Fujairah
New Silk Road
WEEKLY NEWSLETTER

AUG 5th 2021
VOL. 85

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

AN **EXCLUSIVE** GULF INTELLIGENCE INTERVIEW

Global Oil Inventories to See Significant Draws Through H2

VLADIMIR LANGHAMER, MANAGING DIRECTOR, SUPPLY & TRADING, OMV

I do see stock draws. I see material stock draws through the second half of the year. The disagreement in the market is more about what's the size of the draw, but I'm yet to find someone in the market who thinks stocks will build. I think that demand is coming back globally, and in Europe. Yes, Jet fuel is still lacking, but everything else is in demand to different degrees. You have mobility data in Europe, which is reaching pre-pandemic levels, pre-2019. I was driving through Austria two weeks ago and you could see the whole of Germany migrating south in their cars rather than in planes. We see really good demand for road fuels. You see incredible demand for petrochemicals because of the appetite for consumer plastics. I think the future is relatively bright, and therefore it's down to OPEC+ to manage the market balance and I think they have to be a bit careful with this. OPEC has shown that they can balance the market. Yes, they had a disagreement, which I think was bubbling in the background for a long time. The good news for the market is that they found an agreement. The agreement might have delivered a little bit more than the market had initially expected. But the market has taken it overall as a bullish outcome because now you are de-risking the whole supply-demand balance. The risk of the whole agreement falling apart has now significantly diminished.

CONTINUED ON PAGE 3

Fujairah Weekly Oil Inventory Data

5,473,000 bbl	3,136,000 bbl	10,318,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

Fujairah Average Oil Tank Storage Leasing Rates*

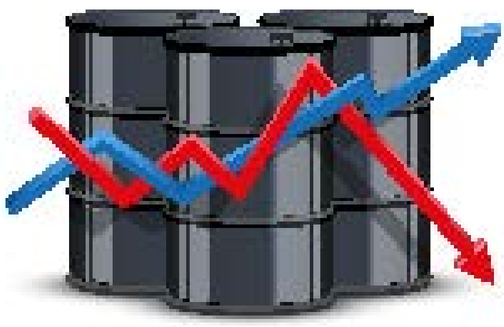
BLACK OIL PRODUCTS

Average Range
$3.54 - 4.38/m³

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

Source: GI Research – Weekly Phone Survey of Terminal Operators

THE WEEK In Numbers



Weekly Average Oil Prices

Brent Crude:	$72.81/bl
WTI Crude:	$70.93/bl
DME Oman:	$71.49/bl
Murban:	$71.80/bl

Time Period: Week 1, August 2021
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO	MGO	IFO380
High = $551.00/mt	High = $651.00/mt	High = $438.50/mt
Low = $535.00/mt	Low = $644.00/mt	Low = $434.00/mt
Average = $544.00/mt	Average = $648.00/mt	Average = $436.50/mt
Spread = $16.00/mt	Spread = $7.00/mt	Spread = $4.50/mt

*Source: Ship and Bunker, *Time Period: July 28 - August 4*

Fujairah Bunker Sales Volume (m^3)

1,360 180cst Low Sulfur Fuel Oil	**510,633** 380cst Low Sulfur Fuel Oil	**122,422** 380cst Marine Fuel Oil
786 Marine Gasoil	**30,963** Low Sulfur Marine Gasoil	**5,693** Lubricants

Source: FEDCom & S&P Global Platts

Vladimir Langhamer, Managing Director, Supply & Trading, OMV

CONTINUED FROM PAGE 1

Are you concerned about the drop-off in China's oil demand?
Vladimir Langhamer: I think China is always a bit of a long game, and the pull down in prices at the moment appears to be more sentiment driven than a fundamental shift in demand. The recent reports out of China with the re-emergence of the coronavirus, especially the Delta virus, has certainly caused some concern, especially combined with the lack-luster oil buying cycle last time round. So, people are concerned about that, and you also had the Chinese releasing some oil from the SPR.

It is a pendulum of emotions -- people are very hopeful, then something happens' and they are very depressed, and then they're very hopeful again. I think in the last two weeks, especially with the fall in prices, I ascribe to the view that it is sentiment driven rather than due to fundamentals. Demand will still be there. I'm sure China will manage the situation again as they did last year. People just need to be mindful that there will be bumps on the road. But I do think that we are on the road to recovery.

What are the main data points guiding OPEC+ policy?
Vladimir Langhamer: I think they are very much looking at demand. OPEC has always said that despite this agreement, they can change it at regular intervals if necessary. I think they are willing to react to the data. OPEC+ has been very much data driven rather than sentiment driven. I think they will wait. The next data points to watch will be the next Chinese buying cycle and their industrial production indices.

Do you expect new supply to come from other sources in 2021, such as Libya?
Vladimir Langhamer: Libya is at that upper limit of the range that they can do, at least until the end of the year. I would say another maybe 100,000 or 200,000 bpd could come out if everything pans out correctly. They have the potential for more, but it needs time, and it needs investment. There are elections coming in Libya, and so around elections things can get a bit wobblier and certainly a bit more unsecure. You might see some disruptions then, but I don't expect it to be dramatic, but it is still a development which can have bumps.

What is the outlook for the Iran nuclear deal in aftermath of tanker attacks in the Gulf?
Vladimir Langhamer: It certainly doesn't help. It was very sad to see as some people died. It's not just damage to a ship, but I think this time it's much more serious. The markets had already expected that there wasn't going to be much change to Iranian oil exports until at least Q4, and this event potentially pushes that even farther into next year. We need to wait until the new political establishment in Iran has time to settle down and make up their minds what they want to do. So, certainly this year I wouldn't expect any big impact from Iranian oil exports returning to the market.

Do you expect Oil Majors to boost CAP-EX in aftermath of bumper earnings in Q2?
Vladimir Langhamer: I think the IOCs will look afresh at increasing their capital investment in new supply capacity. I believe that there has been underinvestment, regardless of the current demand recovery towards 100 million barrels per day, but even without it you need investment to just maintain oil supply as you have natural decline. The majors will look at where is the best deployment of their capital, somewhere where it's maybe a bit shorter term. We have shale that still didn't come back as fast as people might have expected. You will see the IOCs investing again, but probably over the short term, not in projects that require a commitment of 20 or 25 years. You need the cash flow now to finance the energy transition.

Have markets learnt to co-exist with Covid?
Vladimir Langhamer: I think we will need to find ways to coexist with Covid. There will still be bumps in the road. The perceived severity of the impact from Covid is much less as governments are now much more willing, and people are much more willing, to accept that we will have to live with Covid. It is not going to go away. Every resurgence of infections will not spook the markets as much as it would last year. The markets have learnt how to work with it now, to coexist with it. The recovery in Europe and the US is creating a lot of new jobs. The global economy is actually doing surprisingly well.

What is the impact of the particularly tight Brent/WTI spread?
Vladimir Langhamer: For the last two or 3 months, we have had a very regional trading structure. Crudes from the US has largely stayed in the US, and crudes from the Atlantic Basin have stayed in the Atlantic Basin. The tight spreads basically bar the North Sea barrels from moving to Asia. And it's interesting that this structure has held for such a long time. I think there needs to be some kind of a catalyst, somebody trying to breakthrough that, where it all moves back to the levels where there is a lot of exchange.

But to be honest, I am at a bit of a loss as to what that event would have to be. It's difficult to see how that would happen with the current scale of backwardation -- It's difficult to bring crude oil from the North Sea to Asia, and similarly, it is the same challenge for US crude oil to move to Asia. It's unprecedented for this market structure to last for this duration of time.

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ENERGY MARKETS VIEWS YOU CAN USE

Mike Muller
Head
Vitol Asia

WHAT IS YOUR OUTLOOK FOR CHINESE OIL DEMAND?

I think the underlying demand in China is there. It's just a question of how it plays out in terms of oil inventories because they've done another thing in terms of market intervention -- they've released oil from the strategic stockpile. We believe that the Chinese Strategic Petroleum Reserve will see a draw of 25 to 30 million barrels of oil in the 4th quarter of this year, which at some point will need to be replenished because the economy is still growing. In the long run, one assumes that the SPR oil will need to be put back, especially if strategic petroleum reserves are being held for strategic reasons. I think that we should not make more of these headwinds we're seeing out of China unless we get more definitive data on the economy. I believe all the measures, sanctions and import quotas not being granted are more temporary in nature. China's growth is irrepressible. It will continue to point north and that will manifest itself in stock draws and ultimately in stronger demand.

WHAT IMPACT WILL THE DELTA VARIANT HAVE ON OIL DEMAND?

I think we need to watch road transport data in places like the US where you can't apparently find a hotel room for love or money right now, especially in the National Parks. Let's also keep an eye on Asian demand and how Asia, which seems to be peaking right now on the case count, even in those countries which seem to have a real struggle in controlling things, such as Indonesia. It looks like the worst news is already beyond us unless there's another variant that's even more contagious than Delta getting out there. Most analysts have taken a few 100,000 barrels a day off Asian demand for the month of July and August as a consequence of lockdowns in places like Malaysia, Indonesia, and individual cities such as Brisbane and Sydney

WHAT IS YOUR OUTLOOK FOR THE SAUDI SEPTEMBER OSPS?

The Saudi OSPs are due out at the end of this week, and consensus is that they will be a little on the hawkish side because they want to mirror the fact that they're withholding supply from the market. There's a view that maybe it's time to start letting loose. So, whilst many peoples' economic models predict that they can put their Arab Light and Arab Extra Light premium up by 50 cents or more -- there's a view that they won't do so or they ought not do so in order to not send the wrong message at a time that more OPEC and OPEC+ oil is coming into the market and that people opt for the spot barrels that are available on the on the IFAD and the DME in the case of Murban or Oman, instead of instead of Saudi grades.

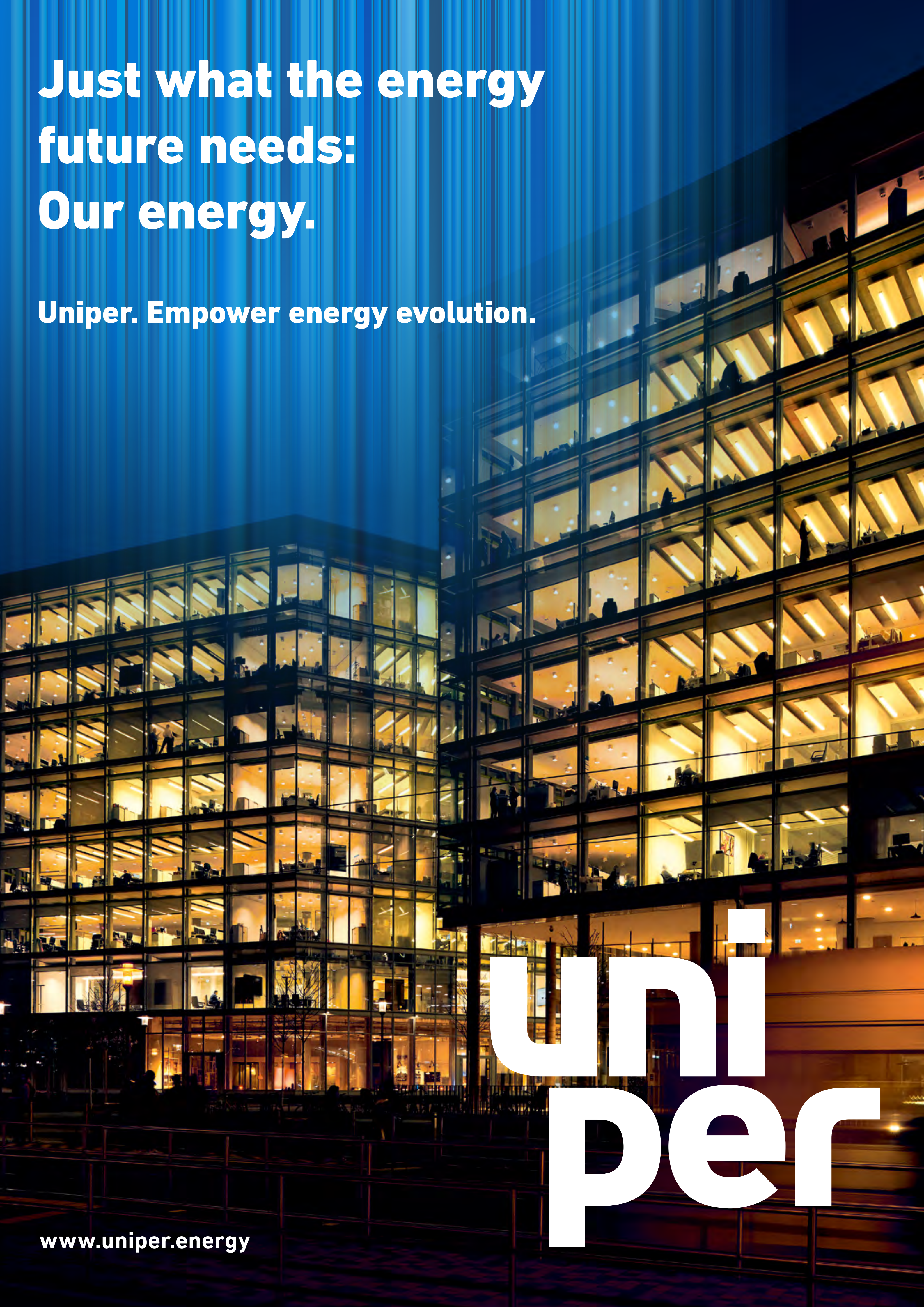
Christof Rühl
Senior Research Scholar - Center on Global Energy Policy
Columbia University

OUTLOOK FOR GLOBAL GDP IN LIGHT OF THE US FED COMMENTS LAST WEEK?

For the first time in a long time, we are in a position to see some sort of trajectory ahead because we have US and European GDP outlook numbers and also purchasing power and expectation indices from China. We should however remember that these big three economic blocs start from very different initial positions. In the US, we had a severe decline (almost 4%) in 2020, which is now being compensated for. The 6.5% projected growth rate expected for this year is a little lower than the Feds 7% but very close and the gap will likely be made up when supply bottlenecks open. China never had a decline, just a slowdown in growth, so it's waiting to go back to previous rates. Its purchasing power indices are close to 50% - if they were under that, it would be an indicator of an expected recession. Export and service orders and growth rates are also below what China would have aspired to. And finally in Europe, we had a double dip in growth - first in 2020 and then again at the turn of 2021 - and now quarterly growth is in the 2% range so it's still crawling out of the hole, slowly and evenly.

ANYTHING TO KEEP AN EYE ON IN THE WEEK AHEAD?

We are expecting more growth numbers to come in for some developing countries and we will also be looking at the vaccination situation very keenly. It's not such a simple picture. Europe and the US now seem to have a willingness to open their economies no matter what happens to Covid case rates because hospitalization and fatality rates are going down so much. On the other hand, we still have a slow vaccination rate in Asia and that may have something to do with the relative effectiveness of the Chinese medicine. But all in all, we are seeing the end of the pandemic in the sense that we are learning how to live with it without major clampdowns. We're seeing the beginning of that now and don't anticipate the same kind of winter which we had last year.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Robin Mills
Chief Executive Officer
Qamar Energy

IS CHINA'S ECONOMIC OUTLOOK GIVING THE OIL MARKETS ANY CONCERN?
Now that we have a clear look ahead on OPEC production, the focus is back on demand.
And Asia, which has so far contained the pandemic rather well, is now coming to terms with the fact that the Delta variant is more contagious and proving much harder to contain. This raises the question on the strategy that countries like China and Australia have pursued - of the absolute elimination of Covid - and whether that is tenable, particularly given that at some point, they have to open up their economies and have relatively open borders and so on. How will they transition to this while still having relatively low rates of vaccination?

DOES THE RECENT TANKER ATTACK IMPACT THE CONTINUATION OF IRANIAN NUCLEAR TALKS?
It was more serious than previous ones but there have been casualties on both sides and so both can be blamed for escalating this situation. It does link to the nuclear negotiations, which are anyway not going well. Whether things will pick up more seriously when Al Raisi is in place, with a less experienced team, in a less friendly geopolitical environment, is a concern. And while efforts on the talks continue, the prospects certainly look less promising than a month or two ago. That is bullish long term but not short term, given the supply that OPEC can bring back. The primary factor impacting the market today is clearly the Asian economic situation and what's happening with Covid, which is clearly hampering recovery.

HOW IS COHESION WITHIN OPEC FOLLOWING THE RECENT QUOTA DISPUTE?
The issue has not gone away because the UAEs production capacity continues to increase and it has expansion plans. Come April, it may choose at some point to push again and seek a further increase. The shifting balance of power within OPEC will be an important one to watch, with certain countries, such as Iraq, also facing uncertainties on how much they can grow production. And in parallel, we have a steady increase each month by the group, which may run into concerns if we see weaker demand. It's always difficult assessing whether market weakness is a one off thing or a more general slowdown, in which case the whole basis of the OPEC increase would have to be reconsidered.

Rustin Edwards
Head, Fuel Oil Procurement
Euronav NV

HOW HAS THE COVID DELTA VARIANT IMPACTED SHIPPING AND TRADE?
Forward freight rates on tankers have been poor since the first outbreak of Covid, with limited oil supply leaving many tankers sitting idle and competing for cargoes rather aggressively. On the container side, we've also had the port delays that continue to keep rolling on, partly due to manpower issues. In China - 12 major cities or import hubs have been put into some sort of lockdown due to Covid outbreaks in those areas. Internationally, different shippers are now putting out warnings about their ability to meet supply needs going into Q4 and into the Christmas holiday season so all in all, Covid is continuing to impact the shipping market.

HAS LAST WEEK'S INCIDENT IN THE GULF AND ITS ESCALATION IMPACTED THE SECTOR?
War premium insurance risk has been escalating since the first incidents in 2019 so that has been priced into freight rates. We haven't seen any impact yet from the recent activity in the Gulf and it's probably going to remain that way because it's a continuation of the same risk for players in the region.

HOW TIMELY IS THE CONSIDERATION TO WIND DOWN GOVERNMENT STIMULUS IN EUROPE?
It's a very tricky situation because you still have in Europe vaccine hesitancy, which is impacting a lot of business. In a recent survey out in the UK, 40% of people said they're not looking at traveling internationally for holidays any time soon and/or are not engaging with the hospitality side of consumption such as restaurants and events. So, it will be hard for certain governments to pull back the stimulus from those sectors without a negative impact on GDP.

ARE 2021 DEMAND/SUPPLY & GDP ASSUMPTIONS NOW LOOKING OUTDATED GIVEN THE DELTA VARIANT AND WHAT GIVES THIS MARKET DIRECTION GOING FORWARD?
In the US, schools start back up in mid-August so we should start seeing gasoline demand trickling off. It has been basically flat since the end of the July 4th weekend. European demand for driving is relatively robust versus jet travel so that will keep supporting the refining margins here in the short term. But in the long term, gasoline margins are going to come off in the second half of this quarter and into Q4 as they do seasonally anyway. We will see a drag on the demand profile as we go forward and if the Delta variant continues to impact Chinese demand, I see OPEC possibly reacting.

Fujariah Weekly Oil Inventory Data

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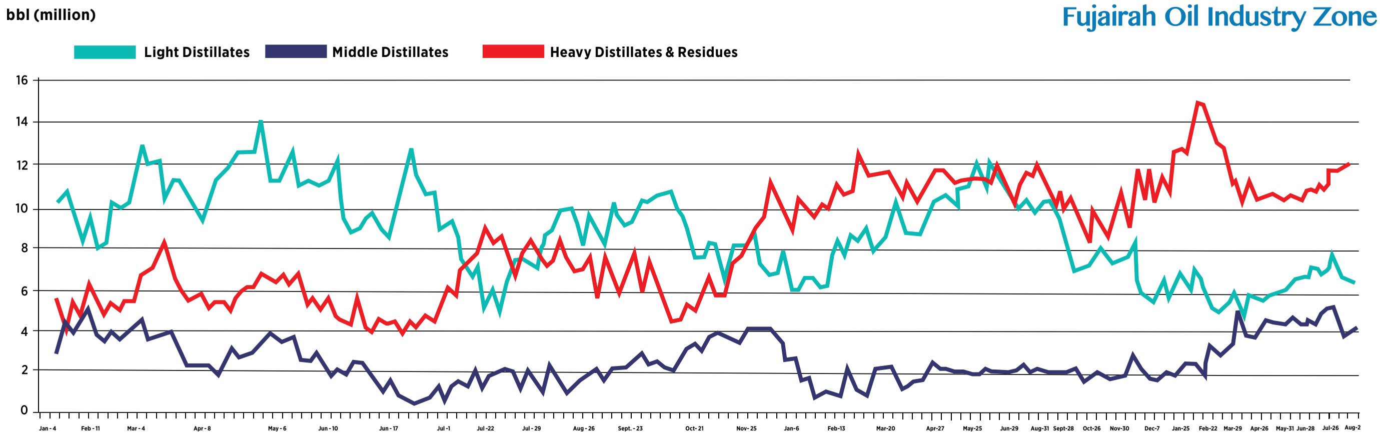

TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 18.747mn barrels, falling below 19mn barrels for the first time since late March this year. Stocks were last lower on March 22nd when they stood at 17.683mn barrels. Total stocks fell by 2.2mn barrels with overall stocks falling 10.5% week-on-week. The total stock draw was largely driven by falls in light distillates and heavy residues, while middle distillates recorded a build.
- Stocks of light distillates, including gasoline and naphtha, fell by 1.606mn barrels or 22.7% on the week to 5.473mn barrels. This is a reversal of last week's gains when they were recorded above 7mn barrels for the first time since the end of June. The gasoline market East of Suez found support from bullish sentiment as EIA data showed the four-week moving average of total gasoline production in the US was around 2% below normal for the second half of July and analysts forecast a 1.1mn barrel draw in US gasoline stocks for the week ended July 30th.
- Stocks of middle distillates, including diesel and jet fuel, rose by 477,000 barrels or 17.9% on the week to 3.136mn barrels. This is a reversal of last week's draw of 709,000 barrels to 2.659mn barrels – the lowest since April 6th last year. Talk of shifting Asian gasoil supply balances was heard as China reported increasing Covid-19 infections and market participants said higher than expected gasoil exports from China as a result could not be ruled out.
- Stocks of heavy residues fell by 1.071mn barrels or 9.6% on the week to 10.138mn barrels. Strong bunker demand continued in the Port of Fujairah and Singapore as buyers capitalized on a dip in flat prices. Fujairah-delivered marine fuel 0.5%S bunker was assessed at $530/mt on August 3rd, down $10/mt day-on-day. The price in Fujairah is a $5.50/mt discount to Singapore which saw its delivered bunkers on August 3rd on the same basis assessed at $535.50/mt.

Source: S&P Global Platts

BY MATT STANLEY
SENIOR BROKER
STAR FUELS

Let's get on to all things red, amber, and confusing in a moment. First let's talk about a bawwel of Bwent, as Jonathon Ross would say - Bwent is trading this morning at $70.35/bl, down 0.03/bl. WTI is trading up flat at $68.15/bl. Good news! Lots to get on with so let's get cracking. OK, so for the uninitiated it was announced last night that the UAE (and others) have been moved off the UK travel red list and placed on the amber list. It was also announced the UAE authorities are allowing flights to resume from India, Pakistan, Sri Lanka, Bangladesh and others. It was also announced yesterday by the lads and ladettes at the EIA that gasoline stocks in the US fell last week. It was also announced that some people who allegedly boarded a boat quickly disembarked, and all is OK. Excellent news all round, I'm sure you'll agree. Wait for itttttt. However. And I use the word "however" because I said a few months ago that the world is in a "however economy." I'm not being negative, so don't start all your "Oh Stanley cheer up will you miserable (insert)." I'm being realistic and looking at the facts. First things first - the move to amber is excellent news - HOWEVER vaccinated people are allowed in only if you have had your vaccine administered in the UK, EU, or US. So, it's still ten days quarantine. Just not at the "Inn on the Lake" in Slough. The flight resumption from seven countries is also encouraging - HOWEVER this is only for valid residency visa holders. Gasoline stocks drew - HOWEVER crude stocks built. The alleged incident offshore the Gulf of Oman is pleasing to hear - HOWEVER markets are concerned about rising tensions. Look, I fully understand that decisions need to be made, sensible decisions, and we have to start somewhere and from a personal point of view the fact that family and friends can come to the UK without staying in a hotel on their arrival back is exciting. The path to recovery was always going to be patchy and ambiguous but we are on that path, no doubt. The issues the oil market faces HOWEVER are that with Covid-19 still with us and demand forecasts constantly being adjusted the sell off may continue unless some real robust demand data makes an appearance very, very soon. Now if you'll excuse me, I'm off to stock up on marmite, pickled eggs, PG tips, Branston pickle, HP sauce and trifle. Ohh, how I've missed thee.

Aug 5, 2021

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ENERGY MARKETS COMMENTARY WEEK IN REVIEW

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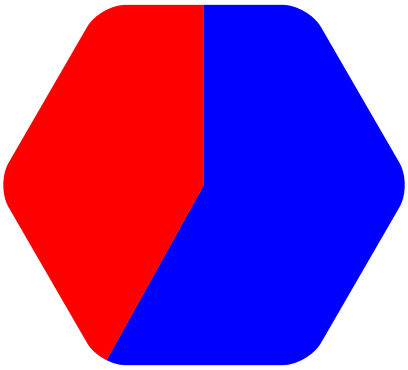
GIQ Weekly Surveys

The Q2 US GDP number, while robust, fell below 8% expectation, in large part due to supply chain bottlenecks - should oil demand forecasts for H2 be downgraded?

42% **Yes**

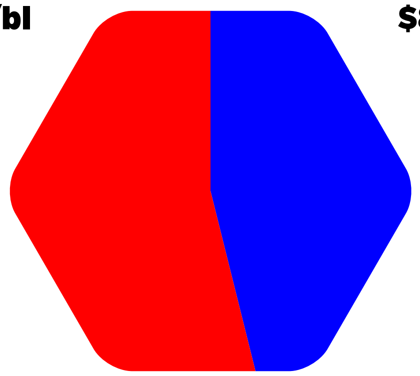
58% **No**



China Slowdown & DELTA Variant vs US Strength & Vaccines -- is Brent more likely to hit $70/bl or

54% **$70/bl**

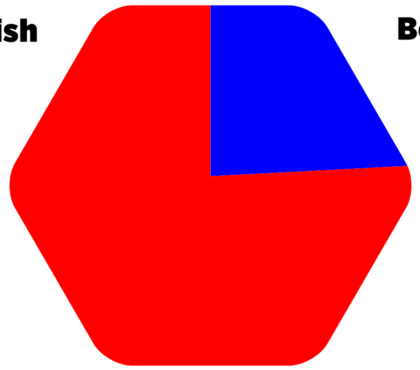
46% **$80/bl**



Is the escalation of geopolitical tensions between Iran and Israel/US bullish or bearish for oil prices?

76% **Bullish**

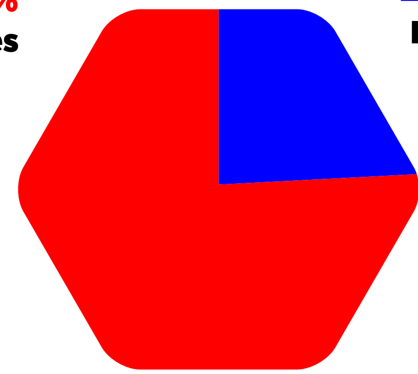
24% **Bearish**



Will the Delta variant compel World Bank to revise down its forecast of 5.6% global growth in 2021?

76% **Yes**

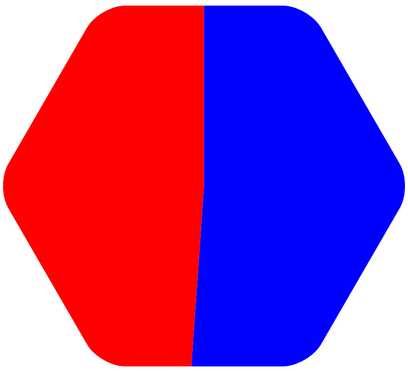
24% **No**

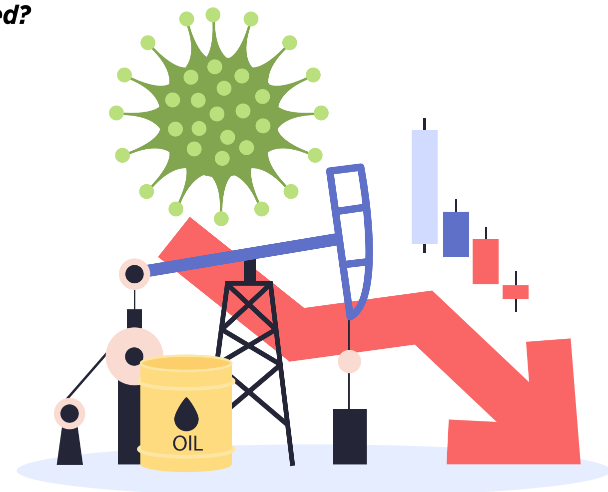


Will China's interventions to lower commodity/oil prices succeed?

49% **Yes**

51% **No**





Source: GIQ

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Walter Simpson
Managing Director
CCED

MARKET PRICES THIS YEAR HAVE FAR EXCEEDED EXPECTATIONS OF OIL PRODUCING COMPANIES?

They are certainly well above any of the planning assumptions that we made for this year but I don't think they were a surprise in the end. And I'm actually glad the pull and push in the market today is happening because it reminds everybody that we're going to have to live with this uncertainty for a while. It's about adapting to Covid and changing some practices to work with it.

WILL RISING COSTS ACROSS THE SUPPLY CHAIN TIGHTEN THE POTENTIAL FOR NEW CAPACITY?

We're already starting to see it, driven by travel restrictions and by Covid supply chain issues. Access to labor is a challenge. We had people in country and we kept them a long time because they couldn't travel and then they did travel and they went home. Now they can't get back. There is demand for goods and so people are wanting to maximize their production so we'll see price increases over the next few months. For example, we're already starting to see an increase in prices for pipe manufactured in China being brought into the region.

HOW IS OMAN COPING, HAVING LOCKED DOWN AGAIN ONLY A WEEK AGO?

That's been eased now and infection rates are down. In a sense, the very high number of cases and new variant meant that the uptake in vaccinations increased. We are at about 50% and the government is working hard towards getting at least 65% of the population vaccinated. We still have a curfew from 10PM but we're hoping that things will start to open up. It has been tough on the economy and that's what has really driven opening things up and trying to get some work back in place.

Adi Imsirovic
Senior Research Fellow
The Oxford Institute for Energy Studies

IT SEEMS LIKE A TUG OF WAR BETWEEN THE BULLS AND BEARS AT THE MOMENT?

There are a number of factors behind this. In China, the manufacturing PMI came down below expectations, at just over 50 and at least eight provinces in the country have reported Covid cases. Pakistan is being badly hit by Covid and so is Florida in the US and parts of Australia, and we see further cases in Southeast Asia – in Vietnam, Malaysia and so on. On the positive side, we've got the $1 trillion bipartisan infrastructure deal in the US that would certainly support the macro situation, as well as the positive Fed comments on the economy last week. Consumer demand in the US is off the charts and gasoline demand is very likely to exceed pre pandemic levels, though of course jet is still lagging behind. What we also need to get really bullish for the rest of this year would be to see diesel demand pick up, which is always correlated with industrial activity. So, it's a very complex market but overall, fundamentals are tight and if it hadn't been for these new Covid cases, we would be well over $80 right now.

IS THE OPEC PLUS AGREEMENT TOO LITTLE FOR WHAT THE MARKET NEEDS?

OPEC have been lucky to an extent given the bullish signals, but with the reoccurring Covid situation and certain strict government lockdown measures, we were always going to see demand impacted. OPEC is though still very much in control and compliance is over 100% so that is bullish.

IS THE PACT AT RISK WITH FEWER OF THE GROUP ABLE TO BENEFIT FROM OUTPUT INCREASES?

If anything, it's going to keep the cohesion of the alliance intact. Even Russia seems to be struggling to bring back their volumes - they're unlikely to be able to increase production by more than 100,000 barrels and so they're within that quota and there's no reason for them to jeopardize this situation of high prices. The key factor though remains demand and if jet kerosene demand was to come back on some positive Covid news by another two or three million barrels, we would see a very tight market and prices well over $80 a barrel.

HOW HAS THE MOST RECENT TANKER ATTACK IMPACTED IRANIAN CRUDE'S RETURN?

Most of the market has discounted this happening any time soon but the recent incident is not making a deal with Iran any easier. As we see this dragging on and on, it's getting more and more complicated so that's certainly a bullish factor and going to complicate things for traders to factor into their prices.

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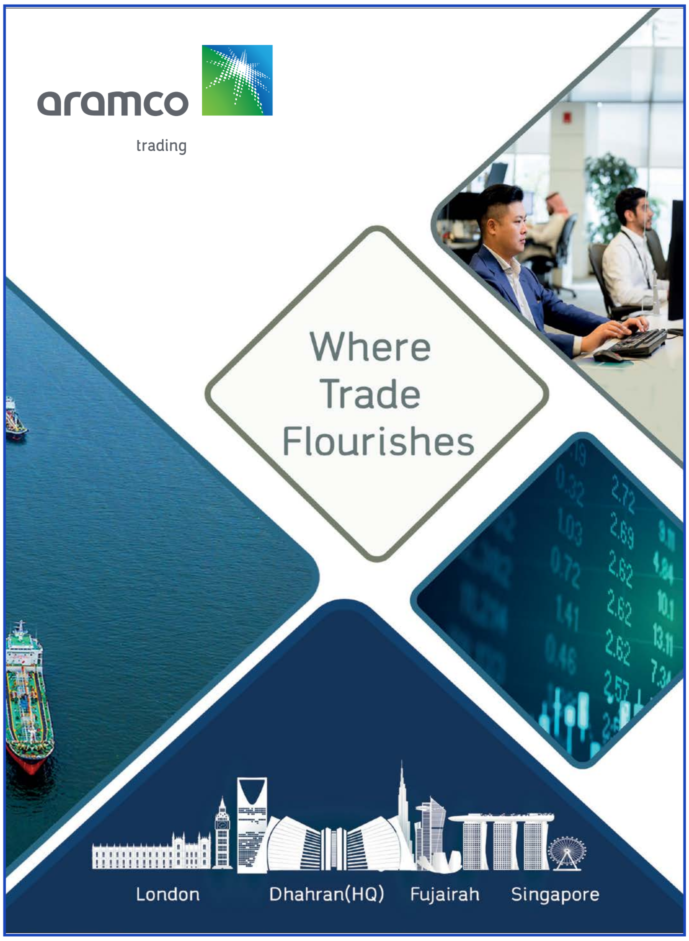
"The oil market continues to alternate between concerns about tight supply on the one hand and about looming demand outages on the other."

Commerzbank

COMMERZBANK



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5. US CRUDE STOCKPILES RISE, GASOLINE DRAWS DOWN – EIA
6. RUSSIAN HOPEFUL IRAN WILL PLAY ITS PART IN ENSURING OIL MARKET STABILITY
7. KEY FED OFFICIAL SEES RATES LIFTOFF IN 2023 AS POLICY DEBATE HEATS UP
8. CHINA IMPOSES DOMESTIC TRAVEL CURBS TO STEM COVID SURGE
9. TOP COURT FINES FRENCH STATE OVER AIR POLLUTION LEVELS
10. US AIRPORTS ARE FACING SERIOUS JET FUEL SHORTAGES

RECOMMENDED VIDEOS & REPORTS

- THE GLOBAL ECONOMY IS DOING SURPRISINGLY WELL AS WE LEARN TO CO-EXIST WITH COVID
- UK MOVES UAE, BAHRAIN, QATAR AND INDIA TO AMBER LIST FOR MEDIUM-RISK TRAVEL
- HALF OF US NOW IN COVID VERY HIGH RISK. HERE'S HOW CALIFORNIA STANDS
- WHO CALLS FOR HALTING COVID-19 VACCINE BOOSTERS IN FAVOR OF UNVACCINATED
- TOYOTA REPORTS RECORD PROFIT AMID PANDEMIC, KEEPS FORECASTS

GI Consultancy Intelligence Publishing

Possible Vessel Hijacking off Fujairah Sparks New Shipping Risks

A vessel may have been hijacked off the coast of Fujairah near the Strait of Hormuz, UK Marine Trading Operations, or UKMTO, said Aug. 3, adding to tensions with Iran over the safe passage of shipping in the region.According to UKMTO -- which supports the UK's naval presence in the region -- a vessel sailing about 61 nautical miles from Fujairah may have been hijacked. Maritime and security sources have identified the vessel as the Asphalt Princess, with Iran suspected to be involved in the incident. The alleged incident had no immediate impact on oil prices. At 1739 GMT, ICE October Brent futures was trading at $72.31/b, down 58 cents from the previous day's settlement. The Port of Fujairah -- located just outside the Persian Gulf on the East Coast of the UAE -- is a major bunkering hub at the entrance to a waterway where approximately 18 million b/d of crude are shipped mostly to markets in Asia.

Source: S&P Global Platts

Fujairah: Brooge Energy Refinery Project to Focus on IMO 2020 Compliant LSFO Production

New York-listed Brooge Energy Ltd., a midstream oil storage and service provider located in the Port of Fujairah, released the results of the feasibility study commissioned for Brooge Energy's Phase III oil storage facility and refinery. The feasibility study supports the financial viability of the company's Phase III expansion plan, highlighting upcoming infrastructure investments in the region as a key driver of sustainable storage demand and rising domestic and export demand for refined products as a key driver of refinery demand. The Phase III expansion project is for a 2.5 million cbm oil storage facility, a modular 25,000 barrel per day (bpd) refinery, and a larger 180,000 bpd conventional refinery.

Source: Manifold Times

NBF Partners up with Royal Health Group to Help Stop the Spread of Covid-19

National Bank of Fujairah (NBF) on Wednesday announced its collaboration with Royal Health Group, a healthcare group based in Abu Dhabi, through funding them with Dh50 million to curb the spread of the Covid-19 pandemic. The group provides a wide array of medical expertise in the UAE and beyond, where the funding was initiated towards better equipping them as a national response to the Covid-19 pandemic. Royal Health Group has various healthcare provisions under its network, including specialised clinics, pharmacies, day surgeries, home care, and rehabilitation services. The funding was used to manage the operations of two Emergency Covid-19 hospitals, support mobile teams for regular PCR testing at various sites in the UAE, and assist the national vaccination campaign. These efforts combined will boost the national capacity and limit the spread of coronavirus cases.

Source: Khaleej Times

Umbrella Beach Project to Put UAE's Fujairah on Global Tourism Map

In the Fujairah hub, fuel oil stockpiles were 5% lower to a three-week low of 11.21 million barrels, or 1.77 million tonnes, in the week to July 26 amid elevated fuel oil exports. In Singapore, fuel oil inventories fell 6% to a three-week low of three-week low of 22.9 million barrels, or 3.61 million tonnes, as net imports plummeted to their lowest in more than three years. No VLSFO or high-sulphur fuel oil (HSFO) cargo trades were reported in the Singapore trading window. A total of 820,000 tonnes of fuel oil cargoes have traded in the window in July including 360,000 tonnes of VLSFO and 460,000 tonnes of HSFO.

Source: Hellenic Shipping

GIQ **EXCLUSIVE SOUNDINGS**

Oil Rises & Falls in Volatile Sessions on Worries of New Covid-19 Variants

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.

- **Richard Redoglia, Chief Executive Officer, Matrix Global Holdings**
- **Leo Tameeris, Chief Executive Officer, NRG Global**
- **Kate Dorian, FEI, MEES Contributing Editor & Non-Resident Fellow, The Arab Gulf States Institute in Washington**
- **Bora Bariman, Managing Partner, Hormuz Straits Partnership**
- **Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy**
- **Andy Laven, Chief Operating Officer, Sahara Energy Resources**
- **Edward Bell, Senior Director, Market Economics, Emirates NBD**
- **Frank Kane, Senior Business Columnist, Arab News**

Richard Redoglia, Chief Executive Officer, Matrix Global Holdings
China's private refineries are curtailed by the cut in import quotas again for the second half of this year. State-owned refineries meanwhile will have a pickup in run rates, in addition to the new capacity that's coming on stream.

Kate Dorian, FEI, MEES Contributing Editor & Non-Resident Fellow, The Arab Gulf States Institute in Washington
"OPEC seems to have gotten it right because prices have been somewhat holding around $70/bl. Furthermore, if you look at shipping volumes for July we are already seeing more volumes on the water."

Bora Bariman, Managing Partner, Hormuz Straits Partnership
"The US Fed is looking for strong employment rates. People coming back to work. That's the trigger for bringing rates back up again. Otherwise, we are going to continue to have asset inflation with cheap liquidity."

Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy
"Prices are now going in the opposite direction to what was predicted only a few months ago when everybody was talking about a tight market, pent up demand and economic growth roaring back with a vengeance by the summer."

Andy Laven, Chief Operating Officer, Sahara Energy Resources
"It's more about how fast we really believe demand is going to come back. We all want it to come back faster than where it is in reality."

Edward Bell, Senior Director, Market Economics, Emirates NBD
"We face a risk that a lot of the positive growth we expected in the second half of the year is not going to materialize and will be prolonged into 2022."

Frank Kane, Senior Business Columnist, Arab News
"Will OPEC change the terms in the future? Will they cut to 300k b/d? I don't think that's on the cards immediately, but it could change of course. All is peace and light again in the Saudi-UAE relationship."

ENERGY MARKETS FORUM
NEW SILK ROAD LIVE

GI Consultancy Intelligence Publishing

TOP 10

AUG 1st - 5th

MARKET OBSERVATIONS FOR THE WEEK

1. With OPEC+ supply agreement now in place for the rest of the year, we need to keep an eye on the potential for new production to come from outside OEPC+ deal.
2. Asian vaccination levels likely to remain low through the rest of 2021 with a certain unknown impact on demand recovery, most notably on aviation.
3. The US GDP has now sprung back to pre-pandemic levels, but the big question now is whether this robust growth sustains or does it run out of steam?
4. Oil markets are caught in a Bull-Bear tug of War -- Delta Variant vs Vaccines.
5. Central Banks have indicated they are looking for an off-ramp, but who what where when knowns?
6. Oil market bumps are a timely reminder that Covid-19 will be with us for years, not months.
7. Chinese oil demand emerges as big uncertainty for the oil markets as the COVID Delta variant gains a foothold across the country of 1.4bn people.
8. OPEC+ sitting comfortably with 400k b/d per month supply increase - they got it spot on!
9. Oil market structure tells you this market remains in a relatively strong upward trend.
10. Delta variant may compel World Bank to revise down its forecast of 5.6% global growth in 2021.

جدوى للإستثمار
Jadwa Investment

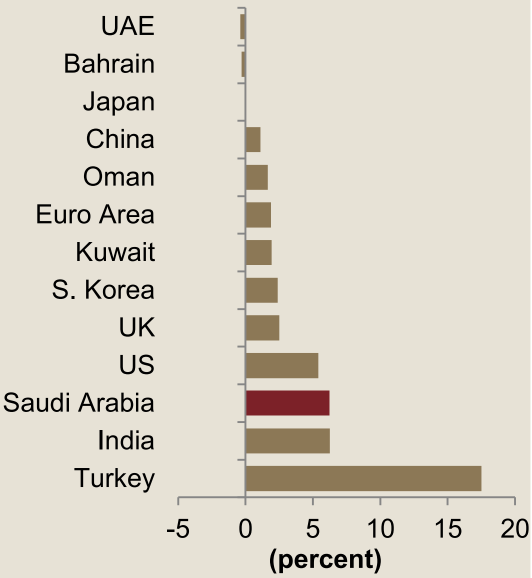
August 2021

Inflation Update - Q2 2021

Saudi CPI inflation
(percent)

	Average Inflation
Q1 2021	5.3
Q2 2021	5.7

Inflation Rates in Trade Partners (latest)



For comments and queries please contact:

Asad Khan
Chief Economist & Head of Research
rkhan@jadwa.com

Nouf N. Alsharif
Director
nalsharif@jadwa.com

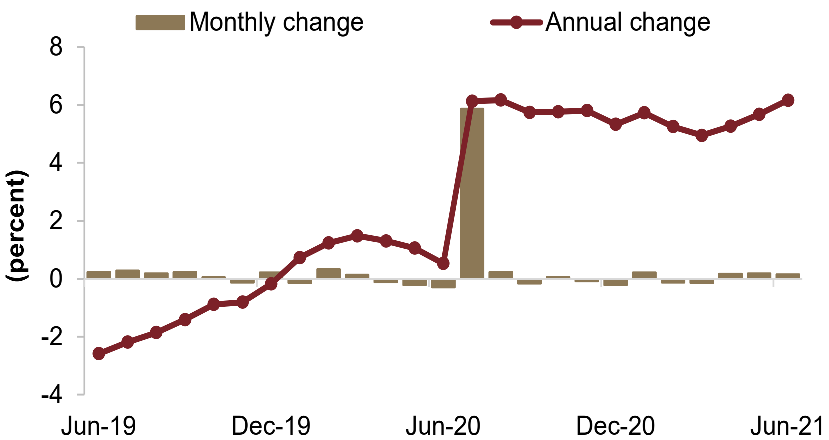
Head office:

Phone +966 11 279-1111
Fax +966 11 279-1571
P.O. Box 60677, Riyadh 11555
Kingdom of Saudi Arabia
www.jadwa.com

Inflationary pressures ahead

- The latest General Authority for Statistics (GaStat) June inflation release shows that prices rose by 6.2 percent year-on-year and by 0.2 percent month-on-month (Figure 1).
- Overall in Q2, prices rose by an average of 5.7 percent, compared to 5.3 percent in Q1.
- 'Food and beverages' prices rose by an average of 7.9 percent year-on-year in Q2 (compared with 11.2 percent in Q1) as most food product prices trended lower.
- 'Housing and utilities' prices declined by an average of 2.5 percent year-on-year in Q2 (compared to -2.1 percent in Q1), as the 'rentals for housing' segment continued to decline.
- Meanwhile, 'transportation' prices rose sharply, by an average of 18.9 percent year-on-year in Q2 (versus 10 percent in the previous quarter), mainly affected by higher gasoline prices.
- Consumer spending (POS plus e-commerce transactions and ATM withdrawals) grew by an average of 28 percent in Q2, year-on-year, affected by a low base year effect, when lockdowns were implemented in Q2 of last year, in addition to rises in April and May, which coincided with the holy month of Ramadan.
- Looking ahead, given the upward trend in global inflationary pressure, we expect this to transmit into local prices as well, especially so given the high number of imported items contained within the consumer price index (CPI) basket.
- As a result, we have maintained our inflation forecast for full year 2021 at 3.7 percent and 1.5 percent for full year 2022.

Figure 1: Inflation rates



Released: August-4-2021, 17:00 UTC+3

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