Fujairah New Silk Road WEEKLY NEWSLETTER

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AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

EGYPT WINNING RACE TO BE THE EAST MED ENERGY HUB

Dr. Charles Ellinas – CEO – Cyprus Natural Hydrocarbons Co.

Egypt is advancing its claim to becoming the gas hub for the Eastern Mediterranean region. It has the advantage of a huge internal market and can operate profitably. Ten years ago, plans to build an LNG plant in Cyprus were progressing quite extensively but the political situation in the country wasn't conducive. They squandered the opportunity, and it hasn't come back. As an example, today, Israel has decided that if it is to export any of its gas, which won't be easy, it's going to build pipelines to Egypt and utilize the country's existing LNG infrastructure. Egypt is also the only country in the East Med where investment in gas development programs has been reasonably unaffected by the Covid pandemic. The changes in the global market have altered the outlook for the industry massively and this has been compounded by the huge pressure towards renewables and clean energy. Eastern Med gas is expensive to develop, in deep water and with a weak infrastructure. Oil majors today are looking at diverting their investments to areas where they have bigger opportunities, bigger returns, and no geopolitical problems like economic exclusion zones and maritime disputes. They won't be coming back to develop gas in the region anytime soon. The question now is whether a policy based on exporting gas at all from the region to the world, is commercially viable.

CONTINUED ON PAGE 3

Fujairah Weekly Oil Inventory Data

5,325,000 bbl	3,862,000 bbl	14,854,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues



Source: FEDCom & S&P Global Platts

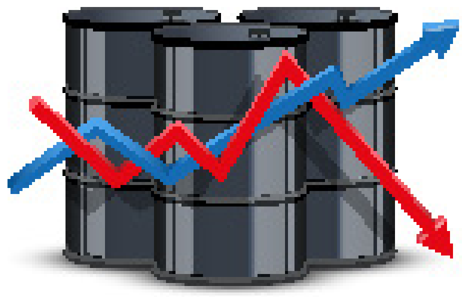
Fujairah Average Oil Tank Storage Leasing Rates*

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



Weekly Average Oil Prices

Brent Crude:	$68.22/bl
WTI Crude:	$65.05/bl
DME Oman:	$65.40/bl
Murban:	$65.84/bl

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

Fujairah Weekly Bunker Prices

VLSFO

High = $510/mt

Low = $496/mt

Average = $503/mt

Spread = $14/mt

MGO

High = $612/mt

Low = $591/mt

Average = $600.50/mt

Spread = $21/mt

IFO380

High = $410.50/mt

Low = $396.50/mt

Average = $400/mt

Spread = $14/mt

*Source: Ship and Bunker, *Time Period: April 22 - May 4*

Fujairah Bunker Sales Volume (m^3)

811 180cst Low Sulfur Fuel Oil	**480,402** 380cst Low Sulfur Fuel Oil	**125,787** 380cst Marine Fuel Oil
2,456 Marine Gasoil	**19,203** Low Sulfur Marine Gasoil	**5,386** Lubricants

Source: FEDCom & S&P Global Platts

Dr. Charles Ellinas – CEO – Cyprus Natural Hydrocarbons Co.

CONTINUED FROM PAGE 1

GIQ: Where is there a market for Eastern Med gas?

Dr. Charles Ellinas: Europe doesn't need new sources of gas and it will find it gradually more difficult to use the resources it already has. The US is also trying to increase LNG exports to Europe. That leaves Asia and the Far East, but even there, there are huge changes taking place. Qatar is investing massively in expanding its own LNG capabilities as are some Russian companies. Everybody is diverting their gas exports towards Asia. At today's prices, the economics to export Eastern Med gas to the Far East are not viable.

GIQ: What about opportunities in the gas hungry Middle East region?

Dr. Charles Ellinas: The newly constituted East Med Gas Forum will hopefully open up these markets. But even importers like Turkey are changing their policies, favoring anything produced domestically, including coal, to reduce their dependence on others. Turkey has brought FSRUs and can buy LNG from the spot market and store it. The East Med needs to change its energy strategy, and this must be in the context of deploying its gas regionally as well as a shift to renewables. A successful avenue has been Egypt using its gas to develop its petrochemical industry. There are similar opportunities in other parts of the East Med, but it must all come together as a new approach. Governments should seize these ideas and open their markets to new investors. The idea of gas exports that was developed ten years ago needs to be put to rest.

"The East Med needs to change its energy strategy, and this must be in the context of deploying its gas regionally as well as a shift to renewables."

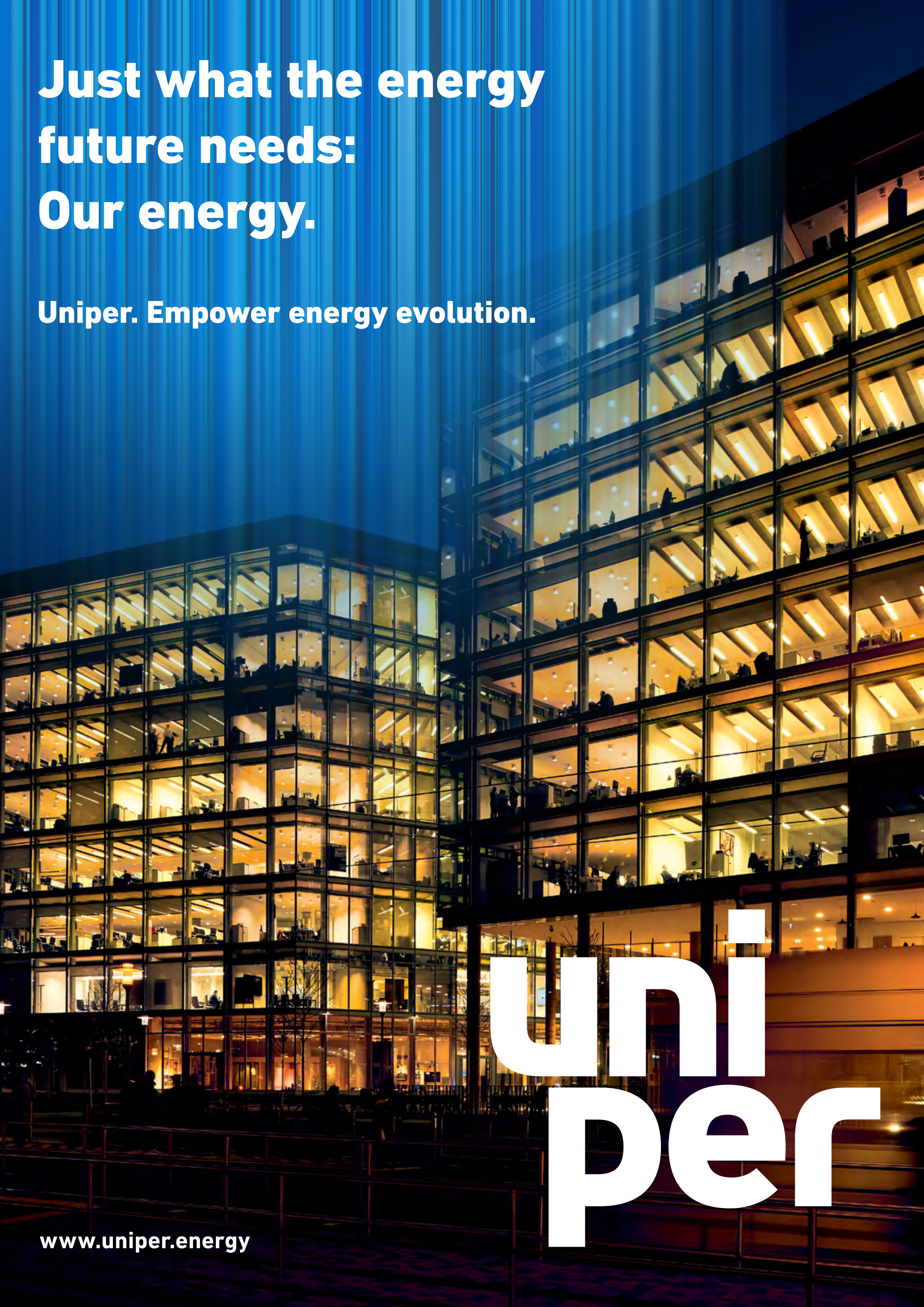
GIQ: Are there any emerging new opportunities for LNG globally?

Dr. Charles Ellinas: One geopolitical development has been China ceasing to be a major importer of LNG from countries that it considers to be friendly to the US. China is relying heavily on more friendly countries like Russia for its gas. It's also trying to become self-sufficient in energy, declaring that it will be investing heavily in coal through to at least 2025. LNG is still going to be there, but it won't grow in the same way as before. There are too many suppliers ready to meet Asian demand. That keeps prices down and that's a problem.

GIQ: What needs to be done to ensure gas remains as the transition fuel?

Dr. Charles Ellinas: If we look at Europe, it set up what it calls a taxonomy, to decide what is sustainable and what is green energy. Gas was initially left out, but it looks as if it will be reinstated as part of the transition, which is a sensible and logical move. But gas won't be back to where it was - all the funding coming out of Europe for new projects is being diverted to green energy.

WATCH FULL INTERVIEW HERE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GIQ EXCLUSIVE INTERVIEW

Mike Muller, Head of Vitol Asia

GIQ: The market's holding steady despite the severe situation in India?

Mike Muller: It's very buoyant and many people are putting that in the context of a buoyant commodities market. But oil is being described as a bit of a laggard in the complex and one reason is the question around Indian demand across the barrel. The focus has been on diesel and gasoline and other mobility fuels; the range of estimates has varied as we haven't seen the full brunt on products exports from the backing off of crude, that we would have expected to see, if the higher end estimates of 300,000 – 500,000 bd are correct. We have not yet seen India turning back cargoes of crude or exporting substantial cargoes of products. The country is very resilient and doesn't close vast sections of its economy down. The debate between the government and various states on how much to lock down is ongoing - we will have a clearer picture after the elections.

GIQ: Are you surprised by the market's resilience?

Mike Muller: India is one of the world's largest importers of energy, but we're also seeing a phenomenal pace of growth in economies that aren't afflicted by the virus right now, first and foremost China. Lower output from the US has also put a big dent in Atlantic basin availabilities so the industry is expecting further tightening in the surplus of crude. In addition, there's sufficient confidence in OPEC's ability to continue to control supply. On the water and onshore statistics also indicate that the stock draw is continuing, despite the extra oil that should be backed out by India.

GIQ: What impact is the Iran-US rapprochement having on market sentiment?

Mike Muller: I've been quite surprised to see respected commentators placing the odds on a deal in 2021 a lot higher than I had expected. For the market to absorb those views and not see any impact on price is quite something. A lot of the smart money that speculates on flat prices is expecting that Iranian oil will be back and if the world continues to draw oil, the market will need extra supply at some point. There is a lot of spare capacity left in OPEC but if managed prudently, there's space for Iranian oil to return. However, it won't come back in one big bang - we need banking channels to be restored and don't forget the trading cycle operates two months forwards so even if it happened today, we wouldn't see Iranian oil before July.

GIQ: How tangible is OPEC's 6 million bd demand recovery outlook for 2021?

Mike Muller: It hinges entirely on what the second half of 2021 jet demand will look like. The only significant domestic flight segments that are already operating, but not yet quite at last year's capacity, are China and the US. Jet is really the big shortfall in demand – we've seen a loss of about 3 million bd. We need to see people flying in numbers.

GIQ: Outlook for the month ahead?

Mike Muller: Managed money is holding quite a lot of sticky length. That should hold the market up because the open interest, if people are going to exit, creates a natural short mindset. The hedging we're seeing is not making a dent in the back end of the market so you can hedge very substantial volumes of 2022 oil and there are plenty of willing buyers out there to put that position on right now. It's a resilient market and there's a bit more buoyancy out there. There's also more appetite to come back into the sector on the equity side with most of the oil majors posting very positive Q1 results.

GIQ: Can we break out of this current mid-$60s range?

Mike Muller: There is evidence that the markets will start cleaning out these monthly surpluses that have been rolled into next month. The market is already in backwardation down the curve and remains underpinned by the fact that there is a stock draw. The draw perhaps hasn't been as heavy in the first four months of the year as we had expected but if we look at the economic indices and monthly manufacturing numbers coming through from Europe, the US and China, those draws should accelerate. The question is whether that has already been priced into people's views or not.

ENERGY MARKETS COMMENTARY WEEK IN REVIEW

CLICK HERE TO LISTEN

GIQ EXCLUSIVE SOUNDINGS

Brent Rises on Largest Crude Draw Since January and Hopes of Summer Demand Recovery

Over the last week, Gulf Intelligence has held high-level interviews with energy experts in the Middle East, Asia, Europe, and the US. This intel is harvested from the exclusive briefings.

- Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence
- Omar Najia, Global Head, Derivatives, BB Energy
- James McCallum, Executive Chairman, Xergy; Professor of Energy, Strathclyde University
- Andrei Belyi, PhD, Professor, Founder & CEO, Balense OÜ
- Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy
- Chris Wood, Chief Executive Officer, Savanara DMCC
- Dr. Aldo Flores-Quiroga, Former Deputy Secretary of Energy for Hydrocarbons, Mexico's Ministry of Energy

Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence
"I'm bearish. I think this has been a blip in the commodity trend. I'm impressed about how the whole pendulum has swung to bullishness. If you look at supply and demand schedules, commodities are going up because there is massive liquidity and stimulus."

Omar Najia, Global Head, Derivatives, BB Energy
"It is range-bound on pretty much everything. The oil market is still correcting."

James McCallum, Executive Chairman, Xergy; Professor of Energy, Strathclyde University
"If you look at the supermajor stock prices they're up 100% from their lows, but they are also down 100% from their highs from the last 4-5 years."

Andrei Belyi, PhD, Professor, Founder & CEO, Balense OÜ
"Russia, China and the US conduct military exercises, all of which stimulate oil demand, which are not accounted for in economic growth. This is quite an interesting element in these geopolitical tensions. This will keep oil demand up, keep the price up, keep the feeling of risk up, and keep gold prices up."

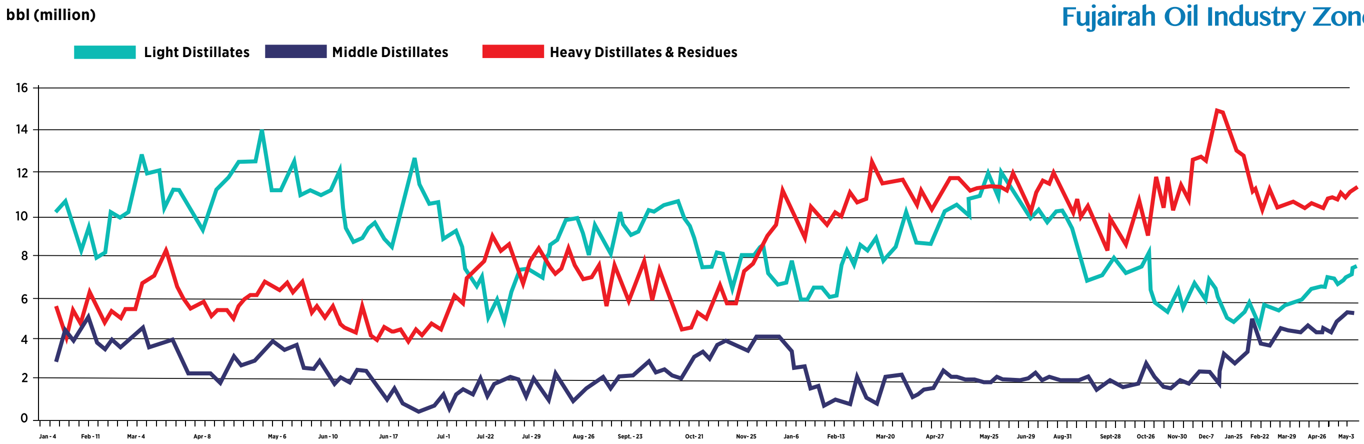
Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy
"What Janet Yellen tried to do was appease fears of inflation. She tried to say if 'inflation is going to kick in, we have the medicine for it.' This didn't really freak many out. We saw some sell-offs of a few tech stocks, but not really a major tsunami hitting the markets."

Chris Wood, Chief Executive Officer, Savanara DMCC
"You have the manufacturing base of the world going into lockdown. India and some of the Asian countries are all having trouble. That's starting to have ripple effects on the market. It can also have a knock-on effect on booming markets that have already gone through vaccination."

Dr. Aldo Flores-Quiroga, Former Deputy Secretary of Energy for Hydrocarbons, Mexico's Ministry of Energy
"For the summer driving season, we should be expecting a strong recovery despite what current news is saying. People want to get out and want to drive. They don't want to get on public transportation. We are seeing more structural demand recovery."

Fujariah Weekly Oil Inventory Data

FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone



TOP TAKEAWAYS

- **Total oil product stocks in Fujairah were reported at 24.041mn barrels, rising for the third consecutive week as builds in light distillates and middle distillates offset a draw in heavy residues. This is the first time they have stood above 24mn barrels since mid-December last year. Total stocks rose by 765,000 barrels with overall stocks rising by 3.3% week on week.**
- **Stocks of light distillates saw a build of 69,000 barrels reflecting a rise of 1.3% week on week to stand at 5.325mn barrels. The East of Suez gasoline market was finding support driven upwards by a higher US RBOB-Brent crack that has risen in recent days. Widespread Covid-19 vaccination efforts in the US have seen a number of states and municipalities announce the lifting of social restrictions, which should herald higher demand in coming months. "Traffic is already back to what some term as awful," Enterprise co-CEO Jim Teague said of Houston highways during an earnings call on May 3rd.**
- **Stocks of middle distillates rose by 917,000 barrels rising to 3.862mn barrels – up by 31.1% on the week, this is the highest level they have been at since the start of March. The gasoil market remained rangebound to slightly weaker with regional demand expected to be impacted by continued movement restrictions, "Fundamentally it [the Asian gasoil market] is weak... India and Japan both have a Covid-19 outbreak," a trader said, adding that the pace of regional recovery for the middle distillate remains slow.**
- **Stocks of heavy residues fell by 221,000 barrels dropping by 1.5% on the week to 14.854mn barrels. In the port of Fujairah bunker activity was somewhat muted, sources noted. Fujairah delivered marine 0.5%S bunker was heard offered around $504/mt and $510/mt – the lower end of the range for product available for prompt delivery from May 6th onwards. The same grade was assessed at $503/mt on May 4th, $8/mt higher day-on-day. The price level on May 4th in Fujairah is at a $0.75/mt discount to Singapore delivered Marine Fuel 0.5% bunker prices.**

Source: S&P Global Platts

FX
Currency markets were staid overnight with major pairs against the USD holding to a narrow range. EURUSD is holding to the 1.20 level it has tracked for much of the past week while USDJPY gained by 0.11% to 109.21. GBPUSD was modestly stronger at 1.3905, up 0.13%. NZD was the only notable standout, adding almost 1% to 0.7216 thanks to a stronger than expected jobs report for Q1.

Equities
Many equity markets staged a recovery on Wednesday following the sell-off the previous day, as positive news on the data front bolstered recovery hopes, and Fed officials pushed back further against any perceived inflationary risk. European markets in particular soared after PMI surveys were revised up moderately, and Germany's DAX closed 2.1% higher, followed by the UK's FTSE 100 which gained 1.7% to hit a 14-month high. The exuberance wasn't continued to the same degree in the US, where the tech-heavy NASDAQ remained under pressure, losing a further -0.4%. The index is now down -3.3% w/w and is the laggard of the year to date of the three major US indices – although the S&P 500 and the Dow Jones did not have particularly good days yesterday either. The S&P 500 managed to close up 0.1% while the Dow Jones gained 0.3%. Within the region the DFM gained 0.2% and the Tadawul lost -0.7%. In Egypt, the EGX 30 closed 0.5% higher.

Commodities
Oil prices were mixed overnight with Brent futures extending their gains to rise by 0.12%, and close at $68.96/bl. Brent has come close to but not broken through $70/bl just yet in this rising cycle. WTI settled lower at $65.63/bl but only marginally so. In the US crude stocks fell almost 8mn bbl last week, far outpacing market expectations. Gasoline inventories rose by 737k bbl compared with expectations for a similar sized draw. However, distillate stocks were down by nearly 3mn bbl. Crude oil production was unchanged at 10.9mn b/d while product supplied slipped by 704k b/d, to 19.69mn b/d, still some ways below pre-pandemic levels of around 22mn b/d.

Emirates NBD

ENERGY MARKETS VIEWS YOU CAN USE

Richard Redoglia
Chief Executive Officer
Matrix Global Holdings

When are we going to break out of this range bound trading?
Never in the history of the oil market have we seen OPEC control supply in real time. They did so when oil was at $150/bl, but today they're not only controlling supply, they are doing so relative to demand. We've also never had a market where demand has fallen year on year while also trading in backwardation. For the next four to five years, I see a range similar to what we came out of in 2018-2019 and volatility will trend lower as demand and supply are calculated and adjusted in real time.

Is the advent of inflation being welcomed by those long on oil?
We are definitely going to be seeing that hedge on commodities as a whole but the question for the oil sector will be whether demand maintains itself with all these different forces at work. We still have $7 to $9 of loose production out there and we also have this thing called peak demand. So, oil might be a tad different than other commodities such as base metals or lumber where we already see inflation and a lack of real supply.

Do you see the drawdown of inventories in the US continuing?
Activity is going to continue to ramp up and up. California is starting to boom. New York has just reopened. On US shale, the majors will also start turning this on and off - they're repositioning how those fields will work and I think that's something that OPEC will be watching. We also have 8mn bd of spare capacity that can jump in at any time but also increased demand that can come back. That's the balancing act we are likely to have and hence also the lower volatility.

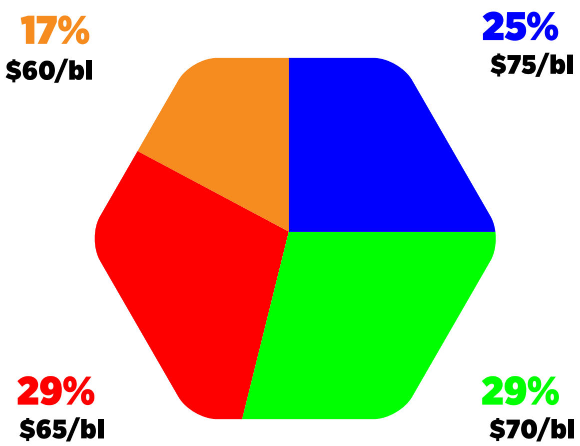
Matt Stanley
Director
Star Fuels

The divergence in the global economic recovery seems to be widening?
It is certainly fractured. Vaccination drives in Europe, the US and the UAE for example are different from those in South Asia and Africa. Whether the G7 economies and China can keep demand buoyant, and the market supported or pushed higher, is a question. Demand is still six million barrels a day below where we were pre-pandemic, yet flat prices are at the same levels. Whether growth areas like South Asia and Africa can absorb the extra oil when it starts coming back, is what's causing hesitant trading today.

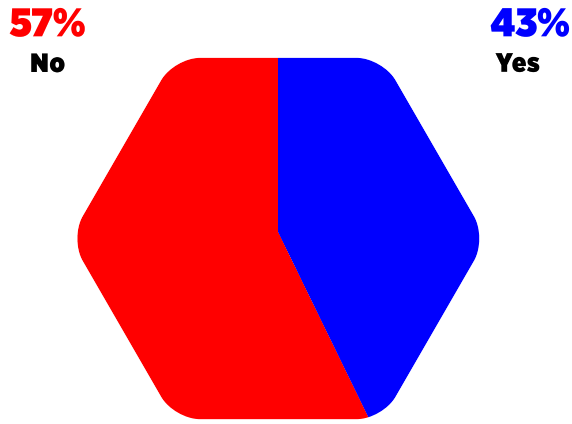
Will OPEC need to change its supply strategy during Q2?
If you're OPEC and your range is between $65 and $70, you're happy – it's the sweet spot for most GCC economies. US production has plateaued at 11 million bd - that investment is not coming back any time soon - the threat of the last three or four years has waned. But there's also a lot of hope being pinned on demand returning in the second half of the year - five million bd of it, half of which is jet fuel. That's looking a little fragile. However, the Brent structure is currently $2.25 backwardated, so there is faith in the market on demand making a comeback. If it does materialize, the structure will go bid, which it has been doing over the last couple of weeks. And if those deferred end of the year structures on products also start getting into backwardation as has happened on crude, then those forecasters could be right.

GIQ Weekly Surveys

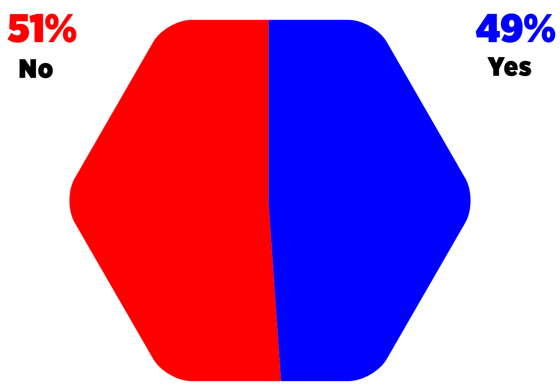
The average price of Brent crude oil over the next 4 months (May-July) will be closer to?



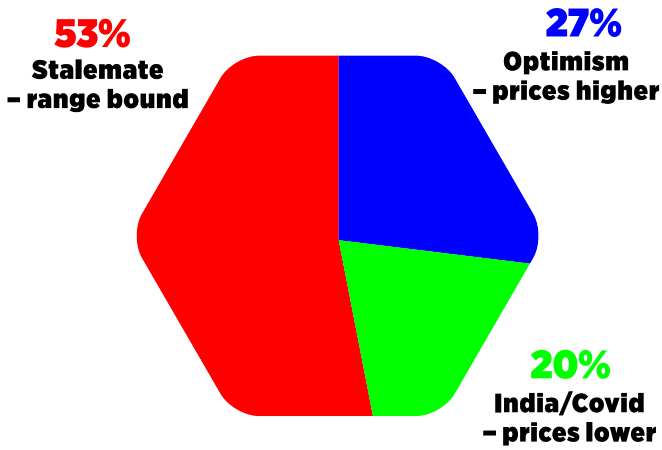
Do you expect an Iran-US deal before the Iranian Presidential Elections in June?



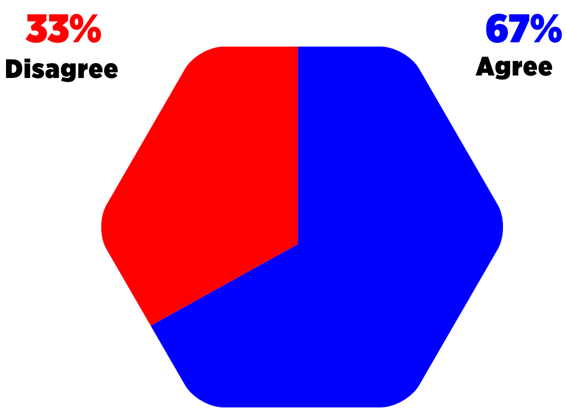
Have we finally broken out of the up and down $60s/bl range-bound oil price with big inventory declines?

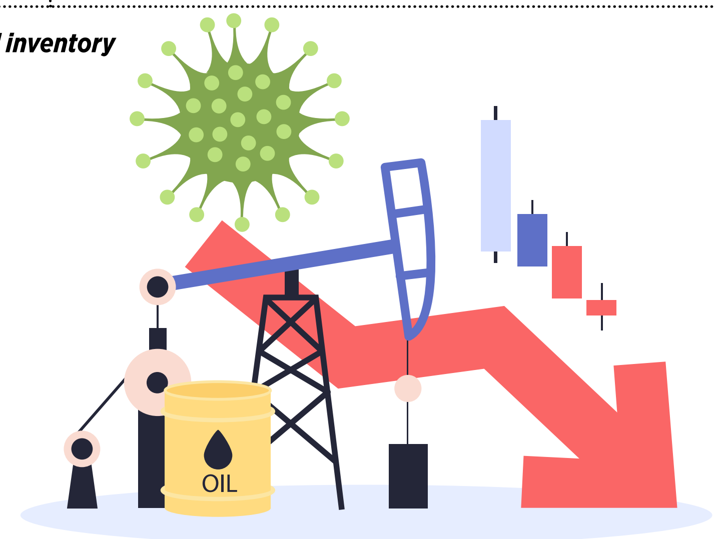


Which will win tug of war over direction of oil markets through month of May?



Countries still navigating covid challenges will see #oil inventory builds that will cancel out draws in US?





Source: GIQ

ENERGY MARKETS VIEWS YOU CAN USE

Kevin Wright
Lead Analyst APAC
Kpler

Are we finally seeing real support for jet fuel recovery?
If we look at the Chinese market, we've had a year of the typical migratory patterns diminish but the more recent Golden Week has been a relatively positive sign for demand in Asia. Meanwhile, US passenger traffic is approaching the highest level seen since March 2020 and that really says to me that the market is recovering, obviously for gasoline, but also for jet. In general, we're seeing a more productive and constructive pattern than we've seen in quite a while.

Is Asia now facing its phase of the big Covid challenge?
We're going to see departures on economic recovery at different rates both across regions and within Asia. The big merchant refiners in India for example, are now cutting runs because of weakness in the overall export oriented complex. Another example is that the Indian informal economy model faces a very different set of circumstances to Europe – the latter offers the option to work from home but clearly migrant workers in India cannot do that. Meanwhile, countries like Vietnam and Singapore have been exemplary in the way they've managed Covid overall but Malaysia, Indonesia and the Philippines have not been successful at all.

Week ahead inventories outlook and market impact?
Looking at the US and China and elsewhere, inventories have started to draw but we're still above the five-year averages. The recovery in prices has been driven by OPEC taking 6 million bd off the market and we are starting to see the impact of that on inventories now. Sentiment is looking more constructive going forward into May.

Rustin Edwards
Head, Fuel Oil Procurement
Euronav NV

Markets seem unperturbed by the potential India demand fall-out?
There's a lag effect on demand. It takes time for a supply chain to react to something like a pandemic. The purchasing of crudes and the products being run at the refineries will take a long time to flow through, but we've had announcements already that they will cut back on runs out of concern for forward demand. It will snowball and have an impact at some point and will show in the next week or two once export data is released.

US travel meanwhile is booming and lending support to jet fuel?
Most of the air travel in the US is for vacations, not business and the business traveler is the crux of major airline earnings. But US domestic travel accounts for about two thirds of jet consumed so it does help support refining margins in general and keeps utilization rates at 85% or so. However, we're still missing the exports out to South America where the Covid outbreak is fairly dire.

European summer tourism season looking optimistic?
A lot of talk but also disagreement over approved vaccines. There's a big push to reopen travel between the US and the EU to get that flow of tourism dollars coming back into the block but until these restrictions get resolved around quarantine, I don't see how a tourism season can develop. Wholesale travel won't be back till Q4 or 2022.

How are tankers reacting to the mixed market signals?
Container traffic is starting to get off the spike that it was in the past four months as logistics systems adjust and get back to normal. However, any further problems triggered by new Covid waves remain to be seen. For example, if we can't keep the base line logistics systems running by allowing crew changes to happen on a regular basis, how can we open up travel for global tourism?

ENERGY MARKETS FORUM NEW SILK ROAD LIVE

GI Consultancy Intelligence Publishing

TOP 10

MAY 2nd - 6th

MARKET OBSERVATIONS FOR THE WEEK

1. Oil demand destruction in India through May is likely to be greater than initial expectations – closer to 500,000 b/d than 200,000 b/d.

2. FED attached to the position that the US is experiencing a Recovery, not a rebound, and hence inflation data is irrelevant.

3. The average price for Brent crude oil over 4 months May to August is likely to be closer to $65/bl

4. All markets, including oil, are stuck in range-bound trading as everyone awaits for firm signals that H2 economic recovery boom is coming soon.

5. US stimulus is likely to continue as there is still massive appetite to support economic recovery from fiscal and monetary policy makers.

6. US and Iran could arrive at a deal to restart JCPOA ahead of Iranian presidential elections in June – 50/50 chance of a breakthrough.

7. US air travel recovers to close to one-year high and signals tangible demand recovery through the summer.

8. Demand destruction from India's Covid 2.0 could still snowball as a time lag as it works its way through the system.

9. Oil majors may have a small skip in their step after Q1 earnings, but they are still in search of a credible strategy for tackling the Energy Transition.

10. The wind of change around inflation is emerging and it should become a more regular topic for markets to discuss and get clarity from fiscal and monetary policy makers.

Fujairah Spotlight

UAE Armed Forces Established Foundations of UAE's Security and Development: Fujairah Ruler

H.H. Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, has said that the unification of the UAE Armed Forces established the foundations of the country's security and stability and supported the development process. In a statement marking the 45th anniversary of the Armed Forces Unification Day, Sheikh Hamad stated, "Some 45 years have passed since the day when the Founding Leader, the late Sheikh Zayed bin Sultan Al Nahyan, and the other Founding Leaders declared the unification of the UAE Armed Forces and began establishing its solid foundations. Ever since, our Armed Forces have reached key milestones in terms of preparation and training. Today, the process of developing our Armed Forces is continuing under the leadership of President His Highness Sheikh Khalifa bin Zayed Al Nahyan, who is keen to provide it with all means of advancement, in line with international standards.

Source: Khaleej Times

Fujairah's Population up to 292,358 in 2020

The population of the Emirate of Fujairah stood at 292,358 last year, according to estimates by the Fujairah Statistics Centre. According to the centre's statistical yearbook for 2020, the number of births reached 3279, marriages 859, divorces 159, and 309 died. The statistics indicated the total of number of public and private schools stood at 68 with a student body of 43,594, while the number of universities and higher colleges reached 8.

Source: Emirates News Agency

Asia's VLSFO Falls to Multi-Month Lows

Asia's 0.5% very low-sulphur fuel oil (VLSFO) extended losses on Wednesday as ample supplies and sluggish bunker demand in the Singapore hub weighed on near-term sentiment, trade sources said. Weaker interregional exports and rising seasonal demand for residual fuels in power generation weighed on Fujairah fuel oil inventories, trade sources said. Fujairah bunker demand, however, was sluggish, the sources said. Fujairah Oil Industry Zone inventories for heavy distillates and residues fell by 221,000 barrels, or about 35,000 tonnes, to 14.85 million barrels, or 2.34 million tonnes, data via S&P Global Platts showed. Still, Fujairah's fuel oil inventories were 2% higher than year-ago levels.

Source: Business Recorder

Fujairah Police Rush to the Rescue of Family whose Home was Damaged by Rains

Fujairah Police recently went to the rescue of an Emirati family whose house suffered damage in recent rains that have been lashing the emirate. The police force rushed to provide alternate housing, upon being notified of the family's plight. Various parts of the Emirate have been witnessing periodic rainfall — ranging from medium to heavy — in recent days. The rains led to increased water flow through valleys, causing damage to the home located in the Al-Busirah area. In coordination with the Fujairah Charitable Society, Fujairah Police quickly provides a temporary home for the family, while the Community Police Department made sure to assist the family with their needs.

Source: Khaleej Times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ENERGY MARKETS VIEWS YOU CAN USE

Bora Bariman
Managing Partner
Hormuz Straits Partnership

The US economic recovery is in store for economic turbulence as it faces unstable crosscurrents.
One of these is inflation. Another is employment - although there are jobs available, they are not necessarily being taken up by workers at the rate one would expect in a boom. Government benefits may continue till the end of the summer. When they end, people might be prompted to seek work, but for now many Americans are making more on unemployment than they were making before Covid.

Will the strong Q1 banking earnings results seep into oil capex?
Economists are pointing out that the velocity of money is at an all-time low because banks have not been layering capital into the economy in productive ways. They've been very cautious due to overregulation and recent high-profile losses in the trading sector across major capital markets. So, they have been concentrating on the top part of that K Curve - the investment grade segment. This is reflected in the fact that, even with the recession in Europe, we saw exporters in Germany increasing profits and growth while households reeled back their spending. The liquidity we are seeing is helping banks bolster their balance sheets, but this needs to get out into the real economy to drive the type of demand that would result in an increase of oil consumption. That's what we're not seeing.

Is the positive sentiment around the Iran-US rapprochement surprising?
Reports that we could be close to a resolution so soon is certainly an about face. Hopefully, what's driving it is some type of diplomatic arrangement around Yemen as well as around the big picture nuclear deal. That being said, the Iranian regime is not going to change its DNA overnight. But if and when a deal does materialize, it is bearish for oil as it opens up Iran's options for sales beyond Chinese state-controlled traders.

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

The US Fed continues to dismiss concerns around inflation?
The interesting point today is that almost 18 months into Covid, economic activity in the U.S. and in other countries emerging out of the pandemic, is unchanged. So, if we do see a rebound within the existing production capacity, there may be inflationary pressures and there may or may not be big investment expenditures within that recovery. That will then decide whether these economies translate any current recovery into long term growth. It's one of the reasons why Biden is so adamant on an infrastructure program - to generate high growth rates, long term.

Is Europe getting on top of the vaccine rollout?
Most European economies are fairly strong, but still not a match for the US or China. Europe is just too fragmented; it had an opportunity for a joint stimulus program financed by a joint bond issue, but they didn't want to share the debt. Any progress on raising money and fiscal stimulus seems to be evaporating again. By contrast, the boom coming into the US is real and will propel it forward this year and next. The Chinese economy is also on the way back to 6% growth, but that's low by Chinese standards and Chinese aspirations.

Outlook for the oil market for the remainder of Q2?
Longer term, $65 seems to be an anchor price. This remains a supply story. We know that flight numbers will not be back to 2019 levels and we know that OPEC Plus has about 8 million bd of spare capacity. Demand will not be strong enough to absorb that, nor possibly the 6 million bd growth in oil demand expected by some this year. But the OPEC group is also very firmly in control and $65 is a number on which everybody can agree, at least until shale production possibly wakes up in the US.

UPDATE

ICE Murban Crude Oil Futures

First Full Month of Trading

MURBAN
ABU DHABI

6,625

Average daily volume in Murban Crude futures during April

139,124

Volume in Murban Crude futures during April

142,099

Volume in Murban in total (including cash settled derivatives) during April

The total volume that has traded on IFAD (Murban Futures and cash settled derivatives) since launch is 163,647 contracts, equivalent to 163.6 million barrels. This is split by 157,062 Murban Futures, and 6,585 Murban Cash Settled contracts.

Source: The Intercontinental Exchange

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