS OF GAS INVENTORY LEFT FOR NINE WEEKS OF EU WINTER
4. AUDI EXPECTED TO RAISE MARCH OIL PRICES ON ROBUST DEMAND
5. US OIL INVENTORIES SURPRISINGLY RISE AS REFINERY ACTIVITY SLOWS
6. FEDERAL RESERVE POINTS TO INTEREST RATE HIKE COMING IN MARCH
7. RUSSIA-UKRAINE RIFT RISKS 13PC OF GLOBAL GRAIN EXPORTS
8. IRAN AIMS FOR 5.7MN B/D LIQUIDS OUTPUT CAPACITY BY 2030
9. CHINA IS HELPING VENEZUELA RE-ESTABLISH ITSELF AS A MAJOR OIL PRODUCER
10. INVESTMENT IN COLOMBIA OIL AND GAS FORECAST TO SOAR IN 2022 WHILE OUTPUT LAGS

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Fujairah Spotlight

UAE's National Bank of Fujairah Reports 124.2% Rise Net Profit for 2021

UAE lender National Bank of Fujairah (NBF) reported a net profit of Dhs115.2m for the year ended December 31, 2021, marking a 124.2 per cent increase, compared to a loss of Dhs475.3m recorded in 2020. The net profit was higher by 104.6 per cent for the three month period ending December 31, 2021, compared to an year-earlier period. NBF posted an operating profit of Dhs955.6m in 2021, a rise of 6.8 per cent compared to Dhs894.6m in 2020. Operating income reached Dhs1.4bn, up 4.1 per cent over 2020. Meanwhile, net interest income and net income from Islamic financing and investment activities stood at Dhs941.1m compared to Dhs948.9m in 2020. Net fees, commission and other income spiked 18 per cent to Dhs344.3m vis-à-vis Dhs291.7m in 2020. Meanwhile, foreign exchange and derivatives income reached Dhs114.2m compared to Dhs125m in 2020. Income from investments and Islamic instruments rose to Dhs42.3m compared to Dhs20m in 2020.

Source: Gulf Business

Sharjah has Become Enlightenment, Cultural Hub: Fujairah Ruler

His Highness Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, has extended his greetings to His Highness Sheikh Dr. Sultan bin Muhammad Al Qasimi, Supreme Council Member and Ruler of Sharjah, on the 50th anniversary of his assumption to power in the Emirate of Sharjah. In his statement, Sheikh Hamad said, "I extend my greetings to Sheikh Sultan on the occasion of the 50th anniversary of his assumption to power in Sharjah which has become, thanks to his wisdom, a centre for enlightenment, a cultural and investment hub. Today, we congratulate the Emirate of Sharjah and wish him good health to serve the homeland and Emiratis.

Source: Sharjah24

Fujairah Authorities Act Against Businesses Flouting Regulations

Dozens of Fujairah businesses were caught flouting trading laws last year in a clampdown by authorities. Inspectors from Dibba Municipality carried out checks at hundreds of outlets in the area, including shops and supermarkets, to ensure they were complying with rules. Fourteen businesses faced financial penalties and another 46 were warned over offences ranging from selling counterfeit goods, misrepresenting discount offers and illegally inflating prices. "The department received 261 complaints related to delay in delivery of services, failure to complete work as required, or increasing prices," said Hassan Al Yamahi, director of Dibba Fujairah Municipality.

Source: The National

VLSFO Crack Slips, but Posts Small Weekly Gain

Despite falling crude oil prices, Asia's 0.5% very low-sulphur fuel oil (VLSFO) front-month crack slipped to a five-session low on Friday, but was slightly higher than the previous week. Meanwhile, residual fuel inventories at the Amsterdam-Rotterdam-Antwerp (ARA) and Fujairah storage hubs rose this week, while those in Singapore fell, the latest industry data showed. Fuel oil stocks in the ARA refining and storage rose by 68,000 tonnes, or 7%, to a two-week high of 1.1 million tonnes in the week ended Jan. 20, data from Dutch consultancy Insights Global (IG) showed. Compared with last year, however, the inventories at the ARA hub were 20% lower and slightly below the five-year seasonal average of 1.18 million tonnes. In the Fujairah, fuel oil stockpiles were 8% higher to a two-week high of 9.95 million barrels, or 1.57 million tonnes, despite higher exports from the hub.

Source: Brecorder News

Media Release:

ADNOC Announces New Dedicated Debt Capital Markets Issuing Entity and Inaugural Credit Rating

New wholly owned subsidiary 'ADNOC Murban' to become primary debt capital markets issuing and rated entity for ADNOC Group

ADNOC Murban expected to be rated AA / Aa2 / AA by S&P, Moody's and Fitch respectively

Abu Dhabi, UAE – January 25, 2022: Abu Dhabi National Oil Company ("ADNOC") announced today, that it has created a new, wholly owned subsidiary, ADNOC Murban RSC Ltd ("ADNOC Murban"), which will become the primary debt capital markets issuing and rated entity for ADNOC Group.

ADNOC Murban is expected to be rated "AA" by Standard & Poor's ("S&P"), "Aa2" by Moody's Investor Services ("Moody's") and "AA" by Fitch Ratings ("Fitch") – aligned with ratings assigned to ADNOC's shareholder, the Emirate of Abu Dhabi.

These strong ratings reflect ADNOC's conservative and robust financial profile, resilient operations, and the low cost and low carbon intensity of ADNOC Murban's onshore production.

ADNOC expects to maintain the "AA" instrument rating provided by Fitch of the 2024 ADNOC Distribution exchangeable bonds (ISIN: XS2348411062). Separately, ADNOC has requested the withdrawal of its Group-level credit rating, first assigned by Fitch in February 2019, given the establishment of ADNOC Murban as ADNOC's primary capital markets issuing and rated entity.

ADNOC Murban intends to closely monitor market conditions and explore potential funding opportunities.

Daily Energy Markets

TOP 10 TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
Jan 23rd - Jan 27th

1. Oil markets and equity markets are likely to diverge after a year of moving in tandem as all boats rose in the era of accommodative FED policies on steroids.
2. Whether Russia invades Ukraine or not, oil prices will still rise – war threatens supply, no war unleashes big demand recovery.
3. The West has moved into post-Covid endemic phase as herd immunity beds in.
4. OPEC+ alliance is unlikely to be disrupted by any Russian conflict with Ukraine.
5. Brent crude oil is likely to move through $90 due to mix of supply & demand fundamentals and geopolitical tensions in many energy hotspots.
6. FED rate hikes are not necessarily a death-knell for the 10-year equity bull run.
7. Oil prices will remain elevated as omicron recedes and demand recovers, while major oil producers such as Iran and Venezuela are frozen out of global markets.
8. Monetary policy makers scrambling to catch up with inflation will keep equity markets very volatile, which could spillover into oil markets if central bankers slam on the brakes too hard.
9. China's oil imports may grow slightly in 2022 depending on the oil price – above $80 and China will draw more or stocks; below $80 and they will import.
10. A successful conclusion to the Iran nuclear talks could deliver some resolution to many of the proxy conflicts in the region.

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WEEK AHEAD BRIEFING NOTE

Jan. 23rd /// 2022

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Inflation is Driving up Rate Hike Bets Globally, so Why does the Dollar Remain king?

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