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Fujairah
New Silk Road
WEEKLY NEWSLETTER

Supported By:
FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone

Port of Fujairah
United Arab Emirates

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

"Certainty is Only Cure for Oil Market Volatility!"

Majid Shenouda, Deputy CEO and Global Head of Trading,Mercuria Energy

There is only one way to solve the volatility in oil markets and that is to have increased certainty. That's fundamentally the problem. Nobody feels certain about where things are going because you have both a supply problem and a demand problem and that affects how people trade flat price. We've seen volatility almost double today versus historical levels, which results in higher margins. The lack of working capital in the system at the moment is because everything is trapped. To determine what's going to happen in the future, one side of the equation will be to answer whether these problems will drive a recession, and obviously that has one set of impacts. And if you don't have a recession, is there enough supply out there? A lot of the problems that we have in our market are not about true supply and demand. They're actually manmade driven issues. How did we deal with COVID? The Russian Ukraine problem is another – how did governments react to this? Some have basically put caps into the market, while others have issued more paper, more money. So, there's just too much intervention coming from too many different places, which is making it very difficult for anyone to predict what to do. As a result, all it does is drive up the price, which takes away the liquidity, because ultimately every trader has a certain amount they can play with. And today, the tools we have with the prices we have, have been reduced by half.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

7,554,000 bbl	3,964,000 bbl	13,402,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

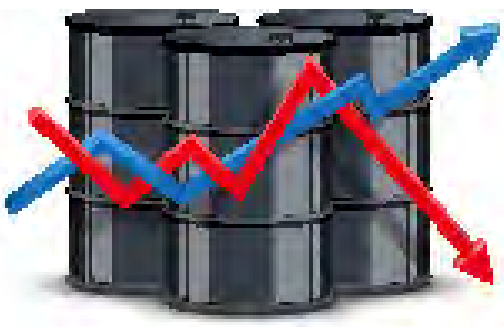
Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.62 - 4.38/m^3

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

THE WEEK In Numbers



Weekly Average Oil Prices

Brent Crude:	$94.82/bl
WTI Crude:	$89.65/bl
DME Oman:	$94.20/bl
Murban:	$96.47/bl

*Time Period: Week 2, Oct 2022
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $754.50/mt

Low = $703.00/mt

Average = $734.00/mt

Spread = $51.50/mt

MGO

High = $1,325.50/mt

Low = $1,248.00/mt

Average = $1,296.00/mt

Spread = $0.00/mt

IFO380

High = $428.00/mt

Low = $404.00/mt

Average = $412.50/mt

Spread = $24.00/mt

*Source: Ship and Bunker, *Time Period: Oct. 5 – Oct. 12, 2022*

Fujairah Bunker Sales Volume (m^3)

528 180cst Low Sulfur Fuel Oil	549,205 380cst Low Sulfur Fuel Oil	142,548 380cst Marine Fuel Oil
1,607 Marine Gasoil	29,530 Low Sulfur Marine Gasoil	4,864 Lubricants

Source: FEDCom & S&P Global Platts

CONTINUED FROM PAGE 1

"It's next winter that's the problem because once we've depleted the gas storage reserves, how do we get them filled again?"

Majid Shenouda, Deputy CEO and Global Head of Trading,Mercuria Energy

What will it take for more CapEx to come back into the upstream sector?

Historically, if you go back 6 to 10 months, anybody who wanted to invest in the oil sector was getting punished in the capital markets. Then, after the war, people started getting rewarded for being long oil and long gas. But the capital markets don't work in three-to-six months cycles - those are five-to-ten years investments in our sector. And, for the last few years, the banks have basically told the investors they will not put money into certain sectors. So, the real champions of developing these kinds of products have been governments and national oil companies. The capital markets have gone completely in the opposite direction. So,for CapEx to come back, the markets have to be told that it's okay to go back to the old economy for a period of time because at the moment, private equity and the banking sector is not open for business for these long-term investments. The other problem is that the 10-year forward curve has deviations in price of about $20 a barrel. People don't know if it's going to be $80 or $120. The spread where analysts are predicting forward oil prices are just so severe, that it is not conducive to anybody who wants to make an investment. So, ultimately, it's going to come back to governments and NOCs to make those investments - the average capital markets investor is going to find an easier way and lower risk return for their money.

How much more gas to oil switching should we expect to see in Q4?

The difference between oil prices and gas and coal and power are so severe that you if you have the capability, you'd already be switching. Analysts believe that current switching for this winter should be somewhere between 400,000 to 500000 barrels a day, which is only 100,000 bd more than it was last year. Europe has done a very good job in stocking gas, and we should be close to 100% in terms of storage coming into November. Of course, it then depends on how severe the winter is going to be. Governments are already bracing their populations that there may be blackouts, so people are prepared for this winter. It's next winter that's the problem because once we've depleted the gas storage reserves, how do we get them filled again? The Russian gas was coming for a number of months and now it can't come. Whether LNG can replace Russian gas ahead of next summer and winter is going to be the real challenge.

ENERGY FOR LIFE

Abu Dhabi National Oil Company (ADNOC) is one of the world's leading energy producers and a reliable global energy supplier. With a production capacity of 4 million barrels of oil per day and around 11 billion standard cubic feet of natural gas per day, our work continues to enable our country and our people to realize their remarkable potential, acting as a catalyst for the growth and diversification of the UAE economy.

TOGETHER, WE BRING ENERGY TO LIFE.

Energy Markets Views You can Use

Dr. Carole Nakhle
Chief Executive Officer
Crystol Energy

There are geopolitical implications for the OPEC+ decision to cut output.
Especially when you have a key member that is Russia, being sanctioned by the US and by the EU. We cannot ignore the geopolitical angle no matter how innocent the decision of OPEC+ might have been and I don't fully buy that it was solely based on economic or commercial interests.

What does it mean for the US-Saudi relationship?
It's not good timing. If it had been maybe a month later, after the midterm elections, the US may have not reacted in the same way. Also, before the meeting, there were rumors that OPEC+ was talking about a cut of a million barrels a day, and then within 24 hours, they went to two million. That was very significant, irrespective of whether they end up being actual barrels. That said, I don't think it's going to lead to a deterioration in the relationship between Saudi Arabia and the US. The US still benefits from high prices as the largest oil producer, and there are much greater interests between the two countries that go beyond the oil market.

Is the OPEC+ move justified given downward demand revisions?
The economic outlook is getting gloomier and that is a major influencer when it comes to oil demand. It's interesting to see that OPEC published their monthly oil market report this week and downgraded their forecast for demand growth for 2022 by half a million and also for next year. That's a significant downgrade and they are becoming more closely aligned with the IEA's previous forecasts. Still, by cutting production relatively significantly, you are putting upward pressure on prices at a time when central banks are fighting inflation with higher interest rates. So, I'm not quite sure how to reconcile the OPEC+ logic, because if you want to really minimize the risk of a recession or impact on economic growth, then you wouldn't go in the other direction.

Neil Atkinson
Former Head of Oil Markets Division
International Energy Agency

Oil prices are edging down again and will stay in this deflating mode.
We're back to where we were a couple of weeks ago before the OPEC+ meeting, when the fear among a lot of the leading producers was that the risks in the short term and medium term of demand destruction outweighed the risks of further supply disruption as sanctions against Russia are implemented.

Was the OPEC+ decision to announce cuts justified?
Producers have economies to support and revenues they need to maintain, so the possibility of prices sliding significantly was enough to make them decide to choke off a certain amount of supply to the market in the short term. I think that's where we are. Fundamentally, the fear of demand destruction is there.

Expectations on the IEA data to be released this week?
I would not be surprised if it suggests a slowdown in demand growth and their balances should suggest that with the actual cut in the number of barrels that OPEC+ will supply, it's not such a drastic change to the balances. Last month, the IEA was showing a market which was not very far out of balance over the next two or three quarters, even assuming further cutbacks in Russian supply.

What further impact could we see from Russian energy export policy?
We're dug in for an increasingly nasty conflict in Ukraine. The sanctions take effect in a few weeks' time, and we are going to have to get used to the fact that Russian energy supplies are going to be very, very severely constrained. As far as gas is concerned in Europe, stocks have been built up to pretty high levels so we should get through winter on the assumption that we have average temperatures. The fun starts next year because when we come to restock, the Russian gas is not going to be there.

Fujairah Spotlight

Oil product stocks at fresh 25-month high led by heavy distillates

Oil product stockpiles at the UAE's Port of Fujairah rose 0.2% in the week ended Oct. 10, extending gains to a 25-month high, led by an expanding inventory of fuel oils used in power generation and marine bunkers, according to Fujairah Oil Industry Zone data published Oct. 12. The total stocks were 24.92 million barrels on Oct. 10, remaining at the highest since August 2020 first reached a week earlier, according to the data provided exclusively to S&P Global Commodity Insights. Heavy distillates products, which cover the fuel oils, climbed to 13.402 million barrels as of Oct. 10, up 6% from a week earlier and the highest since June 2021.

Source: S&P Global Commodity

National Bank of Fujairah partners with Finverity to grow supply chain and receivables finance book in MENA

Finverity, trade finance platform enabling ecosystem development in emerging markets, and National Bank of Fujairah (NBF), one of the leading banks in the UAE trade finance landscape, today announced the launch of a partnership to grow supply chain finance (SCF) and account receivables (AR) finance volumes in the MENA region. The partnership has started with Redington Gulf, which will position the service to reach the maximum number of IT resellers in the UAE.

Source: Zawya

Fujairah Adventure Park Guarantees Adrenaline Pumping Experiences

Does your heart pump to set out for an adventurous trail? If an adrenaline rush is something you get your kick from, then we might have a plan to fit in. The Fujairah Adventure Park is the perfect place to hone one's athletic skills. Younger people can find their sporting talent. The UAE government developed this Park, along with other initiatives of a similar nature, to foster a tourism culture in the city of Fujairah.

Source: Curly Tales

Fujairah Crown Prince receives Secretary-General of Kerala Muslim Jama'at

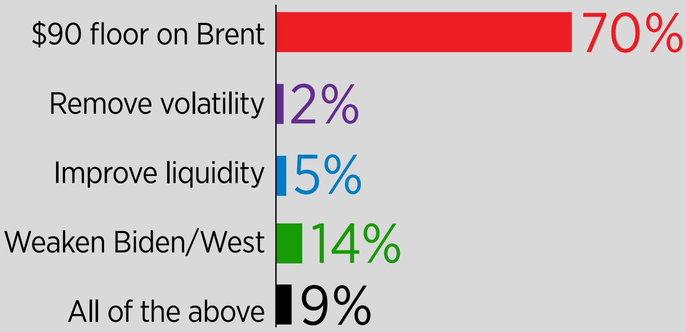
H.H. Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah has received, Sayyid Ibraheemul Khaleel Al Bukhari, Secretary General of Kerala Muslim Jama'at, at Rumaila Palace. Al Bukhari is also the guest of Al Badr Festival which is being held under the patronage of the Fujairah Crown Prince. Sheikh Mohammed welcomed the guest and pointed at the directives of H.H. Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah to commemorate this important occasion in the history of the Islamic nation.

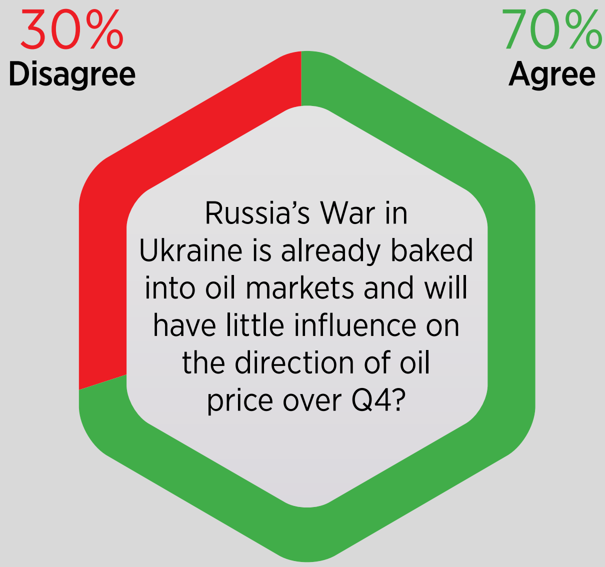
Source: Emirates News Agency

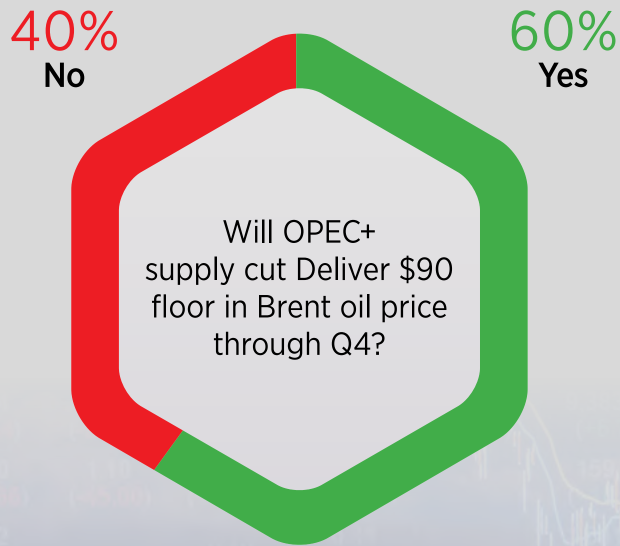
Consultancy Intelligence Publishing

Weekly Surveys

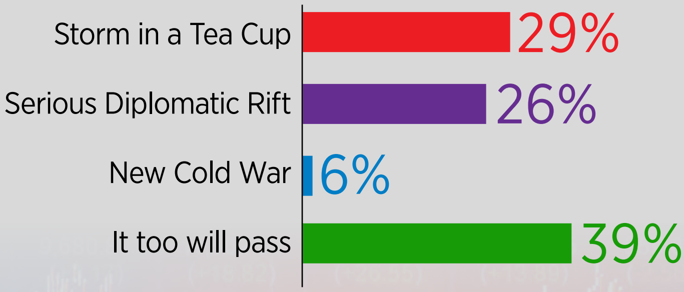
There were many reasons given by OPEC+ for 2mn b/d cut, but what does the market think the biggest reason is – OPEC+ wants?







How would you rate US-Saudi war of words after OPEC+ oil supply cut?



Source: GI Research March 2022

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Energy Markets Views You can Use

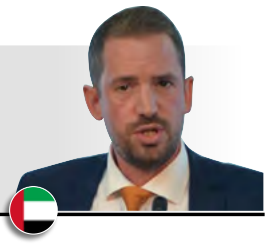
Mehmet Öğütçü
Group CEO, Global Resources Partnership
Chairman, London Energy Club

OPEC's move to cut output is a very serious setback for a country like Turkey.
Turkey is 93% dependent on oil imports and its energy import bill will be around $100 billion by the end of this year. We also have the added threat of one million barrels a day of Russian oil being cut off if the G7 oil price cap goes ahead. Of course, Turkey is not only challenged because of high energy prices; there is serious mismanagement of the economy with lower interest rates and high inflation and a lack of transparency and governance issues.

How should we interpret Turkey's relationship today with Russia?
The special relationship with Russia is very important, no matter what happens with the West. Turkey is trying to play a bridge between Ukraine and Russia in this longstanding conflict, which I don't think will be completed anytime soon. Erdogan and Putin also have a certain personal chemistry. But Turkey's strategy is also related to its growing discontent with the West in foreign policy, in economic relations and in other areas. At the same time, it is recalibrating its foreign and security policy - with the US, Israel, Cyprus, Gulf nations and others - not only for commercial interests, but for strategic reasons. It is changing its traditionally assertive policy of the past ten years, to an understanding that it needs to now engage these countries to break its self-imposed isolation.

Outlook for the Chinese economy?
There is an expectation that it might announce an easing of COVID restrictions at the party Congress because that has disrupted not only China's economy, but also its international engagement. The economy is not doing well. The zero COVID policy has been unpopular among the people. One of the successes of Xi Jinping's regime had been to increase the economic welfare of the people, but now that is not the case. Unemployment is increasing, inflation is increasing, and people are not able to travel freely as they wish.

Matt Stanley
Partnerships Lead, Middle East
Kpler



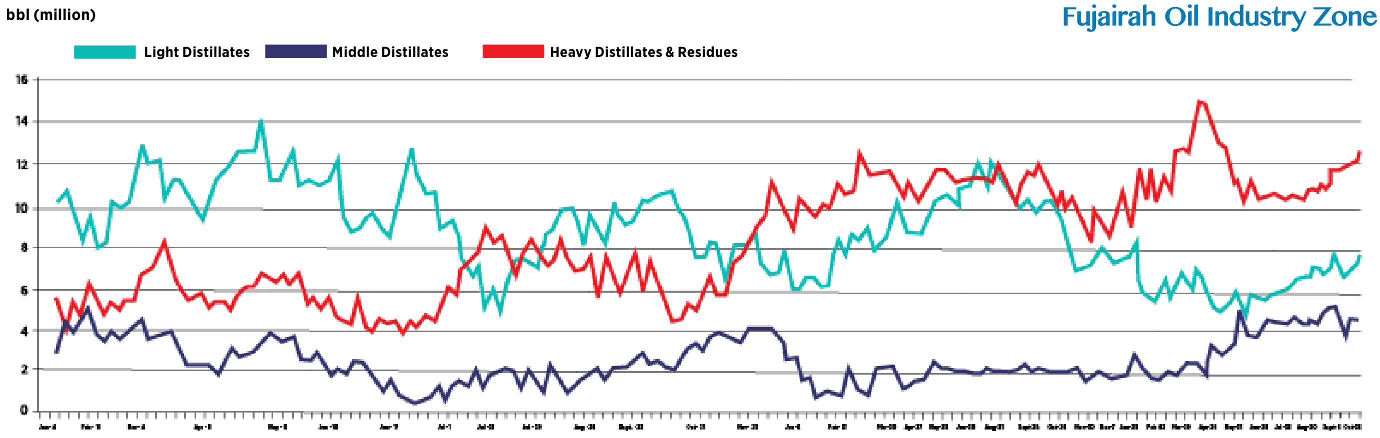
OPEC has formally set a floor under prices in the $85-100 range.
The decision they took on cuts was something they had to do - they had already backed themselves into a corner. But it's been difficult for the market to comprehend what their exact objective is – whether it is to balance market dynamics in terms of supply and demand, or protect prices at a level that is acceptable for fiscal budgets within the GCC core. Meanwhile, there are other bigger factors at play – the fundamentals remain and Q4 is still ambiguous. What will happen to gas supply, prices and demand this winter in Europe. We also have a lot of refining capacity that's come offline which is having massive effects on diesel and diesel in Europe doesn't need much more of a push to rally because of the issues that are going to happen with Russia's supply into the bloc in a few months' time.

Is there anything the US can do in reaction to OPEC's decision?
If they release any more SPR, it just means that they will need to replenish those stocks at some stage. Traders could interpret a further SPR release as the world has not got enough oil and that will be a signal for the market to rally. I think Biden's energy policy is flawed. Where has US oil been for the last 18 months? Everyone assumed that it would make a comeback this year and go back up to 13 million barrels a day.

Any respite still to come for oil prices from Chinese demand?
The oil market has priced in that China is going to make a comeback in some way. I think that will be at some stage in Q1. That will mean a 60-day lead time on crude cargoes because they're drawing down on crude inventories right now. They've drawn down on about 18 million barrels so far in the last two months and that was supplied at a time when crude oil was trading at $10 a barrel during COVID times. So, that's probably worth a boost of between $15 and $20 a barrel on the flat price come Q1.

Fujairah Weekly Oil Inventory Data

منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone



TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 24.920 million barrels with a build of 47,000 barrels, or 0.2% week-on-week. The stocks movement saw draws for light distillates and middle distillates while heavy residues posted a build.
- Stocks of light distillates, including gasoline and naphtha, fell by 252,000 barrels or 3.2% on the week to 7.554 million barrels. The East of Suez gasoline complex softened following the release of the new Chinese oil product export quota, possibly increasing overall supply and exerting downward pressure on prices, market sources said. In India, gasoline consumption fell 5.96% on the month but rose 8.80% on the year to 2.827 million mt in September amid heavy monsoon flooding, Petroleum Planning and Analysis Cell data showed. The month-on-month decrease came amid an extended rainy season this year in northern India, which led to school closures, according to local media reports.
- Stocks of middle distillates, including diesel and jet fuel, fell by 459,000 barrels or 10.4% on the week to 3.964 million barrels. The East of Suez gasoil complex faced headwinds as supply jitters stemming from China's latest batch of oil product quotas, as well as signs of resolution of refinery strikes in France, led to a softening market. The October gasoil Exchange of Futures for Swaps spread, or EFS, a key East-West arbitrage barometer, continues to register steep declines, reflecting improving arbitrage economics to move oil West, which comes on the back of relative strength in the Western gasoil complex, according to market sources.
- Stocks of heavy residues rose by 758,000 barrels or 6% on the week to 13.402 million barrels. Demand at the bunkering hub of Fujairah was said to be less-than-average by traders. A slump in flat price led by a weakening crude had apparently led buyers to drift to the sidelines on expectations that flat price may likely continue to edge lower. In Fujairah, offers marine fuel 0.5% delivered bunkers were heard at $725-$730/mt at the start of the MOC. Lackluster demand had, however, led most sellers to lower offers to the low $720/mt levels. Trades were heard concluded at $718-$720/mt, while some fixtures were apparently concluded even lower at around $715/mt. The grade was assessed at $722/mt, $25/mt lower on the day. In Singapore, the same grade was assessed at $742/mt, reflecting a $22/mt premium to bunkers in Fujairah.

Source: S&P Global Platts

Commodities

Oil prices fell for a third day running as negativity around demand continues to be the driving force for markets. Brent settled down 1.9% at USD 92.45/b while WTI dropped by 2.3% at USD 87.27/b. OPEC cut its demand growth expectations for Q4 this year and also lowered its demand expectations for 2023, backing up the producers' alliance decision to cut production last week.

FX

Sterling remains volatile and subject to enormous political risk in its day to day moves. Uncertainty on whether the Bank of England will indeed continue to support markets and if there will be any further rollback of the government's tax cut plans are pushing the market to wide moves on a daily basis. GBPUSD rallied overnight by 1.2% to 1.11 as hope gathers that some of the tax cuts will be eased in coming days.

Equities

US equity markets were relatively muted in their moves following the release of the FOMC minutes yesterday, with participants looking ahead to the key CPI inflation print due later this afternoon. The NASDAQ and the Dow Jones closed down -0.1% and the S&P 500 -0.3%.

Source: Emirates NBD Report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Energy Markets Views You can Use

Andrei Belyi, PhD
Professor, Founder & CEO
Balesene OÜ

Is Russia's War in Ukraine still a factor for the Oil Markets?

We see that oil markets are kind of relaxed. The dollar strength usually leads the oil price to relax. So far, the escalation of the war between Russia and Ukraine does not impact much of the global oil markets. It seems that most of the global actors are now used to what is going on by now. If we remember that in March when both oil and gold skyrocketed and paradoxically, the dollar also increased compared to competing currencies. So that was an abnormal situation, mostly because of the fears related to the war. Now it's not the case anymore. So, the global economy is not reacting to what's going on between Russia and Ukraine, even when there are some discussions about possible nuclear threats or the possible direct intervention of the Western powers in this conflict. However, we may expect that to change come December 5th when the embargo against Russian oil comes into effect within the European Union.

Will Russian Oil still find a Market elsewhere after December 5th EU Embargo?

It is likely that part of Russian oil will still flow to China and India. On the other hand, part of it is still transshipped to European ports in Greece and Estonia. Once these countries increase the level of sanctions, then Russian companies will run into trouble. But also, we don't know what is going on with the Russian oil sector. Everything is now classified by Moscow, so we don't have any official information. And why did they classify the information? It is because things are not going well. Because if things were going well, they wouldn't need to classify the information. So, there are a lot of troubles within the Russian oil sector. But it doesn't mean that the Western embargo will take an immediate effect.

Peter McGuire
Chief Executive Officer
XM Australia

It's an onward and upward trend for the energy markets.

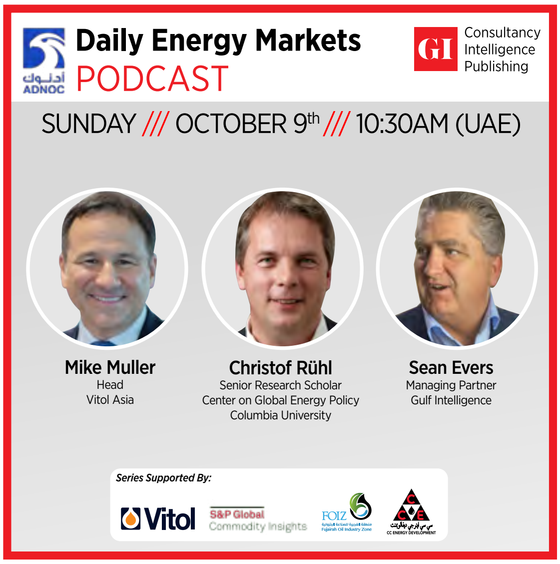
The oil market has got the potential to take $105/bl and could get there in a month or so. We just need to wait and see. There's a lot of uncertainty, and as we see, we haven't even got any geopolitical issues now and the US dollar is at 113. It would be interesting to see how China rallies over the next week or two. If it doesn't, then I think we are in for a little bit of a wrap. We've got inflation coming out this week. A lot is happening in about four weeks, which is the midterm elections. They might try to keep things on with an even keel up until that point. But it is going to be hard to keep it managed after then. As far as the inflation rate is concerned, everything comes back to that. There is so much fear in the market.

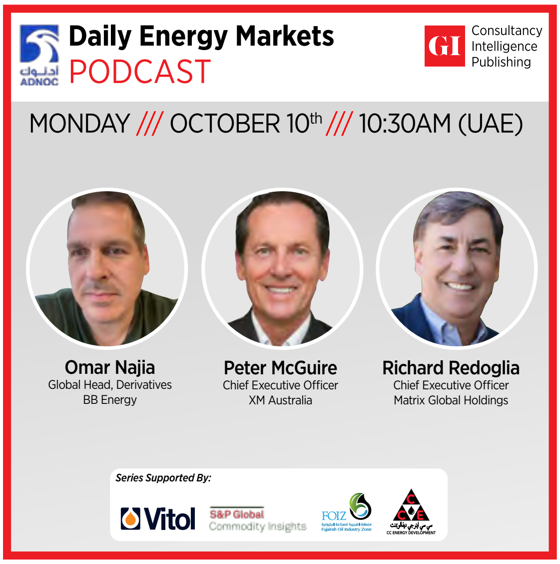
What can topple over a strong dollar?

It is very hard to forecast now when will the rates plateau. We've got to see how the US Fed manage that inflation story, because I think that's the dangerous animal in the room. If the energy sector continues to ramp up over the next month or so, we need to get through that and then we will get an appreciation of where we are. The currency market is the best of bad bunch at the moment. We have 146 to the yen and we know what happened to the pound in the last two weeks. We have nearly 96 to the euro. I think from a 113 standpoint for a US dollar index, everyone's saying 116 is going to be the line in the sand over the next week or two. I think it's got the momentum once that inflation number comes out and everyone goes, "Wow, they're going to hit 75 basis points or 100 basis points!", then I think it's off to the races.

Energy Markets COMMENTARY

WEEK IN REVIEW





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Energy Markets Views You can Use

Mike Muller
Head
Vitol Asia

Key takeaway from the OPEC decision last week?

Clearly, they felt that their own demand projections were at the high end of the spectrum and so they revised those down and felt that it was necessary to take this amount of oil off the market. Of course, the headline number of 2mbd is a quota cut, not actual production cuts. The OPEC narrative was that this would result in about 1mbd of actual supply being taken from the market from the month of November. OPEC's main underlying rationale is that they wish to continue to provide price stability and eliminate volatility, to allow the upstream sector to make the investments necessary to cater for future demand growth. They feel that the action they took is something that keeps the price where it is. Of course, the Western media saw it as a political affront to a West that is already heavily challenged with an energy and cost of living crisis. I believe OPEC want to keep markets stable but by all accounts, it also looks like $90 was the level that was defended thus far. But the clouds have started gathering in terms of oil demand, with numerous revisions down on Chinese year on year demand growth and global demand growth. Our revisions for 2023 versus 2022, which tend to move with the consensus out there, have gone from 1.9mbd to 1.4mbd and now, are probably around 1mbd.

There's a risk we are over-politicizing the OPEC+ decision.

I am not sure that OPEC had any intention of saying that they are on the side of Russia. I think they are more concerned with balancing the budget and most importantly, managing the big challenge for 2023, which is certainly a big deal in Asia over the coming weeks. They need to sort out how much term-oil they will be placing to their refining customers for 2023 because that oil starts pricing, in many cases, from November 1st. And as can be imagined, some Asian economies have been tempted to take oil that is sanctioned elsewhere in the world. There is a clear and understandable desire to shore up the risk of some of that volume being left uncommitted.

Energy Markets Views You can Use

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

OPEC+ 2mn b/d Cut a Political & Regrettable Decision
That was a very political decision, and a very wrong and regrettable decision. If you are worried about a recession, nothing better than to hasten the onset of a recession than raise oil prices by 10% or more. It is a very clear signal that the leadership of OPEC+ has in this case, in a situation of economic warfare, sided with one side in this conflict, Russia, and will be seen on the wrong side of history. Sooner or later, that kind of behavior will backfire. In this environment where inflation seems to be arriving at a steady rate of incline, OPEC+ has jacked up the energy crisis again and therefore the inflation rate. It just points at the desire to get higher oil prices.

Double Whammy Impact on Asian Markets
In a situation where the onset of the recession has already been accelerated by high commodity prices, it will only result in a hastening of the decline in demand with rising oil prices. Historically, OPEC has not done this kind of thing, this is a big watershed change moment here. When a recession is looming, they are usually more careful with good reasons. But what is also coming is the US- induced oil price cap. And now you have a market where supply and prices are constrained – this is going to be a royal mess and those who will suffer the most are those who have the double whammy from the high dollar and high commodity prices. With inflation going up, the Fed will continue to act, the dollar will be even stronger. So, this move by OPEC+ has accelerated all the bad moves in the global economy in one fell swoop.

How will German Industry be Impacted by the Energy Crisis this Winter?
The reality which everybody knows is that industry must be protected because you do not want to slide into a major recession for either Germany or, by implication, Europe. I think people understand that and are willing to go the extra mile. Europe seems willing to introduce a gas price cap and an oil price cap on top of it, which is going to be phenomenally expensive for the government. Overall, I think it is more than likely than not that the winter will pass without incident for German industry, and when it is over Russia will have lost its gas markets in Europe, and it will take them ten years to build a pipeline to Asia to make up for the loss of the European market. It is true that everybody has lost, but Russia has lost the most.

ENERGY MARKET NEWS

1. OIL MARKET INFLUENCED BY MANY UNPREDICTABLE FACTORS
2. OPEC+ RISKS OVERTIGHTENING THE OIL MARKET
3. QATARENERGY AIMS TO EXPAND TRADING AMBITIONS
4. US IS THE WORLD'S LARGEST OIL PRODUCER - YOU'LL STILL PAY MORE FOR GAS
5. AMERICANS WILL PAY THE MOST IN 25 YEARS TO STAY WARM THIS WINTER
6. CHINA'S 20TH COMMUNIST PARTY CONGRESS: WHO COULD BE IN XI'S NEW TEAM?
7. STRIKING FRENCH REFINERY WORKERS DEFY GOVERNMENT THREATS
8. COLOMBIA PRESIDENT TEMPERS OIL TAX AMBITIONS
9. UN CLIMATE TALKS IN EGYPT MUST URGENTLY FOCUS ON METHANE
10. NATO COUNTRIES TO BOOST UKRAINE'S MISSILE DEFENCE AFTER MASSIVE RUSSIAN STRIKES

RECOMMENDED VIDEO & REPORTS
- PANDEMIC FADES FROM WORLD ECONOMIC AGENDA AMID WAR & OTHER SHOCKS
- UN GENERAL ASSEMBLY CONDEMNS RUSSIA ANNEXATION
- US SHOULD PUMP MORE OIL TO AVERT WAR-LEVEL ENERGY CRISIS, SAYS JPMORGAN'S JAMIE DIMON
- CME GROUP VOLUMES JUMP AS DERIVATIVES MAINTAIN MOMENTUM
- INVESTORS NERVOUS AS MARKET SELL-OFF INTENSIFIES
- US SENATOR SAYS SAUDI ARABIA 'OUGHT TO PAY A PRICE'
- BANK 3Q EARNINGS: IT'S ALL ABOUT THE MACRO OUTLOOK
- A GOLD RECOVERY NEEDS DRIVERS TO ALIGN
- "SAUDI ARABIA DOESN'T POLITICIZE OIL POLICY!"

GI Soundings Week in Review

"OPEC+ Decision Could be Justified amid Increased Demand Destruction Concerns!"

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**
- **Richard Redoglia, Chief Executive Officer, Matrix Global Holdings**
- **Victor Yang, Senior Editor, JLC Network Technology**
- **Kate Dourian, FEI, MEES Contributing Editor & Non-Resident Fellow, The Arab Gulf States Institute in Washington**
- **Daniel Richards, MENA economist, Emirates NBD**
- **Osama Rizvi, Energy & Economic Analyst, Primary Vision Network**

Omar Najia, Global Head, Derivatives, BB Energy OIL PRICE: "I think this is going to be the last push up of crude that we have seen for a long time. But I think we will get to $100 on WTI, maybe even slightly higher than that to $105. But after that, this is going to be an amazing selling opportunity. So, we'd look for the market to rally some more, get to about $100 -$105 range, and then fall off a cliff and lose 50% of its value."

Richard Redoglia, Chief Executive Officer, Matrix Global Holdings OPEC: "I think OPEC has made the right decision to cut production. OPEC+ is a sea change from what we have ever seen in the historical moves of OPEC. The entirety of the OECD countries telling them that their oil is not wanted ten years from now has provoked a logical response, of course, which is "Okay, then you're going to pay for it for the next nine." So, I understand this idea that the market can collapse, that demand can fall."

Victor Yang, Senior Editor, JLC Network Technology CHINA: "China's crude oil imports expanded modestly in Q3 over Q2, but they aren't back to pre-pandemic levels yet. As regards Chinese oil product exports, we are going to see larger exports from China to the rest of Asia from October to December, as compared to earlier this year, but not when compared to previous years. In the first eight months of 2022, product exports plunged by about 80% year on year. In the last quarter we will see a bounce back, but for the whole year, they will still be slightly down from last year probably."

Kate Dourian, FEI, MEES Contributing Editor & Non-Resident Fellow, The Arab Gulf States Institute in Washington OIL SUPPLY: "There is a lot of volatility and uncertainty that we don't know which way it is going. The OPEC cuts are not going to be 2mn b/d because many members are not producing at their quotas, including Russia. But if Iran comes back and sanctions on Venezuela are removed, then these countries that are excluded from quotas can increase production. But also, there is instability in Libya, Houthis in Yemen threatening Saudi and UAE energy infrastructure, China lockdown, and high interest rates. These factors make a very fragile market."

Daniel Richards, MENA economist, Emirates NBD GCC BUDGETS: "In part, OPEC GCC members are making up for the lost years post 2014, when they really struggled to run balanced budgets. A lot of the action this year has been to shore that up. We haven't seen massive outlays in short-term expenditure – it has all been about paying off the balance sheet and long-term investment, through the sovereign wealth funds rather than through the budgets."

Osama Rizvi, Energy & Economic Analyst, Primary Vision Network PAKISTAN: "We might save some dollars on oil imports if demand destruction happens, but our textiles and other exports may also suffer, with our main markets being the US and Europe. So, either way, recession or geopolitical risk, we are between a rock and a hard place. Pakistan still faces a lot of budgetary issues and both petrol and food prices are still elevated because of domestic and international reasons."

Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
October 9th - 13th

1. OPEC+ strategy to put a floor under $90 oil appears to have worked for now, but will it hold as the FED and other central banks drive OECD economies into recession to tackle out of control inflation?
2. The West appears to be still following energy policies that are illogical given the scale of the energy security challenge it faces.
3. China's property market could unravel faster than the world can react as it did in the US in 2008/09.
4. Further US release from the SPR could be seen by the markets as bullish, and not bearish, because it would be a signal that the world may be running out of available supply.
5. China is unlikely to ease back off Zero-COVID policy after the Communist Party Congress concludes at the end of October as it would be seen as a humiliating defeat for the Government.
6. Turkey's Erdogan and Russia's Putin are building a personal chemistry as both are strong men who feel shunned by the West, and it is important for the West not to lose Turkey to the grip of the emerging Russia-China axis of influence.
7. Oil producers have feelings too and they have to act in the interests of their populations regardless of whether that upsets their customers and allies.
8. Emerging economies like Pakistan are caught between a rock and a hard place, with high energy prices because their manufacturing costs soar, and at the same time the buying power of their export markets gets squeezed.
9. Saudi - US war of words appears to be more a storm in a tea cup than serious fracture, but this is a marriage that is clearly drifting into deep waters and looks like a counsellor should be called in.

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