NOVEMBER 26th 2020
VOL. 55

Fujairah New Silk Road WEEKLY NEWSLETTER

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

AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

"CHINA'S OIL DEMAND HAS BEEN THE BRIGHT LIGHT IN 2020"

Vera Blei, Head of Oil Markets, S&P Global Platts

China has been the bright light together with some resurgence of gasoline demand in India. Those key Asian consumers have really been behind some of the resurgence of demand – we've particularly seen this around sour crude grades. For example, our Platts Dubai benchmark has even moved ahead of the sweeter crudes like Brent, which is quite unusual. But you can see that's the appetite that Asian refiners have and that's been really driving this. As we've seen some recovery in China, we've also seen the Rongsheng refinery gearing up to come into the market with purchasing coming from there. That's really stimulated Chinese demand, particularly for some of the Middle Eastern grades such as Abu Dhabi's Upper Zakum, Al Shaheen from Qatar, and Oman. They've all been supported by this resurgence of buying activity from China. That creates some sort of impetus for 2021 even though the outlook for demand from Platts Analytics is still cautious.

CONTINUED ON PAGE 3

Fujairah Weekly Oil Inventory Data

6,692,000 bbl	6,161,000 bbl	7,271,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

Fujairah Average Oil Tank Storage Leasing Rates*

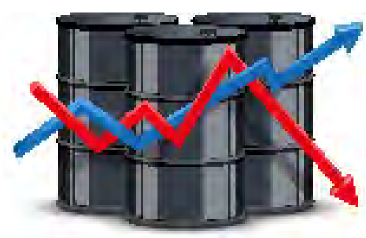
BLACK OIL PRODUCTS

Average Range $3.61 - 4.38/m³

↑ **Highest: $4.50/m³**

↓ **Lowest: $3.50/m³**

Source: GI Research – Weekly Phone Survey of Terminal Operators



Weekly Average Oil Prices

Brent Crude: **$46.85/bl**

WTI Crude: **$43.95/bl**

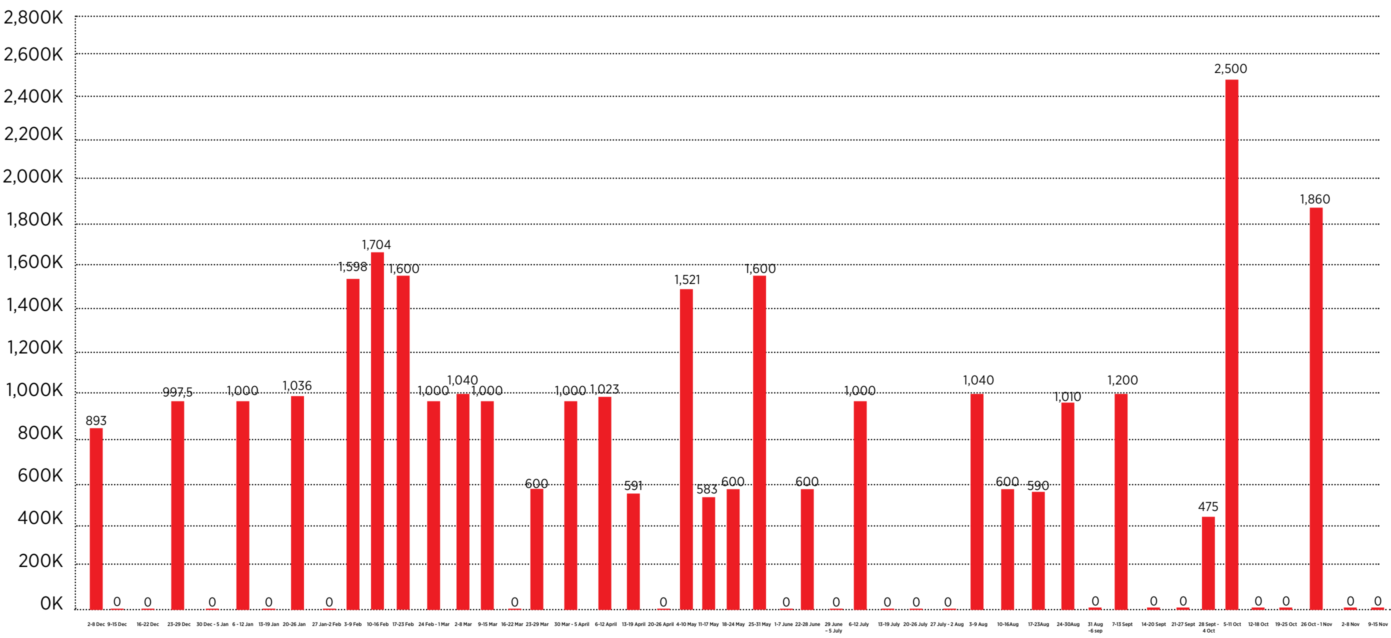
DME Oman: **$46.20/bl**

Murban: **$45.74/bl**

Time Period: Week 4, November 2020
Source: IEA, OilPrice.com, GI Research

Weekly Imports of Heavy Sweet Crude into Fujairah

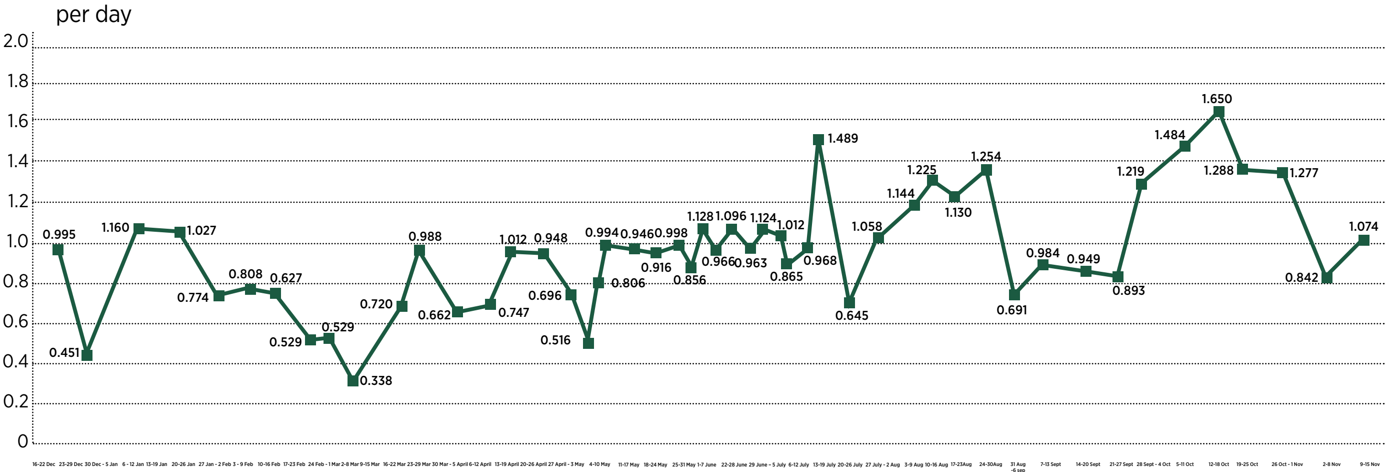
Total barrels



Source: Kpler

Total Refined Product Exports from the GCC to Asia-Pacific

Million barrels per day



Source: Kpler

Vera Blei, Head of Oil Markets, S&P Global Platts

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GIQ: How has Covid-19 impacted oil markets?
Vera Blei: It's been a very unusual year with unprecedented demand destruction through Covid-19. This is still very much the theme for us now even if we look at the oil price today. The prospect of vaccines has stimulated everybody's optimism, including the oil markets. But uncertainty is still the overriding theme and what is actually determining the picture around demand in the market right now. Everybody had to make adjustments especially now we're stuck in the second wave of Covid-19.

GIQ: How has benchmarking performed in 2020?
Vera Blei: From a benchmarking perspective, 2020 wasn't for the faint-hearted. Back in February or March we had, on the one hand, demand destruction, and on the other, a supply side flood of material coming into the market. It was the perfect storm coming together. It's in those extreme market scenarios where benchmarks are really being tested. This very much played out just as demand dropped off the cliff and supplies came in. The first benchmarks that were impacted were Platts Dated Brent and ICE Brent. We got a lot of questions, while the market had super contango, over why these two benchmarks or differentials widened. That really came down to timing with the physical market being much prompter than the futures market that lent to that time spread really blowing out. So that was the first wave of impact. We then saw a prolonged differential between Platts Oman and DME Oman. It was not an extreme differential blow-out that we had back in September 2018. This one was in a smaller range, but more prolonged.

GIQ: Why did the extreme differentials occur?
Vera Blei: I mentioned the refinery gate prices in China, which is supporting refiners when crude oil actually hits \$40/bl and is supporting product prices there. That ultimately meant that Oman crude, which is predominantly consumed in China, was supported by the Chinese refining system and therefore decoupled from the rest of the Middle Eastern pricing system. Again, we got a lot of questions on that. No sooner had we come out of that, on April 20th, than we saw minus \$40/bl oil in the US market. It was the first time ever for negative futures in oil. That led to a whole discussion over how oil is priced in the US on inland pricing versus pricing at the Gulf Coast. On the day when Nymex WTI touched -\$40, Platts assessed the US crude at the Gulf Coast in positive value. Why does this matter? No matter where you are in the crude market, we're talking about global trade flows. The US shale revolution has really found its way into the global market and means that WTI Midland has a voice at the table when it comes to crude oil pricing around the world. So, all these benchmarks are closely connected. They've all been in the spotlight.

GIQ: How will benchmarking evolve moving forward?
Vera Blei: You can never stand still in benchmarking. The markets evolve all the time. What the current pandemic has shown is that it's not only about methodology, how you go about gathering the information and produce the assessments, it's about technology as well. That's where investments and innovations that we've made around how we gather information from the market have really paid off. We've been able to operate smoothly and in a highly volatile market. The spotlight on technology is even clearer now. For example, we've partnered with Kensho Technologies on intelligent automation to speed up the data gathering and assessment process for some of our key assessments. That has reduced the time to publish these key assessments that we've already taken through the process by up to an hour. This allows for more efficient time use for our analysis, but also most importantly for our customers to get these numbers quicker as well. Technology is really a key theme here.

GIQ: What is your outlook for oil demand recovery in 2021?
Vera Blei: According to Platts Analytics, global demand is due to have fallen by about 8.5mn b/d in 2020 compared to the previous year. Covid-19 is still very much weighing on the outlook for 2021. On a net basis, Platts Analytics is actually seeing demand in 2021 to still be about 2.6mn b/d below 2020 methods. We're still very much looking at range-bound pricing as we go into 2021 around the low \$40s/bl level. Obviously, you can always have shorter-term impacts around that, but the outlook overall is still very much range-bound for next year.

GIQ: Will OPEC+ continue with their plan to bring 2mn b/d back to the market in January?
Vera Blei: At the moment, Platts Analytics is still of the view that it's unlikely further tapering will come into play and that the current production levels will be carried through into Q1 2021. Of course, we have Libyan barrels coming back into the market, so there is extra supply on the horizon while we still have uncertainty. Yes, there is some optimism. This is not going to be an easy decision to be made but at the moment, we still see the bearish weight on demand from Covid-19 as the overriding picture in the market.

GIQ: Will OPEC move back to a market share strategy?
Vera Blei: In the end, you can say it's everybody for themselves, but of course you always have to look at it in the global context and changing trade flows. On the one hand, you have the Middle East producers who

Vera Blei, Head of Oil Markets, S&P Global Platts

will have to make their decisions and OPEC+ will have to make their decisions. At the same time, we have to see what the impact of the US election is on US production there. We've actually seen activity pick up again in the US. Platts Analytics thinks it's unlikely that this will lead to a resurgence of production in the first half of the year, but exports would still be high because refinery runs are low there. That's still going to weigh on the minds of Middle East producers as well in terms of what they're looking to do and how they're placed in the competitive context with flows from the US.

GIQ: How do you see the Abu Dhabi ICE Murban futures contract playing out?

Vera Blei: We welcome any newcomers to the market. It's down to the market to decide which benchmarks they are ultimately going to accept. We respect that as well. We're very much in the discussion, including with Abu Dhabi around this exciting and new change. At the same time, Platts Dubai, the premier benchmark in the Middle East looking back on 40 years of history, has actually seen derivatives volumes grow significantly over the last years. We are confident around the role that Platts Dubai is playing in the market. What we've heard from most of the market players on the addition of the Murban futures contract is that they're looking for fungibility between all the pricing tools that are available. If that complex can function in a fungible way, then it has the potential to not only benefit everybody, but also complement, increase liquidity in that market, and provide a more comprehensive portfolio of hedging tools. Of course, whenever a futures contract is being launched, if this is going to be a physically delivered futures contract, the market would want to test how the delivery is going to work. This is going to be the key function for fungibility in that contract. How is physical delivery going to work? How are the OPEC cuts going to impact the volumes underpinning it? If anything, what the market is looking for is policy-free benchmarks. Fundamentals are already providing all of the ingredients. You don't need the meddling of policy in there as well.

GIQ: How will China's large volume of oil storage impact demand recovery?

Vera Blei: We're seeing the emergence of a new sort of fundamental play around Chinese storage, which has increased significantly over the last year even through investments. This is offering us a new dimension about the impact that China, going forward, can have on the demand and supply picture. Of course, in a lower price environment, we do also have the refinery gate prices in China that continue to support domestic refineries. We've seen this play out in the market earlier this year when there was a disconnect between Platts Oman and DME Oman pricing on the back of refinery gate pricing support in China. That's a very interesting picture that is emerging now. For sure, the high levels of stocks are going to also weigh on future resurgence of demand in the market as well.

GIQ: Has the global pandemic accelerated the industry's energy transition?

Vera Blei: Question marks have been put over what the impact of a market under pressure on the bigger themes would be surrounding energy transition, decarbonization, and a greener economy going forward. The message that we get now, whether it's through the change in administration in the US or overall, is that commitment to a greener, cleaner, and decarbonized future is very much there. This is not only from some of the key policy-makers, but also in areas where perhaps policy isn't leading with corporations in the market that are driving that too. The commitment from the industry, in addition to policy decisions about this, is perhaps even more important. The energy transition is a big umbrella theme. So, for some people, energy transition would be very much focused around the power sector, the renewable element around solar energy, hydro, and other segments that come into it. From an oil market perspective, this is a transition that will take years. Let's remember, we came into 2020 with our view on the big theme being IMO 2020. Fundamentally, this was a big transition from high sulfur fuel oil, to 0.5% marine fuels in that market. It's been overshadowed, but of course it's been playing out in the background as one of the big themes.

GIQ: What are the next steps for assessing sustainable fuels?

Vera Blei: We were already talking about the new low sulfur marine fuels competing with LNG and looking ahead to hydrogen. There is a whole theme there around cleaning up the marine fuel sector but we've only just scratched the surface and seen the beginning. For example, we've launched assessments for sustainable aviation fuel. It's a tiny proportion of the market and obviously the aviation sector is under huge pressure right now. Despite that, and limited spot market activity, which we typically need to assess those markets, we've been able to work with our colleagues in Platts Analytics to calculate values for sustainable aviation fuel in Europe and the US. That was very much on the back of demand from the industry. For investment decisions, we need to have the indications of prices there. We already launched assessments for biodiesel as well and hydrogen last December so we're very active in this market. The industry is calling for transparency because this is what's driving investment decisions right now. For us, we haven't stood still. On the contrary, energy transition is still very much in the spotlight and there's a lot for us to offer to the market in terms of benchmark pricing as well.

WATCH FULL INTERVIEW HERE

ENERGY MARKETS COMMENTARY WEEK IN REVIEW

CLICK HERE TO LISTEN

GIQ EXCLUSIVE SOUNDINGS

Oil Prices Rally on Vaccine Optimism, but is the Market Getting Ahead of Itself?

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.

- Kevin Wright, Lead Analyst APAC, Kpler
- David Rundell, Author: "Vision or Mirage, Saudi Arabia at the Crossroads"
- Robin Mills, Chief Executive Officer, Qamar Energy
- Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy
- Adi Imsirovic, Senior Research Fellow, The Oxford Institute for Energy Studies
- Laury Haytayan, MENA Director, Natural Resource Governance Institute
- Rustin Edwards, Head, Fuel Oil Procurement, Euronav NV
- Chris Wood, Chief Executive Officer, AAG Global Investments
- Peter McGuire, Chief Executive Officer, XM Australia
- Daniel Colover, Market Engagement Manager, Middle East, S&P Global Platts
- Tony Quinn (Singapore), Operating Partner, Prostar Capital & CEO, Tankbank International

Kevin Wright, Lead Analyst APAC, Kpler
"We're seeing a real global shift in refining, an East of Suez rising and West of Suez decline. Chinese refining capacity alone has trebled since 2000 and has set a new standard in world-class refining."

David Rundell, Author: "Vision or Mirage, Saudi Arabia at the Crossroads"
"Saudi Arabia has adopted different strategies at different times. What has been unique is its ability to maintain surplus production capacity and that has been a political decision, not an economic one. I don't believe they will change that. In fact, they are going to increase their production capacity by another 1mn b/d."

Robin Mills, Chief Executive Officer, Qamar Energy
"It would be sensible for OPEC to avoid building up even more inventories in Q1 2021. If anything, you know the Covid-19 vaccine is coming so why flood the market in Q1 when it hasn't really had an effect. Keep supply off the market and then in Q2 you can take a look at bringing supply back."

Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy
"The trend of oil prices hovering between $40/bl-$45/bl has now been broken over the last few days. It's not going to change the overall picture for the whole month of November, but I hope this will be the direction that we are heading into."

Adi Imsirovic, Senior Research Fellow, The Oxford Institute for Energy Studies
"The market is looking a lot better and brighter. Whether it's a major breakout, I'm not sure. We certainly have a bit of room to go higher. It's still all about Asia and China."

Chris Wood, Chief Executive Officer, AAG Global Investments
"I believe the current market is sentiment-driven. I'm not seeing demand come through anywhere yet. We have a bunch of refineries that are underutilized in Europe and the US."

Rustin Edwards, Head, Fuel Oil Procurement, Euronav NV
"We're seeing that there is some good demand that's out there in the market. Do I think the market is getting a bit ahead of itself with all the other positive news? I honestly do think it's going down that route. There has been almost a $4/bl move over the last three days based on nothing else really changing in the market."

Laury Haytayan, MENA Director, Natural Resource Governance Institute
"ADNOC's $122bn approved CAPEX plan for the next five years is an indication of where we are going. We are heading into an environment with more competition. OPEC+ cuts will not continue as low-cost producers will not accept having to curb production."

Peter McGuire, Chief Executive Officer, XM Australia
"It's a celebration everywhere. We have Christmas carols singing, you name it. November has been extraordinary for the market. We had five major breakthroughs: we have a vaccine, a new US president, equities are to the moon, we have crude oil nearly 30% up, and USD continues to be sold off. If you haven't made a dollar in November, then give the game away."

Daniel Colover, Market Engagement Manager, Middle East, S&P Global Platts
"There is an expectation that OPEC+ will rollover the current quotas. The more they rollover the quotas, prices may touch $50/bl which will mean less pain. But, there are cracks appearing. It's not just the UAE. People aren't looking at Russia; Kuwait is hurting, and Iraq is hurting as well."

Tony Quinn (Singapore), Operating Partner, Prostar Capital & CEO, Tankbank International
"If you rely on contango and backwardation for storage then you are not in the right game. It's all about strategic movement of product, product that goes to an end-user, and shipping product into bunkering. It's not about hanging in there to see if the price changes."

GI Consultancy Intelligence Publishing

ENERGY MARKETS FORUM 2020
NEW SILK ROAD LIVE

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TOP 10

NOVEMBER 22nd - 26th

MARKET OBSERVATIONS FOR THE WEEK

1. The scale of oil demand destruction caused by winter Covid-19 lockdowns in Europe and the US remains elusive, and markets are happy to creep higher in the void.

2. Oil markets ignore any noise of internal strife within OPEC+ – meanwhile Bloomberg News hasn't been asked to issue a correction on reporting... who will end up with egg on their face?

3. The US economy is likely to contract in Q4 over Q3 as 22 states are now under some form of Covid-19 restrictions and curfews.

4. Oil traders are looking further out the curve i.e. second half of 2021, as it will give the market time to rise on the positive sentiment from the arrival of the vaccine.

5. Jet fuel is starting to garner a lot of attention to identify whether sentiment is shifting to positive optimistic outlook – still mixed signals.

6. China, China, China, it's still all about Asian oil demand and China, with pre-China New Year buying.

7. In the longer term, OPEC+ should adopt a more aggressive posture for securing market share, but they should probably resist that impulse in Q1.

8. All boats are now rising across all financial asset classes, so the sentiment has shifted to the upside with heavy buying expected during the dips.

9. Market recovery is likely to strengthen the hand of OPEC+ members who want to stick with the current plan to raise oil output from January - they have a point!

10. Russia and Saudi Arabia could find more reasons to bolster their OPEC+ partnership under a Biden Administration than Trump.

ENERGY MARKETS VIEWS YOU CAN USE

Tobias Adrian
Financial Counsellor & Director
Monetary and Capital Markets Department
International Monetary Fund

"Low for Long" and Risk-Taking

The coronavirus disease (Covid-19) pandemic is causing an unprecedented worldwide economic contraction, leading central banks to reduce interest rates to historically low levels and making unconventional monetary policies – including "low for long" interest rates and asset purchases – increasingly common. Arguably, however, the policies implemented are efficient because they encourage increased risk-taking, and they may have, if unintentionally, increased medium- and long-term macro-financial vulnerabilities.

Policymakers now face the challenge of charting a steady path toward economic renewal – envisioning ways to promote inclusive, sustainable growth in a post-pandemic society that needs to make up for lost time, lost jobs, and lost wealth. Monetary-policy decision makers must be equipped with plans that can help strengthen the post-pandemic economic recovery for the long term, avoiding the potential threats that might endanger a renewal of growth. The latter is particularly important as the underlying risks may keep building up, especially if accommodative policies remain in place for an extended period of time, that is, if "Low for Long" becomes the new normal.

Many central banks' policy frameworks now specify goals for inflation and real economic activity, as well as objectives for financial stability. A world where macroprudential policies could address all financial stability risks is imaginable, in theory: In such a world, monetary policy could—in principle—focus solely on inflation and real economic activity. In fact, the IMF has long argued that macroprudential tools are the first line of defense to ensure financial stability, and some countries have strived to develop macroprudential toolkits, often deploying them successfully to further financial stability. Despite these efforts, however, macroprudential policy often comes short, particularly with respect to market-based credit intermediation.

Political considerations, arising on account of the distributional implications of such policies, also have the propensity to overrule economic arguments. For these reasons, traditional macroprudential tools cannot address all risks to financial stability and a growing recognition of this fact has led policymakers to increasingly seek frameworks that speak to the buildup of macro-financial vulnerabilities. ■

** Click on Headline for full IMF Report*

Omar Najia
Global Head, Derivatives, BB Energy

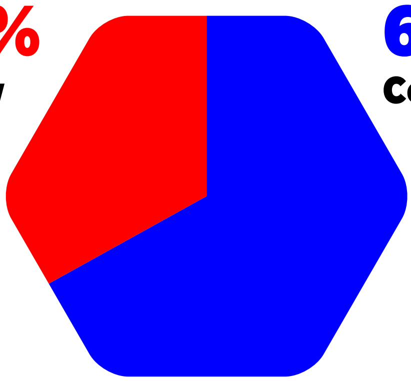
Do you expect the current upward trajectory in the market to continue?
We have been in a range of $35 to $50 for WTI since June and the market is now looking to break out of that. To do that, it needs belief, amidst the mixed signals of optimism around a vaccine and negative sentiment around lockdowns. The trend will probably be higher but for the next month or two, it's up for debate.

What signals will make the positive sentiment win?
If the market dips now, it gives time for sentiment to improve. What it's lacking is a spark. If we can get that and buyers come in and WTI can break the $43.78 level to the upside, then we're off. Until recently, we were looking at selling rallies. Now, it seems the market's going to shift to buying again. We need a bit of excitement – we need fresh money to enter and for people to take positions. So, either we break above $43.70 because everybody is short and we'll have to cover or we go below $40, in which case everybody who's long needs to cover.

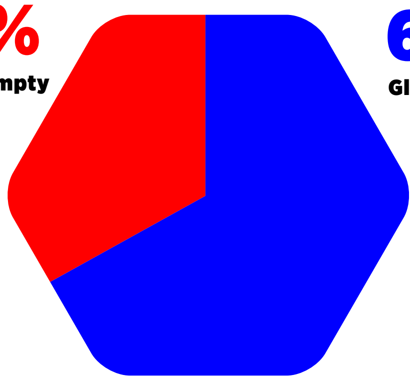
What's the expectation on what OPEC will do next week?
OPEC is the only question mark but it will probably do whatever is easiest and then the market will move on. The group is no longer what it was. It's now Saudi Arabia and a few of its close allies in the Gulf. ■

GIQ Weekly Surveys

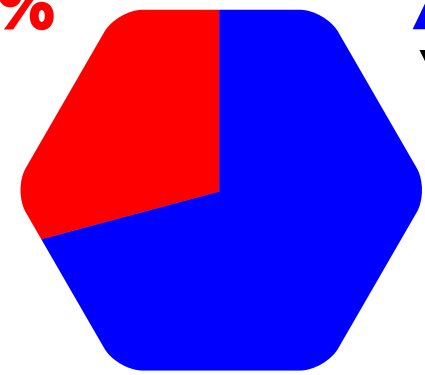
Toilet paper aisles are emptying again with panic buying as Covid-19 curfews and shutdowns hit 22 states from California to New York - Do you expect the US economy to contract or grow in Q4 over Q3?



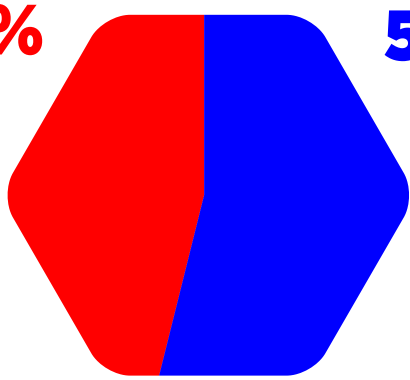
What is the oil market outlook sentiment going into the OPEC+ meeting?



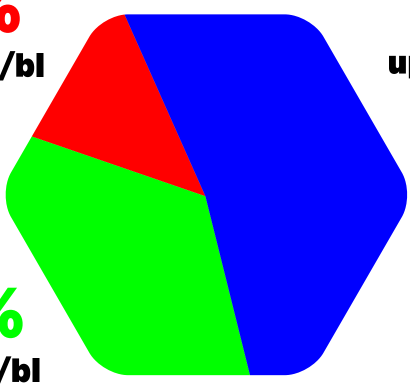
Will oil prices reach $50/bl by the end of the year if OPEC abandons plans for supply increase in January?



Will OPEC be Influenced by Market Recovery and Stick with Plans to Increase Supply?



How much would oil prices fall if OPEC+ decided to stick with plans to increase supply from January?



Source: GIQ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ENERGY MARKETS VIEWS YOU CAN USE

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

Countries Move to Reposition Themselves Ahead of a New US Administration?

We see fault lines emerging as countries move to reposition themselves in the light of the new US Administration - in particular countries which were really at odds with Trump, or the opposite, states who were jumping all out to be on Trump's side, but what both have in common are troubled economies.

Number one on the list would be Turkey's Mr. Erdogan, who is now placing phone calls to Saudi Arabia and to Russia and others who will listen, to reposition an over-extended global game. On the other hand, you have a country like the UAE with its recent criticism of OPEC, which needs to be understood in a context where everybody benefited from Trump's strong shadow over the region, but now with a new morning breaking in the US, it may pay to differentiate yourself from your immediate neighborhood.

But this goes all the way to places like Europe or Germany and the decision on the Nord Stream 2 sanctions is outstanding. Biden faces a choice – does he want to take up the fight with Russia and go down the road of risking conflict with imposing sanctions on German entities, or is it more important for him to smoothen relationships with NATO, the European Union and Germany? And I think it is the latter, in which case he would have to find a way of stopping this quite unruly US Congress from imposing further sanctions on companies engaged in the project.

So, these fault lines are emerging everywhere. Even with the big-ticket items of Russia, China and so on, where you have smaller countries which have aligned themselves with them, or have been antagonized by them, and now are under economic and political pressure to get back and adjust their position a little bit. ■

Fujairah Spotlight

Ecomar Expands Fujairah Refinery Capacity to 20,000 b/d, with Demand Climbing

Ecomar Energy Solutions has expanded production capacity at its refinery at Fujairah on the UAE's east coast to 20,000 b/d on the back of increased demand and improved margins since the first week of November. Ecomar plans to further expand capacity to 60,000 b/d by the beginning of 2022, when low sulfur fuel oil may be added to the product list. The refinery currently produces naphtha, kerosene, gasoil and residual fuel, and also has floating storage off Fujairah for oil products. Storage capacity inland remains 130,000 cu m (1.09mn bl).

Source: S&P Global PLatts

Annual Production of Fish Farms in Dibba Fujairah Totals 2,000 Tonnes

The total annual production of Dibba Fujairah's three fish farms amounted to some 2,000 tonnes, representing one of the key solutions to the challenges related to maintaining fish reserves. Fish farming aims to ensure the sustainability of fisheries and strengthen food security, through maintaining natural reserves that stimulate the habitats of fish species. Prioritising fish farming and coral farming, installing 200 man-made cairns in the sea, and transporting corals from vulnerable areas and farming them in protected areas are important.

Source: Zawya

Uniper Energy Dubai & Neutral Fuels Join Forces to Deliver Maritime Biofuel in Fujairah

Uniper Energy DMCC (UED) and Neutral Fuels have announced that they will collaborate to provide maritime biofuel in Fujairah, UAE. Both leaders in their fields, UED supplies very low sulfur fuel oil (VLSFO), and Neutral Fuels, winner of the ADIPEC 2020 Company of the Year Award in the Solutions to Climate Change category, pioneered the commercial viability of net zero biofuels to replace fossil fuels. The two companies will blend UED's VLSFO and Neutral Fuels biofuel, creating a maritime fuel that meets the International Maritime Organization (IMO) standard under their ISO8217:2010 RMG380 specification, thereby cutting emissions of carbon dioxide. Limiting sulfur in shipping fuels to 0.5% as mandated by the IMO reduces a significant source of atmospheric pollution, while cutting carbon emissions enables the maritime industry to become part of the solution to climate change rather than remaining part of the problem.

Source: Zawya

Covid-19: Camping is Now Banned in Fujairah

The Emergency Crisis and Disaster Team in Fujairah issued a decision to ban the establishment of camps of all types of camping; including tents, caravans and others cross the emirate over the winter, as part of precautionary measures and preventive measures, in light of the continuing COVID-19 pandemic.

Source: Gulf News

ENERGY MARKETS VIEWS YOU CAN USE

Mike Muller,
Head of Vitol Asia

Can China Accommodate 20% Rise in 2021 Oil Import Quotas?

The question is how much of the new Chinese refining capacity will be offset by closures in the independent sector, also known as the Teapots. But 20% is a big, big increase, and there is a view that this is going to have to lead to higher products increases because it cannot all go into stock. A 20% demand increase is surely not possible in an economy which is on a trajectory of perhaps, looking at the latest economic data from China, 5.5% maybe 6% growth next year. It remains to be seen, as that number needs a lot more meat around it as we get the official numbers coming through into next year.

Impact from Second Wave of COVID Lockdowns on Demand?

We now have the benefit of hindsight of another week's worth of mobility data, and whilst it does vary country by country, I think we can now rule out those scenarios where people were worried about many millions of barrels a day of impact from the second-wave of COVID lockdowns. So, what I am referring to here is things like driving statistics in countries like the UK where it is nothing like as bad as perhaps one might have predicted just two or three weeks back. In the US, while we have seen a steady increase in second-wave COVID restrictions, for example a week ago we had Oregon and now we also have California, it is largely in the hospitality sector where these things are hitting hard and that sector had never recovered at all anyway - the point I'm trying to make is that the impact on demand on this occasion has got to be less dramatic than last time.

Can Oil Markets Break Higher after 3-Weeks of Increases?

We are at the top end of the price action since that fateful early March falling apart of the oil producers, and market actors will need a good excuse to see things move higher from here. A lot of traditional investors that contribute towards Open Interest - the total number of outstanding derivative contracts -- are sitting on the sidelines because it's just been a risk-off market, which has either been too volatile or not sufficiently attractive. But what you need to send the market higher is more interest on the Buy side -- will that come from consumers like airlines? I think, with the exception of EasyJet, we are seeing very little action there. Therefore, it is about speculative money moving into energy as an asset class, and oil in particular, on the long side that will not exit for a while. Investors tend to only do that when they see backwardation, otherwise, the Contango eats up your money with the negative yields monthly. I do not see anything concrete to give me hope that the market is poised to go to $50 plus. OPEC+ are the ones that are going to have to do it as that is the single biggest lever on the fundamentals side. ■

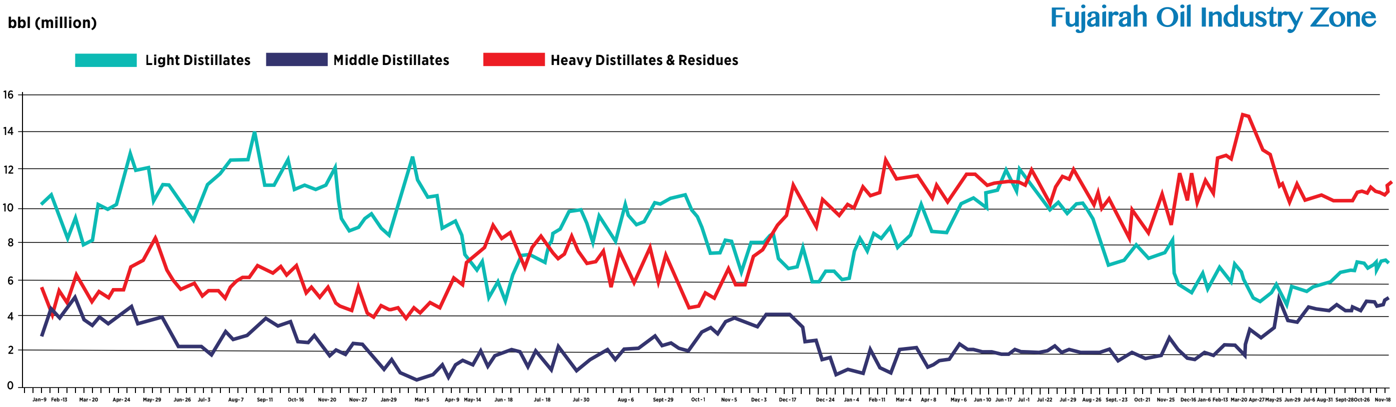
Fujairah Weekly Fact Box

Fujairah Fort, reputedly 360 years old, stands on a slight incline at the edge of date gardens in Fujairah city. These forts are often identified as Portuguese but many were older in construction.

Source: Fujairah Government (Fujairah.ae)

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 20.124mn barrels, holding above the 20mn barrel level for the second consecutive week. Total stocks fell by 312,000 barrels, or 1.5% week-on-week, with builds in light and middle distillates seen while heavy residues saw a further draw down in their levels.**
- **Stocks of light distillates saw a build of 385,000 barrels, or 6.1% week-on-week to stand at 6.692mn barrels. Overall the gasoline market East of Suez remained under pressure, as more spot supply was seen from regional refiners. In addition to the rising supplies was bearish sentiment from the US which has seen a build in gasoline stocks as mobility in the country has fallen, as a resurgence of Covid-19 cases is leading to partial shutdowns and decreasing people's desire to travel.**
- **Stocks of middle distillates rose by 198,000 barrels, to 6.161mn barrels – up by 3.3% on the week. Gasoil remained a product seeing support with firmer demand from countries across the region propping up values for the transportation and industrial fuel. The uptick in demand comes as lower run rates at refiners led to a continued crimping of supply. S&P Global Platts Analytics said world refinery outages remained elevated in the week ending Nov. 20, with overall downtime expected to have decreased slightly to 16.8mn b/d from around 16.9mn b/d in the week ending Nov. 13, even as demand has been gradually on the rise.**
- **Stocks of heavy residues fell for the fifth consecutive week, dropping by 895,000 barrels, or 11% on the week to stand at 7.271mn barrels, their lowest level since the end of 2018. In Fujairah sellers lamented lower demand levels, as an uptick in flat price for crude in recent days had elevated levels for bunker fuel globally. Fujairah-delivered Marine Fuel 0.5%S bunker was assessed at $370/mt November 24, reflecting a rise of $10/mt week on week, with bunkers at the port assessed on Tuesday at a $5/mt discount to Singapore.**

Source: S&P Global Platts

Commodities

Oil prices gained for a fifth consecutive day yesterday. This represents the longest run of gains in six months. Brent futures rose 1.6%, to $48.61/bl, while WTI added 1.8%, to $45.71/bl. The upward momentum from the positive vaccine news in recent weeks was bolstered by oil market fundamentals yesterday, as EIA data showed that the US oil inventories declined by 754,000 bbl last week, confounding expectations that they would rise. Iraq has continued to voice its concerns with ongoing OPEC+ production curbs. The country is enduring acute fiscal difficulties owing to the twin crises this year, and finance minister Ali Allawi has urged the producers' bloc to not adopt a 'one size fits all' approach to any agreement. Iraq has extended the deadline for bids for its pre-paid oil deal until the end of the year, in an indication of just how severe the country's shortage of cash has become.

FX

Intraday movement amongst major currencies was fairly tame once again on Wednesday. The DXY index recorded further losses and dipped below the 92 handle at 92.920, edging close to its yearly low in September of 91.746. A break below this level would take the USD to its lowest point since April 2018. The EUR and GBP earned moderate gains to reach 1.1925 and 1.3390 respectively whilst the NZD was once again the best performing G10 currency, advancing just beyond the 0.7 mark.

Equities

Equity markets were a little more muted yesterday, as the reality of the current economic difficulties returned to the fore, dampening some of the vaccine-related optimism of recent weeks. In the US, weak labour market data saw both the S&P 500 (-0.2%) and the Dow Jones (-0.6%) close lower. As has often been the case this year however, the tech-heavy NASDAQ reacted in a contrarian fashion, closing 0.5% higher. In the UK, words of warning from the Chancellor of the Exchequer as he delivered his spending review, combined with news regarding lockdowns in England, weighed on the FTSE 100 which closed down -0.6%.

Source: Emirates NBD

GI Consultancy Intelligence Publishing

ENERGY MARKET NEWS

RECOMMENDED READING

1. OIL RALLY BOOSTED BY SURPRISE FALL IN US STOCKS
2. RUSSIA AND SAUDI ARABIA POWER RISKS OPEC+ BREAK-UP
3. EIA: US CRUDE STOCKPILES FALL UNEXPECTEDLY, GASOLINE BUILDS
4. WORLD'S BIGGEST TRADE DEAL SIGNED – AND DOESN'T INCLUDE US
5. PRICE PLAY: MIDEAST OIL GAINS INDIAN MARKET SHARE OVER AFRICAN GRADES
6. MINE EXPLODES, DAMAGING OIL TANKER OFF SAUDI ARABIA
7. ASIAN SHARES ADVANCE AS VACCINE, RECOVERY HOPES TRIUMPH SOFT US DATA
8. EMIRATES BOSS SEES FULL A380 FLEET RETURNING TO SKIES IN EARLY 2022
9. JOBLESS AID FOR NEARLY 14MN AMERICANS TO EXPIRE THE DAY AFTER CHRISTMAS
10. CHINA CLAIMS 'QUALITY' PROBLEM WITH AUSTRALIAN COAL AS $700MN WORTH SITS IDLE OFF PORTS

RECOMMENDED VIDEOS & REPORT

- OIL DEMAND WON'T RECOVER TO PRE-COVID LEVELS UNTIL 2022
- THE NEW NORMAL: A 'JOLLY CAREFUL' CHRISTMAS
- FED WEIGHED ADJUSTING BOND PURCHASES TO PROVIDE MORE HELP TO ECONOMY 'FAIRLY SOON'
- IMF: "LOW FOR LONG" AND RISK-TAKING

SPC Approves ADNOC's $122bn CAPEX Plan for 2021-2025

"Following the SPC's approval of ADNOC's CAPEX, we are well positioned to continue driving long-term and sustainable value for the UAE while creating opportunities for local businesses and private sector jobs for Emiratis through our in-country value target. The increase in the UAE's conventional oil reserves sends a strong signal that ADNOC is leaving no stone unturned in unlocking value from our abundant hydrocarbon resources."

H.E. Dr. Sultan Ahmed Al Jaber
UAE Minister of Industry and Advanced Technology
and Group CEO of the Abu Dhabi National Oil Company (ADNOC)

Source: ADNOC

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