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# Fujairah New Silk Road WEEKLY NEWSLETTER

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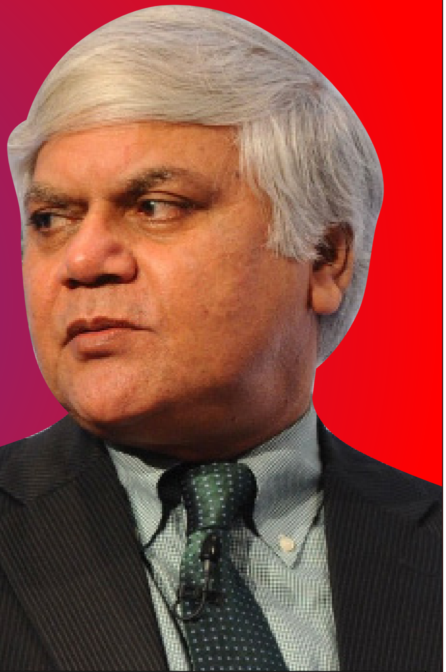
AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

## "INDIA IS UNDERGOING A MEDICAL EMERGENCY!"

### Narendra Taneja, India's Leading Energy Expert



Roughly 50% to 53% percent of the country is under some form of lockdown or curfew and economic activity has been severely curtailed. Major cities have been impacted. Mumbai, the economic and financial capital, has been the worst hit and in New Delhi, activity has dropped 80% - we have 25,000 new cases in a city of 20 million people. Hospitals are overflowing with patients and we have a shortage of oxygen. Oil and gas companies have now been told to shut down operations briefly so that the oxygen they use can be diverted to hospitals; the oxygen trains are now running from industrial towns to big cities. We would hope that the measures initiated by various states and the central government, such as a new vaccination drive, will turn things around within the next month. India was doing very well throughout the first quarter, but people grew complacent about Covid and some assumed that it was behind us - we have had religious congregations assemble in the thousands without masks for example. It's been a chess game between the virus and the government for the last three months - it looks like Covid has now decided to hit back.

CONTINUED ON PAGE 3

### Fujairah Weekly Oil Inventory Data

| 5,482,000 bbl | 3,228,000 bbl | 12,946,000 bbl |
|---|---|---|
| Light Distillates | Middle Distillates | Heavy Distillates & Residues |

Source: FEDCom & S&P Global Platts

### Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

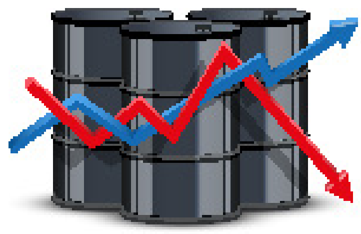
Average Range
$3.54 - 4.38/m³

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

Source: GI Research – Weekly Phone Survey of Terminal Operators

GI Consultancy Intelligence Publishing

# THE WEEK In Numbers



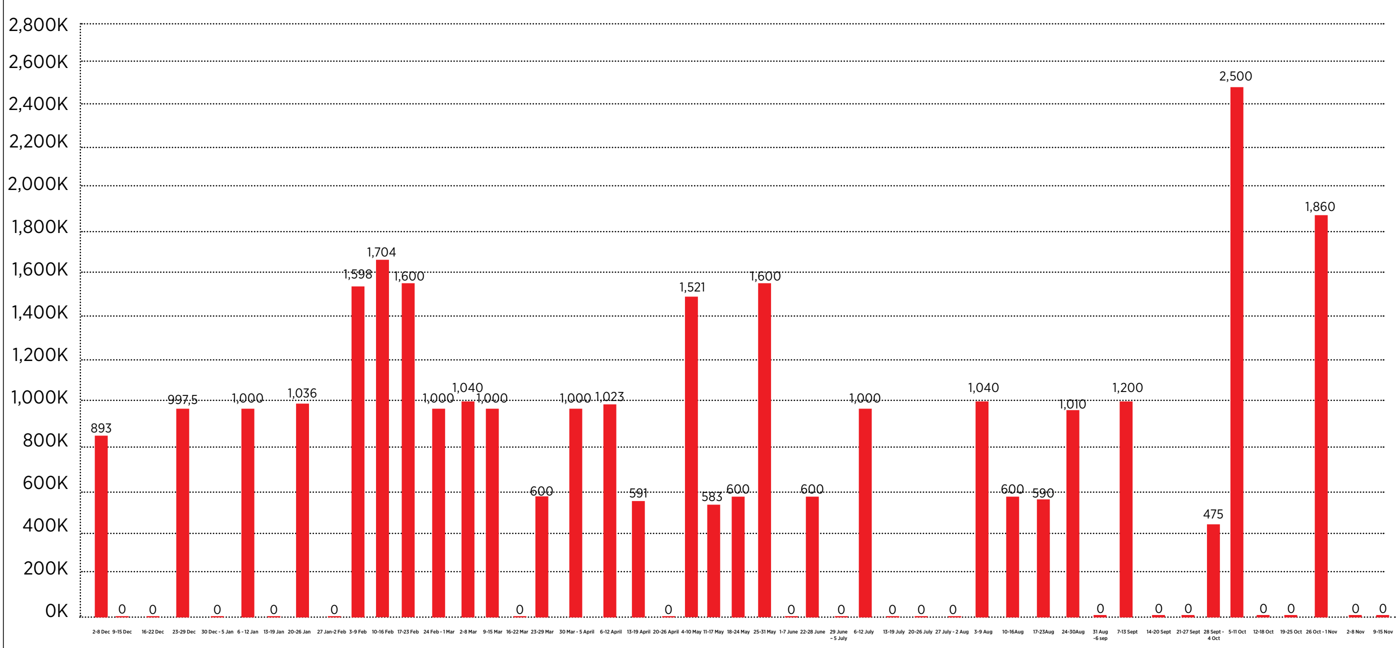
### Weekly Average Oil Prices

| | |
|---|---|
| Brent Crude: | $66.13/bl |
| WTI Crude: | $62.33/bl |
| DME Oman: | $64.48/bl |
| Murban: | $65.45/bl |

Time Period: Week 3, April 2021
Source: IEA, OilPrice.com, GI Research

### Weekly Imports of Heavy Sweet Crude into Fujairah

Total barrels




Source: Kpler

## Fujairah Bunker Sales Volume (m³)

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

*Source: FEDCom & S&P Global Platts*

# Narendra Taneja, India's Leading Energy Expert

CONTINUED FROM PAGE 1

***GIQ: Will energy consumption continue to decline through April?***

***Narendra Taneja*** We will have to wait a couple more weeks to see if things get under control. If so, we could bounce back very fast, as we did in the last four or five months. If we are back to normal within three months, internal flights and trains can start running and that will lift petrol and diesel fuel consumption. However, the virus seems more comprehensive and deeper this time around so there will be challenges for the country and the health establishment.

***GIQ: Should GDP forecasts for India of 10% plus for next fiscal year be revised?***

***Narendra Taneja*** Not significantly. We were in any case hoping that by August or September, things would be back to normal. This recent setback probably pushes that date to the end of the year. We are also not in complete lockdown and the measures taken are planned for a limited time period. The government outlook and strategy overall is that the economic fundamentals and structures of the country remain very strong, as does the overall confidence of the people. Many are back at work in offices. GDP projections should be maintained despite what we are witnessing today but we also won't know what the depth of the damage is for another few weeks.

***GIQ: Does OPEC now need to revise its supply plans for Q2?***

***Narendra Taneja*** As the third largest importer of crude oil in the world, India has been directly in touch with key players, including Saudi Arabia and Russia, for the past year and our message has been that they've got to help the global economy recover fast and not push prices up too much. We plan to raise this issue again at the G7 and G20 meetings later this year. India is already considering diversifying its supply away from OPEC countries and that includes investing more in renewables. It's a simultaneous strategy. We are looking at the next decade, not only the next 12 months or next quarter. India will be one of the last countries to stop using oil in the world. Our requirement today is 5 million bd – it's going to touch 9 million bd sooner than people think.

***GIQ: Where does that leave India as a partner in the Middle East region?***

***Narendra Taneja*** We are preparing for alternative energy resources as well as continuing to build bridges with all the OPEC countries, and that includes Iran. We would be pleased to see the US and Iran talks on the nuclear pact and sanctions make progress. Iran has traditionally been an important supplier of crude oil to India - a couple of our refineries are in fact designed only for Iranian oil. At the same time, the US is a very important strategic partner and so is Israel. We will continue to study our priorities and see what works best for our national interest.

## Covid-19 Fact Box

- On Thursday, April 22nd, India reported more than 300,000 Covid-19 cases over the last 24 hours, the highest daily global total, while Covid-19-related deaths also jumped by a record.
- India's daily jump in cases of 314,835 surpasses the previous highest one-day rise in the world of 297,430 cases posted by the United States in January
- India's total cases are now at 15.93 million, while deaths rose by 2,104 to reach a total of 184,657

*Source: Ministry of Health and Family Welfare, Government of India*

WATCH FULL INTERVIEW HERE

# NEW MURBAN FUTURES CONTRACT ADDS TO MIDDLE EAST TRADING OPTIONS

Abu Dhabi National Oil Co. and the Intercontinental Exchange are launching a crude futures contract March 29, as the UAE seeks to transform the Middle East trading landscape. The contract, underpinned by Murban crude, may expand ADNOC's market influence and strengthen the port of Fujairah's status as a key storage, refining and export hub.

### Murban in the market

Murban is ADNOC's largest crude stream and is popular with **Asian refineries**, which are showing increasing appetite for light, sour crudes.

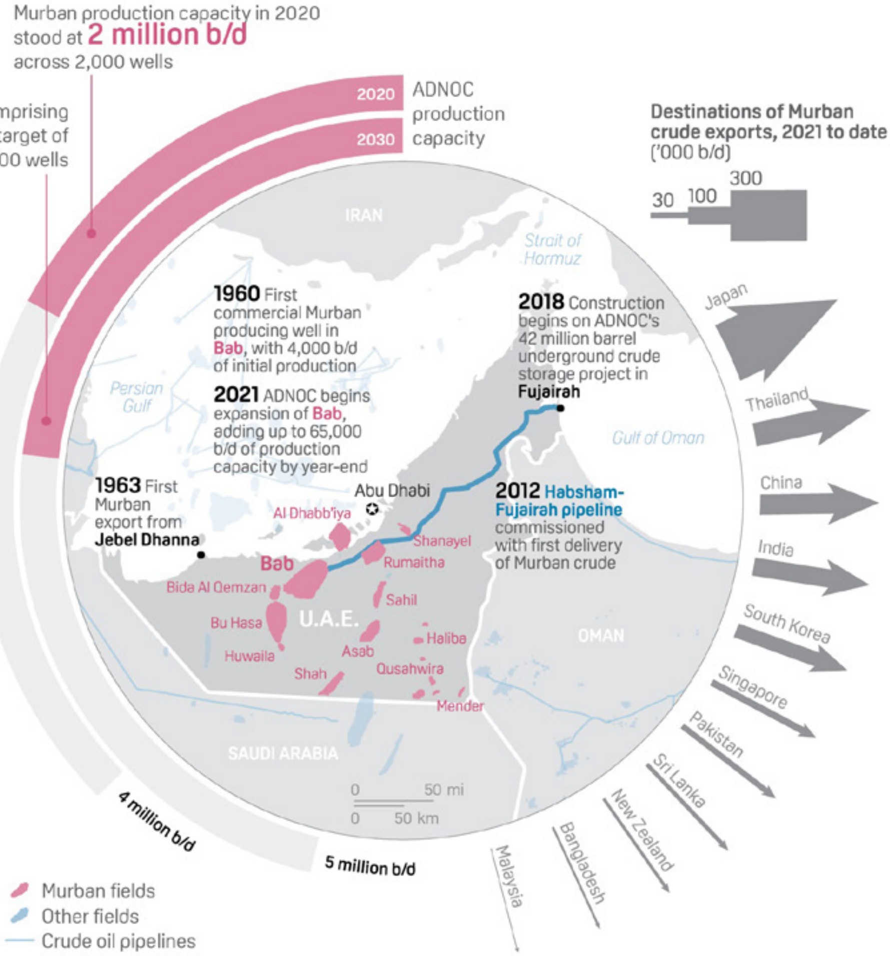
S&P Global Platts has assessed Murban spot prices for more than **18 years**, and it is a deliverable grade in the Platts benchmark Dubai and Oman crude assessments.

**ICE Futures Abu Dhabi** — a joint venture between the Intercontinental Exchange and ADNOC — will host the Murban contract, with delivery set for Fujairah, as well as related cash-settled derivatives and intercommodity-spreads.

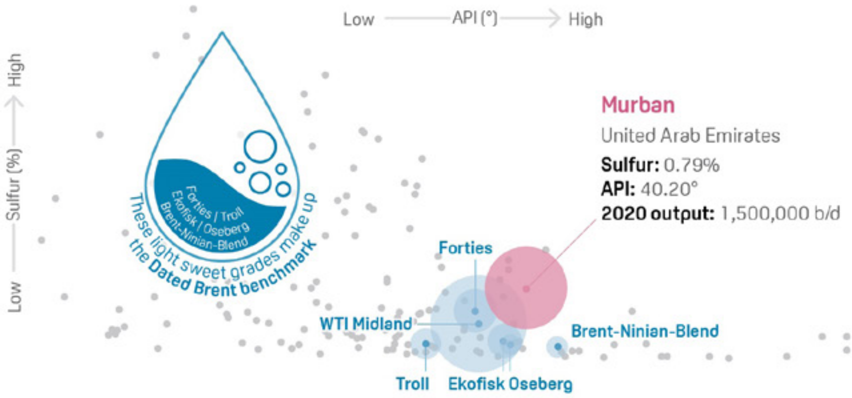
ADNOC will set its **official selling prices** for term exports of all its crude grades based on the Murban contract settlement.

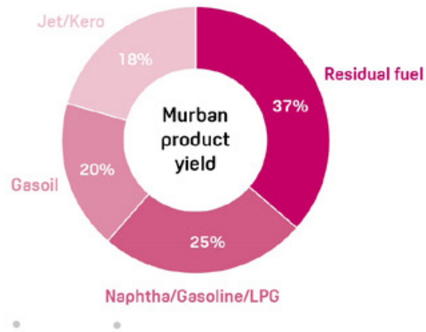
Murban will be the second physically delivered futures contract to **trade on a regional exchange** after the Dubai Mercantile Exchange's Oman crude futures.

China's Shanghai International Energy Exchange will **add Murban crude** as a deliverable grade into its crude futures contract from June 1.



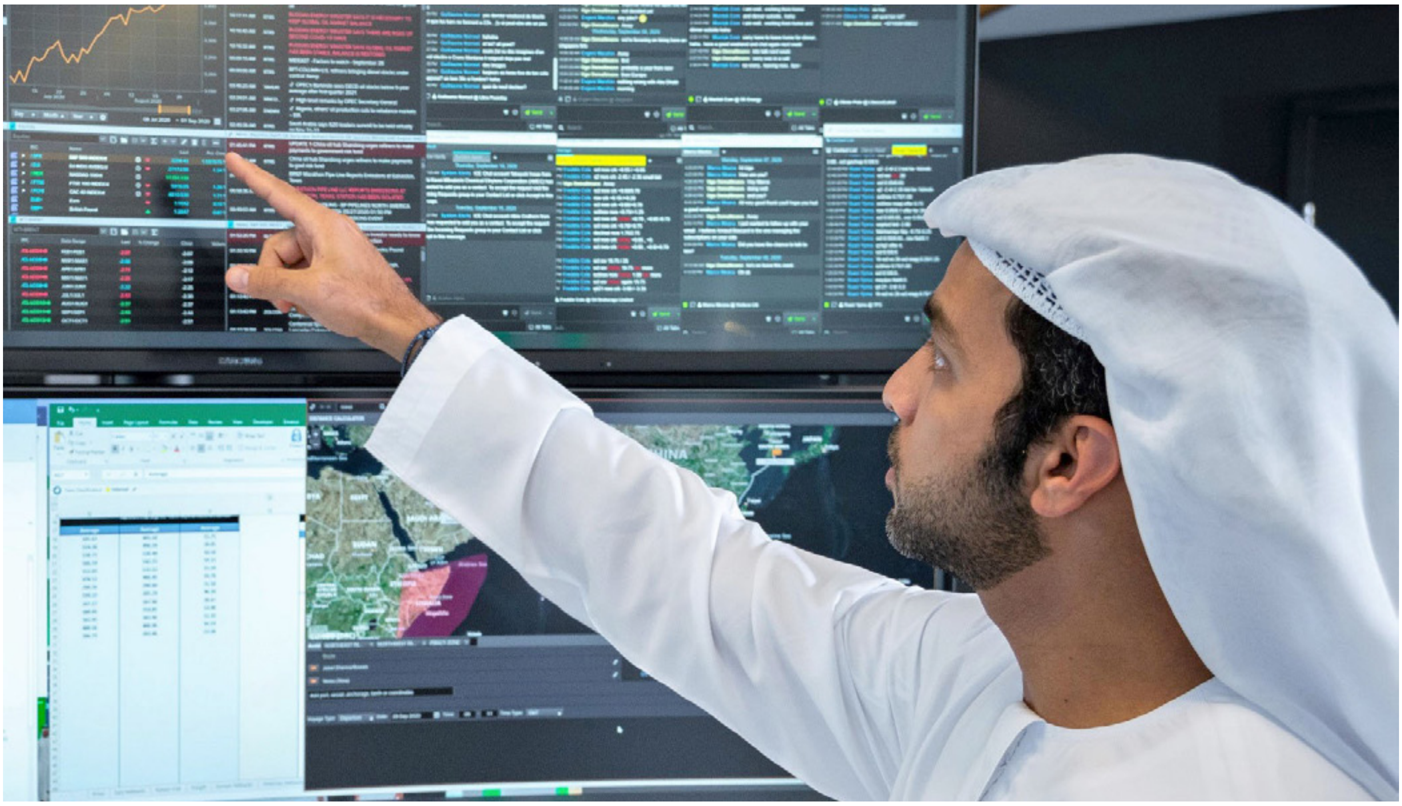

### Murban is a light, sour crude with a high distillate and naphtha cut




Source: S&P Global Platts, Kpler, ADNOC

S&P Global Platts



# ICE Announces That a Record 18,848 Murban Crude Oil Futures Contracts Traded on April 20

ABU DHABI, 21st April, 2021 (WAM) -- Intercontinental Exchange, Inc. (NYSE:ICE), a leading global provider of data, technology, and market infrastructure, today announced that a record 18,848 ICE Murban Crude Oil Futures contracts traded on ICE Futures Abu Dhabi ("IFAD") on April 20, marking its highest volume day since the contracts launched on March 29.

Alongside ICE Murban Crude Oil Futures, IFAD launched trading in 18 Murban-related cash settled derivatives and inter-commodity spreads, offering the market the broadest range of ways to trade and hedge Murban crude oil.

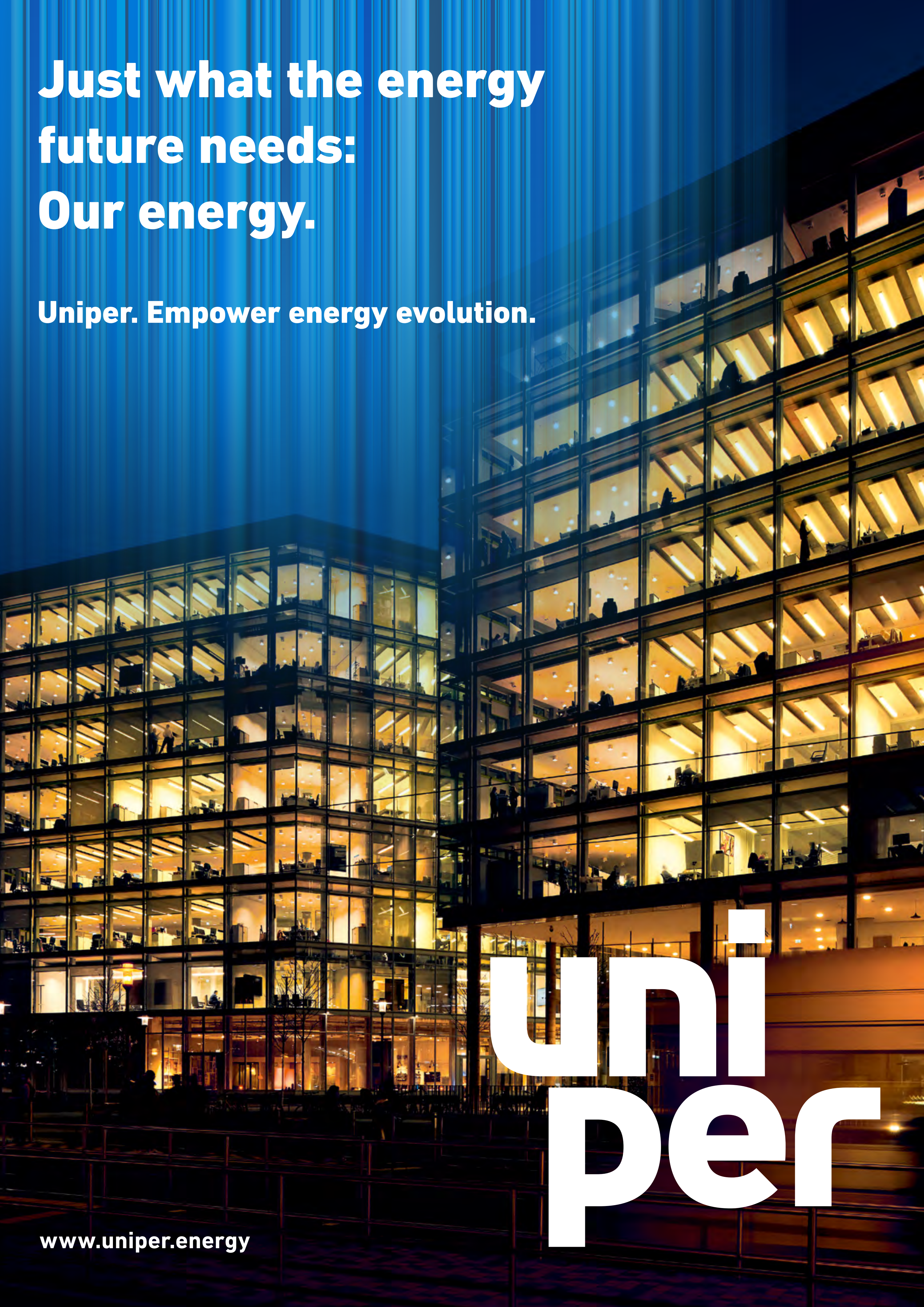
A total of 132,450 contracts have traded on IFAD since the launch, equivalent to 132 million barrels of Murban Crude oil. This includes 125,890 ICE Murban Crude Oil futures contracts and 6,560 Murban-related cash settled derivatives, with 49 firms having traded on IFAD since the launch.

"Although we are only in week four, we are seeing week-on-week growth in traded volumes and open interest in both the prompt and deferred months, with activity out to January 2022. New daily volume records are being set each week, and there is an increasing number of participants trading Murban," said Jamal Oulhadj, President of ICE Futures Abu Dhabi. "This is a very encouraging start and really reflects how the energy industry is utilizing its new ability to hedge forward price risk for Murban crude with the physical and financial sides of the market coming together to contribute to the price formation process of Murban crude oil."

Murban futures are open for trading for 24 hours a day on Mondays and 22 hours a day Tuesdays to Fridays, with investors from jurisdictions including Abu Dhabi Global Market, United States, Singapore, UK, Switzerland, the Netherlands, France, Norway, Australia, Japan and South Korea, able to trade on IFAD. IFAD has 27 Exchange Members and 20 Clearing Members, who are listed in full on IFAD's Membership page.

Contracts traded on IFAD are cleared at ICE Clear Europe where they are cleared alongside ICE's global energy futures platform covering oil, natural gas and the environmental complex, allowing customers to benefit from critical margin offsets to enhance capital efficiency.

*WAM/Hazem Hussein/Hatem Mohamed*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uni per
www.uniper.energy

GIQ EXCLUSIVE INTERVIEW

# "The Fed is Taking a Big Gamble Right Now!"

## Maleeha Bengali, Founder, MB Commodity Corner

The Fed honestly doesn't know how to navigate out of the fiscal stimulus environment and they're hoping for the best. Their theory is that we have a lot of debt. We don't need to pay this debt down and our next generation will never pay this debt. They have to fade the debt away and that is their theory. They're hoping to provide enough monetary accommodation to support the market rallies and get enough GDP growth, which will entail them to raise rates eventually. This is a very precarious scenario, because if we get inflation but we don't get the GDP growth that's sustainable, they'll be in a catch 22 situation. They will not be able to raise rates and they have inflation. We've seen this in Turkey, Brazil, Russia, and emerging markets. They are now being forced to raise rates even though they would rather be providing more stimulus. In the next three months, we will get to see a trigger. The minute they talk about reducing their balance sheet, or even stopping the $120bn quantitative easing they're doing, then this market is overcooked. Liquidity has been – and will continue to be – one of the biggest drivers of this market. That's a very broad perspective. We saw what happened in Q4 2018 when the Fed indicated that they would be taking money off the market and the market collapsed. That is a big risk.

### Top 3 Takeaways

1. There's genuine inflation already in the market, probably 2.5% to 3% - the FED's measure of inflation is distorted, they are looking at a very underestimated version.

2. No matter how much money the FED pumps into the system, there is no shortage of oil as we have 8mn b/d of supply sitting on the sidelines, so price recovery is capped.

3. The minute the FED starts talking about reducing their balance sheet, or even stop the $120bn of QE they are doing, this market is overcooked 100%.

WATCH FULL INTERVIEW HERE

# ENERGY MARKETS COMMENTARY WEEK IN REVIEW






**CLICK HERE TO LISTEN**

GIQ EXCLUSIVE SOUNDINGS

# Brent Drops as US stocks build and Covid-19 Surges in India

## 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.

- Omar Najia, Global Head of Derivatives, BB Energy
- Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence
- Andrei Belyi PhD, Professor, Founder & CEO of Balesene OÜ
- Amena Bakr, Deputy Bureau Chief, Energy Intelligence
- Matt Stanley, Director, Star Fuels
- Kate Dourian, FEI and MEES Contributing Editor & Non-Resident Fellow, The Arab Gulf States Institute in Washington
- David Rundell, Author of "Vision or Mirage, Saudi Arabia at the Crossroads"
- Marc Ostwald, Chief Economist & Global Strategist, ADM Investor Services International

***Omar Najia, Global Head of Derivatives, BB Energy***
"Oil will continue to be cheap. Hydrocarbons and coal are cheap. You need to generate electricity somehow and the cheapest way to do that right now is through hydrocarbons."

***Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence***
"Crude oil is an oversupplied market. Look at OPEC's spare capacity. It's about the highest ever. The average is about 4mn b/d-5mn b/d, currently it is just below 9mn b/d. I don't think demand is really going to come back the way it was before."

***Andrei Belyi PhD, Founder & CEO of Balesene OÜ***
"There will be challenges and it doesn't mean Russian troops will enter Ukrainian territory. Russia declares these as internal manoeuvres for military training. But there were also some explicit messages saying if Ukraine tries to take back control over Eastern Ukraine or NATO increase their military presence, then Russia might react."

***Amena Bakr, Deputy Bureau Chief, Energy Intelligence***
"The OPEC meeting might be downgraded to a JMMC. Prices are at a good level. Rocking the boat is really not needed. Plus, its Ramadan. Having two meetings that might take a few hours might be exhausting for some of the ministers taking part."

***Matt Stanley, Director, Star Fuels***
"Macro data that's coming in is being ignored in general. Brent's structure is $3.10/bl backwardated until the end of December. That's a highlight of who is piling into this market. It's not the fundamental traders. Money flows. The stimulus is still there and it's relentless."

***Kate Dourian, FEI (UK), MEES Contributing Editor & Non-Resident Fellow, The Arab Gulf States Institute in Washington***
"The market seems to be stable despite the fact we're seeing more production and exports from Iran. We are seeing signs of recovery in US jet demand. The downside is that we're seeing a huge rise in Covid-19 cases in India, dampening demand for oil."

***David Rundell, Author of "Vision or Mirage, Saudi Arabia at the Crossroads"***
"I don't think Biden's first 100 days have been a great success so far. We've seen racial tensions, a controversial court case, and I don't think he has a great deal of political capital. The country is very divided."

***Marc Ostwald, Chief Economist & Global Strategist, ADM Investor Services International***
"In terms of Nord Stream 2, we're sort of at a critical moment here. The political situation in Germany is becoming radically unstable. We're looking at having a Green chancellor, and their view on it is not 100% clear. It's very much a Merkel project."

# Fujariah Weekly Oil Inventory Data

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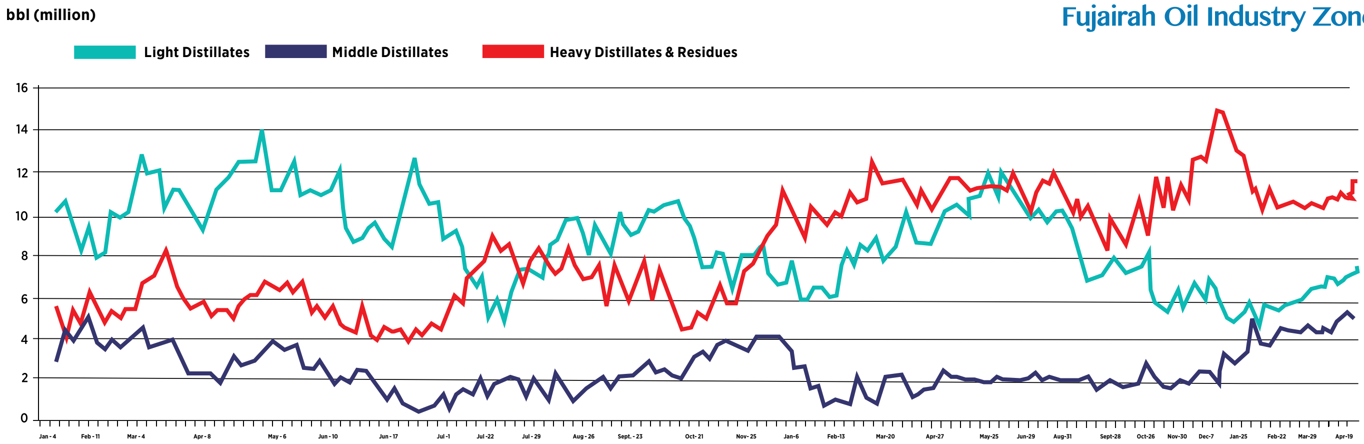
Fujairah Oil Industry Zone




## TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 21.656mn barrels as they rose across middle distillates and heavy residues while light distillate stocks posted a draw. Total stocks rose by 2.569mn barrels with overall stocks rising by 13.5% week-on-week.
- Stocks of light distillates saw a draw of 529,000 barrels reflecting a fall of 8.8% week on week to stand at 5.482mn barrels, falling for the third consecutive week. This is their lowest level since November 9, 2020 when they stood at 5.374mn barrels. The East of Suez gasoline market remained under pressure from news of widening lockdowns, particularly in India, with the country's capital of New Delhi entering a six-day lockdown from the evening of April 19 onward as a spike in Covid-19 cases pressured healthcare infrastructure.

In the spot market, Indian private refiner Nayara Energy Limited emerged to offer up to 60,000 mt of 92 RON gasoline, with RVP max 62 kPa and max 50ppm sulfur for loading over May 14-18 from Vadinar. The tender closes on April 21, with same day validity.

- Stocks of middle distillates rose by 146,000 barrels rising to 3.228mn barrels – up by 4.7% on the week. The gasoil market was seeing some regional demand, with tenders issued from South Africa and Sri Lanka, with barrels from the Arab Gulf potentially filling both shorts. In Sri Lanka, Ceylon Petroleum Corp. was seeking 280,000 barrels of 0.05% sulfur gasoil for dual berth discharge at Dolphin Tanker Berth and SPM Muthurajawela, Colombo, over June 1st - June 2nd, sources said. The tender closes May 4th, with validity up to 72 hours thereafter.
- Stocks of heavy residues rose by 2.952mn barrels rising by 29.5% on the week to 12.946mn barrels. This is their highest level since September 7 last year when they stood at 13.342mn barrels. The rise in heavy residue stock levels comes as the March bunker sales data for the Port of Fujairah emerged, indicating that total bunker sales in the port fell slightly to 634,045 cm3, reflecting a drop of 3,540 cm3 month-on-month. Sales of low sulfur fuel oil fell by 13,024 cm3 to 481,213 cm3, while sales of high sulfur fuel oil rose by 11,492 cm3 to 125,787 cm3. In the port of Fujairah activity has picked up following the Easter break, traders noted. Fujairah delivered marine 0.5%S bunker was heard offered around $505 - $515/ mt on Apr. 20. Fujairah-delivered marine fuel 0.5%S bunker was assessed at $505/mt, up $5/mt day on day. The price level on April 20th in Fujairah is at a $6/mt discount to Singapore delivered Marine Fuel 0.5% bunker prices.

Source: S&P Global Platts

### FX

FX markets showed fairly muted moves overnight with dips in the Euro mid-day unwound later in the session with that pattern generally replicated across most peers. The notable standout though was USDCAD which fell almost 0.9% in favour of the loonie to 1.2497. That followed the Bank of Canada saying it would cut their level of asset purchases and look toward an eventual rate rise. The hawkishness comes as Canada's economy has managed to recover strongly out of the Covid-19 pandemic, even if some provinces are forced to endure stringent lockdown measures.

### Equities

Global equity markets had a better day yesterday, clawing back some of the losses seen almost across the board on Tuesday. The European composite STOXX 600 closed up 0.7%, with the DAX, the FTSE 100 and the CAC gaining 0.4%, 0.5% and 0.7% respectively. In Japan, the Nikkei lost a further -2.0% as resurgent Covid-19 cases are weighing heavily on sentiment there. There has been a 2.1% gain in trading so far today, but the benchmark index remains down -1.8% w/w. Similarly in India, the SENSEX is now down -1.7% w/w as cases surge there too. In the US, all three benchmark indices recouped their earlier losses, with the NASDAQ the biggest gainer at 1.2%, followed by the S&P 500 and the Dow Jones which both closed up 0.9% yesterday.

### Commodities

Oil prices were lower overnight. Brent futures fell 1.9%, to $65.32/bl. WTI was down 1.8%, to $61.35/bl while Murban gave up 2.7% to close at $63.29/bl. Anxiety over how badly demand could be affected by India returning much of its economy to lockdown conditions is weighing on oil even as demand in markets like the US remains robust. US crude inventories showed a modest build in commercial stocks of around 600k b/d. Production held at around 11m b/d while product supplied slipped back to less than 19m b/d.

Emirates NBD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# ENERGY MARKETS VIEWS YOU CAN USE

**Walter Simpson**
**Managing Director**
**CCED**

### How much of a weight does US shale have in the management of supply?

National oil companies will be the driving force for oil output in the future. The way OPEC has managed this, with the Saudi drive to control supply and make the price do what it wants to do has been a lesson to shale players in the US. They would be reentering a market where they can be taken out of business very quickly by a big player. There's been a change in thinking around how safe a bet shale production is going to be in the US.

### Expectations for the next OPEC meeting?

With all the news we've got at present, I'd suggest that the deal they struck at the last meeting would make sense to continue with. They might justify sneaking a little bit more supply in if the demand indicators warrant it, but both the Saudis and Russians would probably be happy with a $60 to $70 range.

### Do we need stronger commitment to CapEx in the Gulf to add capacity?

It depends on the cost of supply. Saudi Arabia for example is obviously well positioned and in Oman, we are also competitive at present in our supply price. That's where US shale faces a challenge because it is expensive. Economics is going to drive it.

### Oman has just introduced VAT – is the austerity measure good timing?

It's only 5% and the oil and gas sector will be exempt, but these are challenging times in general for Oman with Covid. Small businesses, like restaurants are particularly vulnerable to the lockdown measures – the government has had to take some hard decisions in trying to protect the health service and its people from infection.

**Jorge Montepeque**
**President**
**General Index**

## "Oil Prices Could Test $70 a Barrel as Refiners Replenish Stocks Ahead of Summer"

### What is Your outlook for oil prices in the second quarter?

As we come out of the refinery maintenance turnaround season through Q2, demand is going to surge again. Demand is back. OPEC has done a tremendous job in herding the stray cats and reducing supply, at a time when demand is in fact exceeding what most are declaring what demand should be. The market is reacting by drawing on inventories and lifting the price up.

Between now and mid-May, we are going to see a line-up in the flat price, and it will not surprise me if we test $70/bl again because refineries will need to go into purchasing mode to replenish their inventories. No one wants to hold excess stock because the markets are backwardated, so they will wait for the last minute, and then we will see the purchasing surge between now and mid-May.

### Should OPEC open the taps further to Meet Summer Demand?

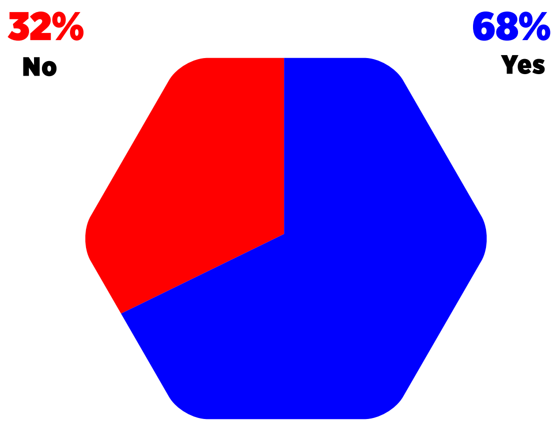
If we look back a little bit, like three months, we have been consuming inventories at a rate that exceeds two million barrels a day, maybe even 3 mbpd. OPEC and Saudi Arabia decided to increase production less than what was needed to balance the market. Some people say they should increase production more. But their goal has not been to match demand – their goal has been to drive inventories to normal historical levels.

Once they reach 5-year average stock level, then supply will match demand and Saudi Arabia will go back to normal. Things are fairly on track to have a very tight summer in terms of supply, with a more normal market towards the end of the year. But that does not mean low prices because US production has seen its peak and is now shrinking; the bankers are pulling away from that market, so US production overall is on a downward trend.

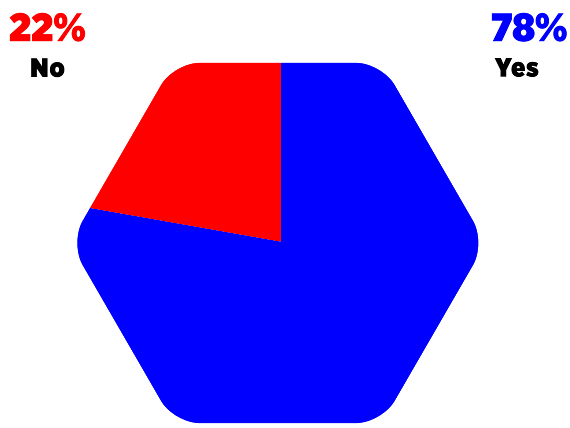
I am extremely optimistic about the oil world that is going to remain very tight through the summer, and perhaps not so tight in the winter, but it is tight still. So that will continue to create a positive momentum in prices.

# GIQ Weekly Surveys

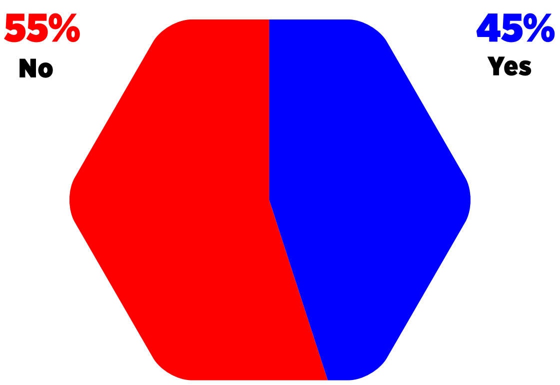
***Can the Covid-19 pandemic derail the H2 outlook for global oil demand recovery?***



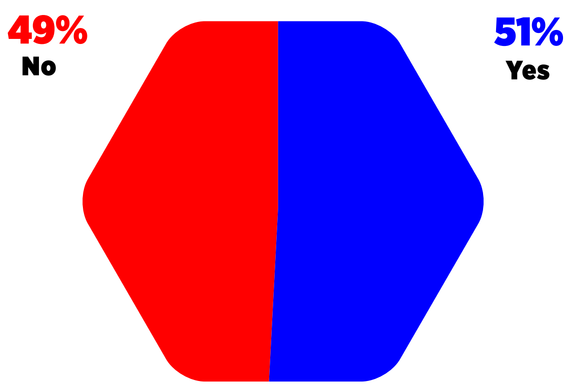

***Will the Inconsistent Economic Recovery Dull the Bull Market?***



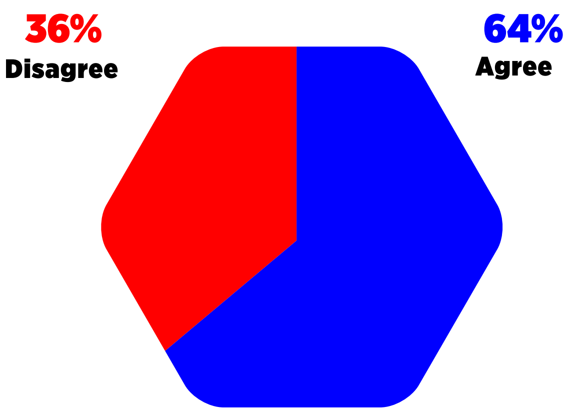

***Does the market need OPEC+ to hold another meeting this month to review supply strategy?***

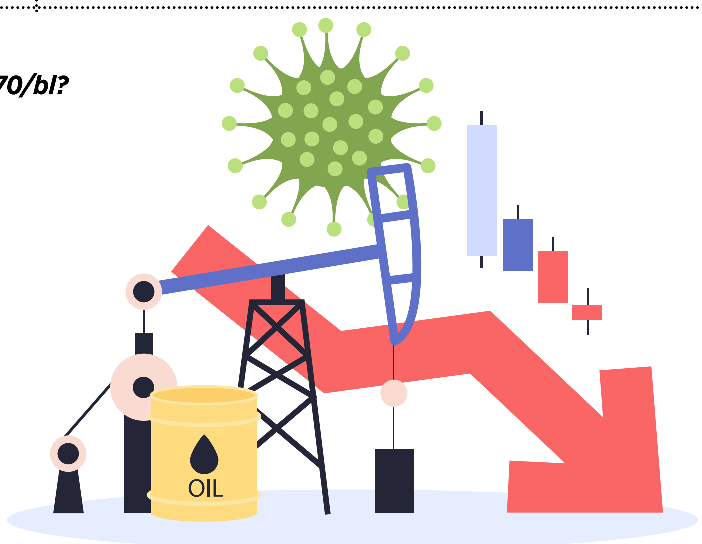



***US to drastically increase the number of countries that get the "Level 4: Do Not Travel" warning, from 16% of countries to 80% – should OPEC+ revise plans to raise oil supply May-July?***




***Brent crude oil is more likely to hit $60/bl first before $70/bl?***




Source: GIQ



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# ENERGY MARKETS VIEWS YOU CAN USE

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

**Very positive growth figures in the US and China this year will bring inflation.**
We're already seeing that creeping into supply chains. Container rental rates will continue to rise for the next three months because they are completely maxed out and that could temporarily affect energy and create bottlenecks. We're moving into an overheated situation in certain economies which is largely unknown - that's the biggest concern. The U.S. economy has performed better than the Federal Reserve and others had expected but there's still no desire to stop the stimulus. The wall of money is growing. The big question will be to figure out is how to move assets through that and whether they can engineer a soft landing to this boom.

**How significant is China's 18% Q1 GDP number for oil markets?**
This was just a baseline effect from low growth a year ago. China's medium-term growth has slowed down substantially so we should be expecting GDP for the year to be closer to 6% than 8.5%. The country is also harboring a problem in its financial sector with its highly leveraged economy. Cleaning up the sector will mean a slowdown in expenditures and also partially higher interest rates. Having come out of Covid first, China is now facing some of the adjustment problems. It's the US which will be the main locomotive for global economic recovery this year.

**Should OPEC revise supply upwards given oil demand forecasts?**
We are seeing price movements within the $60 to $70 range. Nobody at this point really has the intent to push prices much higher and inventories are drawing down nicely. OPEC could increase supply a little, but the recovery is still in choppy waters despite an overall positive trajectory. We should expect that their next target will be to gradually bring down this massive spare capacity.

## Rustin Edwards
## Head of Fuel Oil Procurement
## Euronav NV

**It will be a long and drawn-out recovery for oil demand.**
It's not going to happen by Q3 - it's more of a Q4 or Q1 2022 story. The Covid pandemic will continue to be a tale of two sides, prompting a diverse economic recovery pattern. China's doing very well while India suffers a resurgence, and the EU continues to face vaccination rollout issues. Meanwhile, South America is still in the grips of its Covid outbreak.

**Is there any case for additional OPEC supply beyond what's been planned?**
There's no need for extra crude in the market. We will see how it reacts and absorbs the incremental 750,000 barrels in May. Some of the volumes might have to go into strategic reserves. We've hit the happy balance today, but we need to see real consumer demand coming back in all regions. US gasoline sales are looking good but European demand for petroleum products is not.

**Are shipping and container costs under duress?**
Container ship freight is still robust and strong. Dry bulk freight is moving well on the back of strong demand for raw materials like copper and other base metals. Tanker freight is still in the doghouse however and won't come back unless Iran and the US do a deal to allow Iranian oil to trade freely.

**Indicators to watch in the week ahead?**
New inventory data will show how well refineries are doing and whether the world can contain all that product. If we don't see further erosion in the distillate spreads and cracks it will be a good sign. Higher gasoline margins will also give support to secondary processing, which could help alleviate some of the supply issues there. Much will depend on the European vaccine recovery - any type of degradation on the rollout will be bearish.

# ENERGY MARKETS FORUM NEW SILK ROAD LIVE

Consultancy Intelligence Publishing

# TOP 10

## APRIL 18th - 22nd

## MARKET OBSERVATIONS FOR THE WEEK

**1.** China's bionic Q1 GDP numbers year-on-year grab the headlines but don't move the dial much month-on-month on demand recovery as Beijing reporting is climbing from a very low base of Q1 2020.

**2.** US, not China, is set to pull the world out of the Covid-19 economic doldrums in 2021.

**3.** OPEC+ National oil companies are likely to be in the driving seat for meeting post-Covid-19 demand surge, as US shale producers are unable to access capital needed.

**4.** Oil prices are moving sideways in the $60s/bl because ultimately there is no shortage of supply.

**5.** Inconsistent global economic recovery from Covid-19 could derail bull market.

**6.** Container ship freight still robust & strong; Dry bulk freight still strong, but Tanker freight is still in the doghouse.

**7.** China's oil inventories have come off the highs seen in Q4, but have utilized Covid-19 to bolster overall stock levels from 90 days to 100 days.

**8.** India is facing a medical emergency which has led government to direct industrial companies, including oil & gas, to shut-in operations so that oxygen can be made available to meet medical needs.

**9.** The Fed is tracking inflation closely, but remains unconcerned and won't be tightening policy anytime soon.

**10.** US to drastically increase the number of countries that get the "Level 4: Do Not Travel" warning, from 16% of countries to 80% of states.

# Fujairah Spotlight

## Gasoline Demand Rising in Middle East

Fujairah's 95 RON gasoline market could rise to pre-pandemic levels in the coming months on increased demand and limited supply, according to regional traders. Gasoline availability has been tight as supply has not been matching demand. "There are minor refinery shutdowns and demand is picking up as summer comes," a trader said. "People drive more as there are no lockdowns in the region." According to S&P Global Platts data, Oman's Sohar refinery was undergoing unscheduled maintenance after unexpected outages affected its gasoline output.

*Source: Hellenic Shipping*

## Fuel Oil Premium Hits Record High in Fujairah Ahead of Big A/C Power Demand Season

High sulfur fuel oil premiums in Fujairah over Singapore have climbed to a record this month, with more product heading to Asia before the big power demand season in the Middle East when air conditioners are cranked up to beat the summer heat. Reflecting the tight supply situation in Fujairah on the UAE's east coast, the spread between the FOB Fujairah and FOB Singapore 380 CST HSFO assessments hit its highest level since the assessment was launched on Oct. 3, 2016, at $17.33/mt on April 9, dropping to $12.91/mt on April 15, S&P Global Platts data showed.

*Source: Hellenic Shipping*

## Middle East: Fujairah Monthly Bunker Sales Hold Firm

A total of 628,659 cubic metres (cbm) of marine fuel was sold at the Port of Fujairah in March – 0.4% down on the 631,430 cbm recorded in February. However, sales of marine fuel oil 380 cSt (125,787 cbm) rose 10.1% month-on-month, accounting for 20% of all bunkers sold in the Port of Fujairah in March. Elsewhere, sales of low sulphur marine gasoil slipped from 19,399 cbm to 19,206, while marine gasoil sales decreased from 3,499 cbm to 2,456 cbm.

*Source: Bunkerspot*

## Fujairah Tennis and Country Club to Host Swimming Competition

Emerging as an ideal venue for sporting events, the Fujairah Tennis and Country Club will host a swimming competition on Thursday. The one-day swimming event has attracted 50 swimmers of different nationalities including Egypt, Syria, India, and Australia. Majority of the participants representing Dubai, Abu Dhabi and Fujairah are from the UAE. The event will begin at 10pm and held under the patronage of Sheikh Abdullah Bin Hamad Bin Saif Al Sharqi, President of the Emirates Bodybuilding and Fitness Federation

*Source: Gulf Today*

# ENERGY MARKETS VIEWS YOU CAN USE

**Kevin Wright**
**Lead Analyst APAC**
**Kpler**

**What's the outlook for Chinese demand in Q2?**

Chinese inventories have dropped from their peak of 960mn barrels last September to about 935mn barrels, but we are still above pre-Covid levels. When the refining system starts to come back from maintenance, we may see more of a draw. Overall, inventory levels are starting to come down.

**How much of a concern is the virus resurgence in India?**

Indian gasoline demand towards the end of last year was up above pre-Covid levels for the first time all year but with the current developments and lockdowns in major centres such as Mumbai and New Delhi, there's no chance for gasoline demand to stay as it has been. In the last fiscal year which ended on March 30, gasoline demand was down by about 7% year on year so that gives you an idea of what happened last year, even with a slight recovery into the fourth quarter. The current restrictions on mobility, transportation and even industrial activity on the diesel side, can only harm consumer demand for petroleum products.

**What impact will the US travel warning to 160 countries have on markets?**

It simply worsens what has been a terrible past year for jet fuel. Inside the US itself, 'on highway' miles are actually higher than they've been since before Covid. In March, they were 1% higher than they've been the whole of last year. That shows us more confidence in consumer demand. However, overall gasoline demand is still down and being impacted by less short distance driving with less commuting as the work from home concept becomes more engrained.

**And yet crude prices are still looking strong?**

OECD and US inventories are down. Combine this with a slightly weaker dollar in the last six weeks and that explains why crude is up. There's a directional thing going on as well - people have become comfortable with the range that we're in and that includes OPEC, which is indicating it may not take any further action at this stage. All of that is being priced into where we are.

**Edward Bell**
**Senior Director, Market Economics**
**Emirates NBD**

**The US Fed is looking at any inflationary bump in Q2 as transitory.**

When you dig down into the details of the higher inflation print for March, goods inflation was up very modestly and services inflation a little higher. Since the start of April, the markets are kind of blinking with respect to the Fed. There is a realization that the Fed means what it says – accommodative monetary policy and loose fiscal policy is not changing anytime soon.

**How much control will the Fed have if and when inflation does materialise?**

It has a lot of tools. Remember, we're at zero in terms of rates so even if you brought rates up to 0.5%, that's not tight monetary policy by any definition, but it would probably go some way to dent any burst in inflation in the near term.

**Would a reversal of this historic easing be very damaging to the markets?**

The Fed is not setting policy based on daily moves in equity or fixed income markets. It has been very specific about unemployment and wage targets. Not only does it aim to bring headline unemployment down to what it classifies as full employment levels, to sub-4% where the US was before the coronavirus pandemic; it also wants the lower income segments of the economy to benefit more from any recovery.

**How is the US-Iran rapprochement impacting oil markets?**

We're not calculating any immediate impact during the second quarter. There is the potential that we will have 1.5mn bd of Iranian crude coming back if all the diplomatic ducks get in a row and both Iran and the US return to the JCPOA. However, while the negotiations in Vienna have been positive, they're playing two-step with a ratcheting up of tensions in this region. Also, the sanctions are not only going to be lifted with respect to the nuclear program. There is other activity that the US believes Iran is behind, and we may not see such an amenable negotiating posture from the Iranians on that front, particularly if the hardliners win the upcoming elections.

## Indian Oil Provides Oxygen to Hospitals for Free

*"In the face of a massive surge in demand for medical oxygen during the second wave of the Covid-19 pandemic, IndianOil has diverted the high-purity oxygen used in its Mono Ethylene Glycol (MEG) Unit to produce medical-grade liquid oxygen at its Panipat Refinery & Petrochemical Complex."*

– Indian Oil Corporation



# ENERGY MARKET NEWS

## RECOMMENDED READING

Series Supported By:

1. OIL FALLS 3RD DAY ON US STOCK BUILD, SURGING COVID-19 CASES
2. OPEC+ UNLIKELY TO DRASTICALLY CHANGE OIL PACT NEXT WEEK
3. UAE MULLS MOVEMENT RESTRICTIONS ON RESIDENTS WITHOUT VACCINES
4. INCREASED US AIR TRAVEL IS BEGINNING TO INCREASE JET FUEL DEMAND
5. EXXON SETS DEADLINE TO EXIT WEST QURNA 1 IN IRAQ
6. SHARP RISE IN GASOIL MOVING EAST TO WEST
7. IRAN NUCLEAR DEAL TALKS ADVANCE AS US OFFERS SANCTIONS RELIEF
8. DOMESTIC CRUDE INVENTORIES CLIMB, ENDING STREAK OF DECLINES
9. OILFIELD SERVICES GIANTS OPTIMISTIC ABOUT DRILLING RECOVERY
10. GERMAN LAWMAKERS APPROVE 'EMERGENCY BRAKE' VIRUS RULES

### RECOMMENDED VIDEOS & REPORTS

- SLOWING DOWN AS ELECTRIC VEHICLES ACCELERATE
- NO ROOM FOR COMPLACENCY IN FIGHT AGAINST COVID-19
- US ECONOMY ON A SOLID FOOTING, CORONAVIRUS STILL TOP THREAT
- ICE ANNOUNCES 18,848 MURBAN CRUDE OIL FUTURES CONTRACTS TRADED ON APRIL 20
- IRAN NEEDS THREE-PLUS MONTHS TO RETURN OIL TO 2015 JCPOA-LEVEL MARKET LEVEL
- AUSTRALIA CANCELS BELT & ROAD DEALS; CHINA WARNS OF FURTHER DAMAGE TO TIES
- FED'S TAKING A BIG GAMBLE RIGHT NOW!

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