NOVEMBER 5th 2020
VOL. 52

Fujairah New Silk Road WEEKLY NEWSLETTER

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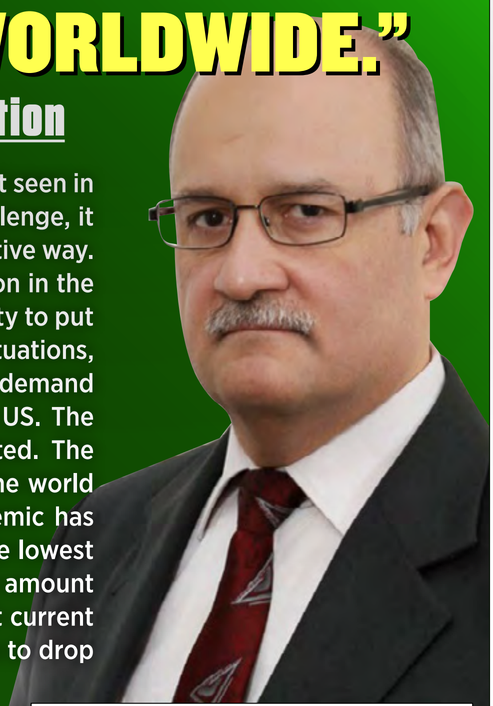
AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

"THE PANDEMIC HAS RESHUFFLED THE CARDS IN THE INDUSTRY WORLDWIDE."



Hatem Al-Mosa, CEO, Sharjah National Oil Corporation

What the oil and gas sector has gone through this year is something I have not seen in my career and it is no surprise that the sector has reacted. Faced with a challenge, it has taken the right steps to survive and hopefully turn things around in a positive way. The Covid-19 pandemic caused huge demand destruction and a big disruption in the oil and gas industry worldwide. It reshuffled the cards and gave an opportunity to put things back in order. We've always gone through cycles of big oil price fluctuations, but what has steadily happened in the last 10 years has been continuous demand reduction for conventional oil and a significant increase of shale oil in the US. The main reason has been OPEC's policy of keeping prices steady and elevated. The unintentional result has been the US becoming the largest oil producer in the world and OPEC losing a significant chunk of its production. The Covid-19 pandemic has now turned this around and opened the opportunity in the market where the lowest cost producer can gain the largest share. The US is still producing a significant amount of oil despite a reduction in rig count from 800 to about 250 this year but at current prices, shale oil is not coming back to previous numbers. And it will continue to drop because without drilling, production cannot be maintained. OPEC should be able to recover its market share back much sooner than shale.

CONTINUED ON PAGE 3

Fujairah Weekly Oil Inventory Data

5,303,000 bbl	5,447,000 bbl	9,493,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues



Source: FEDCom & S&P Global Platts

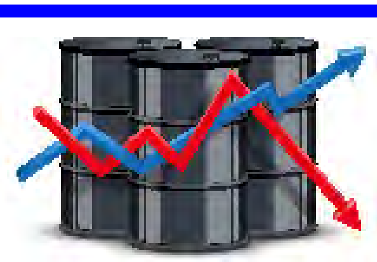
Fujairah Average Oil Tank Storage Leasing Rates*

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

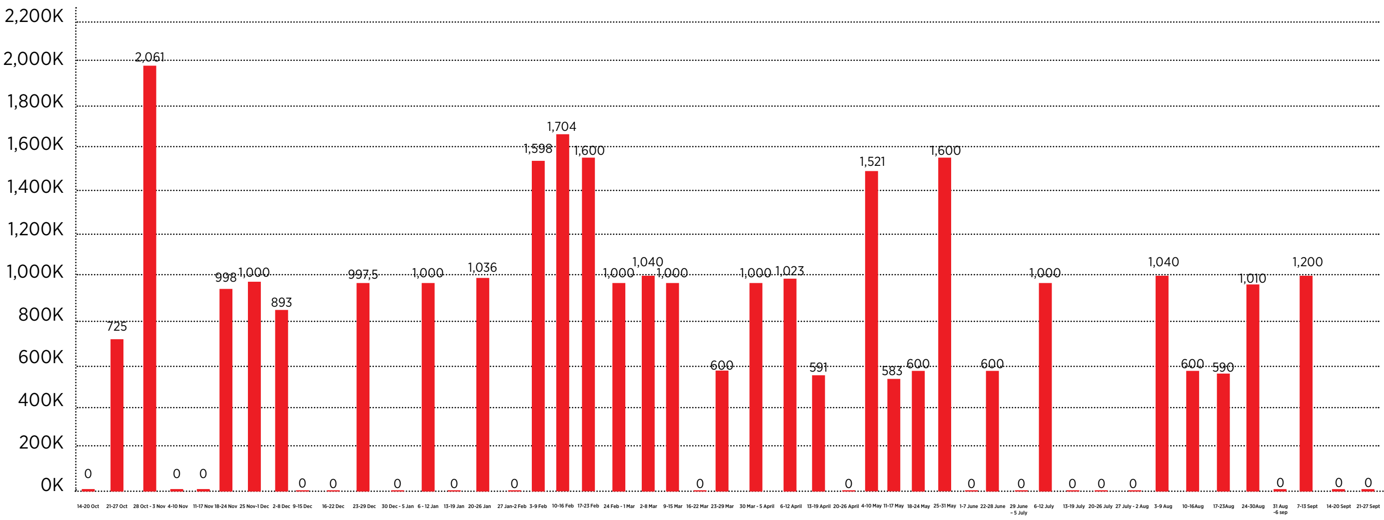


Weekly Average Oil Prices

Brent Crude:	$39.30/bl
WTI Crude:	$37.45/bl
DME Oman:	$39.50/bl
Murban:	$39.39/bl

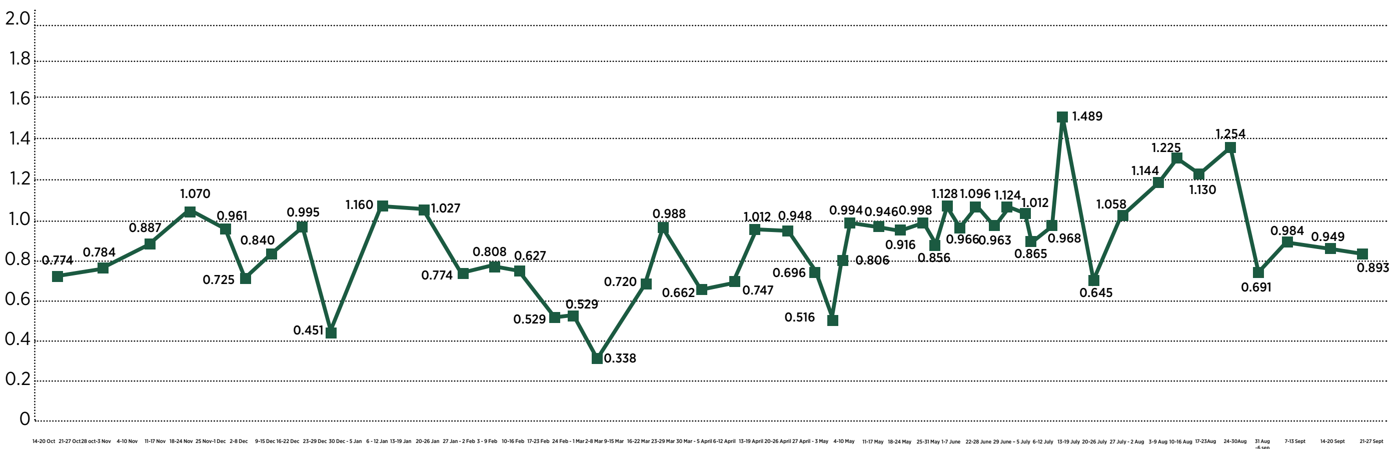
Time Period: Week 1, November 2020
Source: IEA, OilPrice.com, GI Research

Weekly Imports of Heavy Sweet Crude into Fujairah



Source: Kpler

Total Refined Product Exports from the GCC to Asia-Pacific



Source: Kpler

CONTINUED FROM PAGE 1

"WHEN DEMAND DOES COME BACK AFTER COVID-19, YOU'RE NOT GOING TO BE ABLE TO PRODUCE FOR THE DEMAND REQUIRED."

GIQ: Will low cost producers return to a purposeful market share strategy?

Hatem Al-Mosa: It all depends whether the decision is driven by economic or political reasons. What happened in March was bad because it caused huge market instability. OPEC's role should be to achieve the opposite. I'm glad to see that the group has quickly recovered from the price war and gone back to stabilizing the market. Low-cost producers should be taking the largest market share as long as they achieve a price that is high enough to give maximum profitability, but low enough to prevent competition from coming online too early. That's what OPEC is doing right now - a price range between $35/bl - $45/bl can achieve that and should be targeted for the next 12 months or so until Covid-19 is behind us.

GIQ: What's the current climate for investment in the sector?

Hatem Al-Mosa: This is a tough time for the oil industry. Revenues are down significantly for NOCs and IOCs, but companies still need to cover their operating and capital costs. NOCs, will lower production costs, can still make money but much of this profit goes to funding government budgets. Alternate funds for investment will have to come from curtailing capital costs or borrowing money. The problem is that the banks are more reluctant to invest in oil and gas today and under shareholder pressure to fund cleaner energy projects.

GIQ: What is the consequence of this scale of Capex reduction?

Hatem Al-Mosa: Eventually, it will be a shortage of oil and gas supply. When demand does come back after Covid-19, you're not going to be able to produce for the demand required. The only savior at that time will be shale oil because you can drill and produce within months instead of a two-year timeline for conventional oil projects. The short-term impact is going to be a spike in oil prices for a while until the oil sector recovers and catches up.

GIQ: Is the Capex reduction an opportunity to accelerate the low-cost producer strategy?

Hatem Al-Mosa: At the moment, there is about 5mn b/d to 7mn b/d of available capacity that's not being produced. However, there's still about 10mn b/d of demand destruction. When demand comes back, OPEC will fully open the taps, but it will still not meet the demand.

GIQ: Will OPEC consider even deeper output cuts for 2021?

Hatem Al-Mosa: They might but OPEC is not that fast at taking decisions. Three months ago, they decided they would put 2mn b/d on the market in January. That decision impacted the market immediately, even though none of that production has come online yet. They should delay the production increase by a month, but probably not by more than that. Eventually, I think they will get back all the 6mn bd they have cut, by the end of next year.

GIQ: Will OPEC members continue to comply to their production cut volumes?

Hatem Al-Mosa: A premature increase in production is bad for everybody. If you produce 10% more but lose 20% in the price, you achieve nothing. The best thing is for OPEC members to continue to adhere to their share and it will not be long before they start recovering.

GIQ: What is your outlook for oil majors' contribution to the energy transition?

Hatem Al-Mosa: What the oil majors are doing in the energy transition is mainly for survival; survival of the companies, not of the industry. The vast majority of their income will still come from oil and gas and not from renewables. It's good that they're doing their small share in renewables, but at the end of the day, the big transition to renewables is going to come from the power industry, government initiatives and the public. Oil and gas companies can show their commitment of responsibility towards the health of our planet by supporting renewables while simultaneously producing fossil fuels. Their business is to produce oil and gas in the most efficient way and with the least impact on the environment. We don't burn our products. We don't cause huge emissions to the environment as oil and gas companies. It is everybody else that buys our products that does that.

WATCH FULL INTERVIEW HERE

ENERGY MARKETS COMMENTARY WEEK IN REVIEW

CLICK HERE TO LISTEN

GIQ EXCLUSIVE SOUNDINGS

WEEK IN REVIEW:

Energy Markets Brace for a US Election Unlike any Other

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.

- Peter McGuire, Chief Executive Officer, XM Australia
- Omar Najia, Global Head, Derivatives BB Energy
- Andrei Belyi, PhD Professor, Founder & CEO, Balesene OÜ
- Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence
- Matt Stanley, Director, Star Fuels
- Dan Graeber, Author, The GERM Report
- Robin Mills, Chief Executive Officer, Qamar Energy
- Christof Rühl, Senior Research Scholar, Center on Global Energy Policy, Columbia University

Peter McGuire, Chief Executive Officer, XM Australia
"If Biden comes into power, then I think that changes a little bit of the framework across Asia and certainly with negotiations with China. If Trump remains in power, then it might be pedal to the metal. We don't know what he is capable of. That's the unknown that presents itself."

Omar Najia, Global Head, Derivatives BB Energy
"I don't think the fat lady has sung yet, but it's getting close. The bottom line is that you have seen how divided the US is right down the middle. There was this idea of a blue wave and that Trump is an aberration. We find that this is not the case. Trump is at least 50% of America."

Andrei Belyi, PhD Professor, Founder & CEO, Balesene OÜ
"The whole world is watching the US elections. It's very likely that Biden becomes the next president. Many people are wondering what's going to happen next. Will tensions between the US and Russia further increase? I would say that I wouldn't be too optimistic."

Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence
"There's not a definitive winner and we might not know until Friday, which is the problem. I was hoping that we would get a definitive answer. As far as markets are concerned, this is just noise. The most significant headline is that OPEC and Russia are studying deeper oil cuts."

Matt Stanley, Director, Star Fuels
"The US election is creating a lot of noise and distraction, but fundamentals don't lie. There is still too much oil and a lot that is scheduled to come back online. China is going to be key going into Q1, 2021. China's Hengli refinery just increased its crude oil storage capacity to 43mn bls, in one tank farm. it's unbelievable!"

Dan Graeber, Author, The GERM Report
"Demand is still the big elephant in the room. It is still the big problem for the market and fundamentals are driving it."

Robin Mills, Chief Executive Officer, Qamar Energy
"It is quite a worrying scenario if the US election results are substantially delayed...If Trump wins at all, then it is going to be very narrow. That is the situation where there will be significant uncertainty."

Christof Rühl, Senior Research Scholar, Center on Global Energy Policy, Columbia University
"We have pointed out several times in the past that shortly before the US elections, there would be an enormous boost to US GDP. At a time when it looked like Biden and Trump would run neck-n-neck, that would of course be very important. Numbers were announced last week, and it was a substantial bounce in GDP."

ENERGY MARKETS FORUM 2020
NEW SILK ROAD LIVE

GI Consultancy Intelligence Publishing

TOP 10

NOVEMBER 1st - 5th

MARKET OBSERVATIONS FOR THE WEEK

1. Biden looks set to be the next US President, we think. . .

2. US record Q3 GDP hike reaffirms the power of stimulus and indicates that whoever wins the election is likely to deliver a bazooka of equal measure, if not larger.

3. OPEC+ may have to not only abandon plans to raise output, but may also need to look at returning to deeper cuts as Covid-19 second-wave may once again cause significant demand erosion in Europe.

4. European economies heading back into contraction in Q4 as lockdowns bite, with focus now turning to the scale of the demand destruction it will cause?

5. Oil prices are testing 5-month lows, but perhaps still not yet low enough to attract Financial Market Participants (fund managers etc.) back in to take up long positions.

6. OPEC should target \$35/bl-\$45/bl price range over the next 12 months as it is healthy enough to give you the maximum profitability, but low enough to prevent competition from coming online too early.

7. The consequence of the deep cap-ex cuts we are seeing is eventually there will be a shortage of oil and gas supply and a spike in prices, because you're not going to be able to allocate enough money to deliver new production.

8. China oil storage capacity keeps surprising on the upside and sends bullish demand signals for Q1.

9. Russian oil companies may resist moves by OPEC+ to reverse plans for production increases in January.

10. Big question emerging for traders who were waiting for markets to test Q2 lows before putting on Long positions - at some point you have to stop waiting as all attempts have failed thus far.

ENERGY MARKETS VIEWS YOU CAN USE

Ibrahim Al-Buainain
President & CEO, Aramco Trading

Outlook for OPEC+ plan to add 2mn b/d of production in January 2021?

It all hinges on how the global economy will open back up. There are a lot of demand issues that I believe OPEC will take into consideration. You see that refiners are cutting their throughput. That is a good indication that the market is not there. Any increase will not help prices, or what they call diminishing returns. Any further push will decrease prices. They have to look at supply and demand. Inventories are another factor they will have to consider. We have seen there has been drawing of a lot of inventory, but it is driven by other factors, like hurricanes. But again, if we see refining runs reduced, then we have an issue with demand.

Impact of Second Wave of Lockdowns?

With the initial lockdown period, people had no idea how to manage or react to the pandemic. They know more now. As time passes, people have a better understanding of Covid-19 and how to keep themselves safe. Social distancing precautions have been put into place, for example. Now, the question is what will happen today, next week, or the following week, as we see the scary numbers coming from Europe? The numbers are coming back to the levels that we saw in March and April. If we see the same behavior as we did, it will take maybe two months to see a slower rate of infection. If this continues in Europe, then the travel and aviation businesses will be hit. Consequently, jet fuel demand will be very weak. Mobility of people will be less, so diesel and gasoline will be impacted.

Outlook for Asia's Recovery?

People are more disciplined in Asia in terms of obeying and sticking to the rules. In countries like Japan, Korea, and Singapore the numbers are very controlled. The numbers in China seem to show that life is getting back to normal. Connectivity is back to normal. China's elevated oil demand is likely to hold through Q4 and into 2021. They have built up their storage capacity, and China's economy is growing. In China, the government regulates domestic fuel prices, and with low oil prices, the domestic price of gasoline and diesel in China are very attractive for local refineries to produce high throughputs. ■

Dr. Carole Nakhle
Chief Executive Officer, Crystol Energy

Can we quantify demand destruction during this second Covid wave?

Earlier this year, we had disparities between forecasting agencies but today they seem to be better aligned as they have a better understanding of where demand is headed. Still, it's not a static market and there are many opposing forces at play. The pandemic's impact on transport and mobility is one and of course we have the US elections. Once we know the result of that, we could see fiscal stimulus come back, which would support the US economy and therefore oil demand.

Is OPEC giving any clearer signals on production plans for 2021?

OPEC+ producers definitely have a tougher ride ahead in the coming months. They are continuing to use a very sensible wait and see approach with several variables to consider. Recent optimism on Libyan crude's comeback for example should be tempered because we know from previous experience that it may not sustain. There are also the unknowns of US policy implications on Iran and Venezuela with regards to sanctions. So, all in all, it's difficult to come up with a clear estimate of the direction of demand for the year ahead. Even with a relative recovery, which is generally now expected, it's anyone's guess whether it will be steep or rather flat. ■

ENERGY MARKET NEWS

RECOMMENDED READING

1. OIL DOWN 1% AS US DOLLAR FIRMS ON BETS OF SPLIT WHITE HOUSE, SENATE
2. OPEC PRESIDENT SAYS SAUDIS, RUSSIA PUSH TO DELAY SUPPLY HIKE
3. COVID19- SURGE THROWS OIL RECOVERY INTO REVERSE
4. US FORMALLY EXITS GLOBAL CLIMATE PACT AMID ELECTION UNCERTAINTY
5. ASIA SHARES NEAR 3-YEAR HIGH; BONDS HOLD GAINS ON US GRIDLOCK BETS
6. US CRUDE OIL INVENTORIES DECREASE BY 8MN BARRELS
7. FUEL OIL OUTSHINES OTHER REFINED PRODUCTS IN ASIA ON TIGHT SUPPLY, DEMAND RECOVERY
8. DUBAI BUDGET CARRIER FLYDUBAI TO START DOUBLE DAILY SERVICE TO TEL AVIV
9. CHINA SLAMS US FOR SENDING OUT WRONG SIGNALS TO TAIWAN ON POTENTIAL DRONE SALE
10. ENGLAND LOCKS BACK DOWN, ITALY PUTS REGIONS ON RED ALERT AS COVID-19 DEATHS SPIKE 43% IN EUROPE

RECOMMENDED VIDEOS & REPORTS

- PEAK OIL DEMAND MAY BE IMMINENT, BUT PEAK GAS IS STILL DECADES AWAY!
- CIRCULAR CARBON ECONOMIES MUST BE NEXT!
- ACROSS AMERICA, NEWSPAPER FRONT PAGES REFLECT A HISTORY STILL BEING WRITTEN
- BEIJING JUST YANKED ANT GROUP'S IPO TO SHOW JACK MA WHO'S REALLY IN CHARGE

Saudi Arabia Q3, 2020 – Budget Statement

Government revenue totaled SR216bn in Q3 2020, up 4%, or SR8bn, year-on-year. Whilst oil revenue declined, non-oil revenue rose sharply.

Another sizable dividend by Aramco helped push government oil revenue to SR93bn during the quarter, but still equivalent to a 30% decline year-on-year, with oil prices showing similar falls over the same period. Looking ahead, we expect government oil revenue to total around SR450bn for full year 2020, up from SR317bn year-to-Q3.

Deferred taxes from Q2 that were received in Q3 and higher revenue from a hike in VAT helped boost non-oil revenue by 63%, or SR48bn, year-on-year. Non-oil revenue was also helped by a SR22bn (or 87%) year-on-year rise in the 'Other Revenue' segment. We believe this likely relates to what the recently released preliminary budget referred to as the 'collection of exceptional profits from investment'.

Government expenses rose 7% year-on-year in Q3 2020 to SR256bn. Part of the rise was related to the roll-out of fiscal measures to support the private sector and citizens against the economic fallout related to Covid-19, with 'Subsidies', Grants' and 'Social Benefits' all registering yearly rises of 215, 74 and 26% respectively.

As was the case in Q2, there were a number of private placements during Q3, with around SR25bn of such issuances seen during the quarter, as public debt totaled SR848bn at the end of September.

A fiscal deficit of SR41bn during Q3 pushed the year-to-date deficit to SR184bn. The Ministry of Finance (MoF) recently announced that the fiscal deficit for full year 2020 will total SR298bn, meaning Q4 will see a sizable deficit of SR114bn.

Source: Jadwa Investment

ENERGY MARKETS VIEWS YOU CAN USE

Mike Muller
Head of Vitol Asia

Outlook for Global Oil Inventories?

Although we are seeing demand destruction unexpectedly from these lockdown measures, perhaps in the hundreds of thousands of barrels per day equivalent for Europe alone, the bigger overriding picture is still that the world is in a stock-drawing mode. We have seen substantial draws over the whole of September and the whole of October, at or in excess of 2mn b/d, which is in line with the OPEC+ objective to bring inventories back to a semblance of pre-virus conditions, and that's still on track. The drawing that happened in Q3 happened in places where we do not see them as they were not necessarily in OECD transparently monitored shore-based tanks, but in ships and Non-OECD states. I expect that trend to continue, with the virus simply stemming that net-draw of 2 mbpd to a smaller number until mobility goes back up again.

Outlook for Asian Refiners?

Asia's refiners, despite the fact that many large economies like India have allowed the virus to run and restore the economy again, have stopped buying too much crude and are trying to tune their output to the products demand they're seeing. So that now we have seen a swing from a products-build to products being more stable, and therefore a semblance of slightly better margins. It comes back to who is on the sidelines and who is actually participating in the market -- the only people looking to hedge and lock things in are refiners, but the numbers still aren't quite good enough for them to do so because they'd be locking in numbers that hardly cover their OpEx and therefore don't give the investors any return.

Outlook for US Oil Rig Count?

I think the rig count just simply needs to go up to replace uncompleted wells and for that base load of low-cost shale oil territory. It is still off a low base and the numbers are not dramatic. Of course, it does not make for good reading in OPEC circles if the rig counts in the U.S. are going up. But these new wells are only going to partially stem the production decline that results from WTI being around $35 a barrel, and that is too low. U.S. production is not going to bounce because we are seeing the rig count going up. ■

Adi Imsirovic
Senior Research Fellow, The Oxford Institute for Energy Studies

What's your outlook for price direction?

If we look at the macro picture and flat price, it is not positive. We have been in and around $40 on Brent and the forward curve is only just crossing $50 bl - that's not very much for producers. By contrast, the front end of the market is looking great. Urals is flying off the shelves and high sulfur fuel oil cracks are looking fantastic - there's clearly a lack of heavy, high sulfur oil. Dubai spreads are almost in the teens. Even sweet grades like West African crude have cleared up very well, on the back of Indian as well as Chinese demand.

Where is the fundamental support in the market?

It really is a tale of two regions. China is taking advantage of good margins and buying for next year, even if this means having a few cargoes in floating storage. But unlike the positive picture in Asia, in the US for example, lower shale production has not lent much support to WTI as would have been expected. The hope was that the US would also start importing more oil, but the numbers are not showing that. It's going to be a very slow process back to real demand west of Suez. Some of the smaller and simpler refineries in Europe are either not running or actually closing down. Only Asian refineries are making money, particularly the ones that are integrated with petrochemicals. ■

CI Consultancy Intelligence Publishing

ENERGY MARKETS VIEWS YOU CAN USE

Vandana Hari
Founder & CEO, Vanda Insights

Is OPEC giving any clearer signals on output plans for January?
OPEC has been the only element of certainty in the markets since April, keeping the market tightly balanced. In recent weeks however, it has almost become the wild card. It is now keeping the market guessing as to whether it may actually increase cuts beyond what was previously agreed for January.

Should the group be more proactive given the weak winter demand outlook?
It would probably be wise for them to wait at least until after the US election. In the very immediate term, the market has factored in a Biden win as bearish, with speculation that close 100mn barrels of Iranian crude and condensate inventory could start flowing immediately. Libyan production has also now hit 800,000 b/d with the national oil company saying it expects 1.3mn b/d by early 2021.

How critical is Asia in keeping prices supported?
Overall, the picture in Asia is one of steady economic recovery and stability. We are not even seeing pockets of virus outbreaks anymore. India appears to have turned the corner on its Covid peak with oil demand back on track during September and October. The question for the global oil markets is to what extent the Asian recovery will be able to offset shrinking demand in Europe and a small decline to flatlining of demand in the US - it'll take us a few more weeks to be able to answer that question confidently. In Europe, we could see anywhere between 1 or 2mn b/d of demand destruction in November and December compared with Q3. ■

Paul Hickin
Director, EMEA Oil, S&P Global Platts

Do you expect oil markets to move much as we await US election results?
It's very much a wait and see scenario. The market will feel better once we get some clarity. Beyond this week, demand amidst renewed European lockdowns is the big elephant in the room and a big problem for the market. If we look at the current data fundamentals of mobility in Europe – a proxy for oil demand - road use in the major cities is already down, at 20% compared to just 6% down back in October. And it will get worse before it gets better. There's also the extra complication of Libyan crude which has reached 800,000 b/d – much sooner and much higher than the 600,000 to 700,000 b/d that analysts were expecting to see not until year end.

How severe will the impact on demand be from this second wave?
The market has been expecting that a second wave should be less detrimental on demand but there is a new danger this time around – fatigue and less adherence to lockdown rules in general. If that happens, we could see an extension of restrictions and therefore more demand weakness, and that is a concern.

Is Asian demand the only silver lining for oil?
Two things have kept oil prices around the $35-$40 range – the OPEC+ deal and China buying. Having said that, China seems to have ended its growth spurt and S&P Global Platts Analytics forecasts a flatter period going forward. That could be a big question for the market and for OPEC+ so it can't rest on its laurels going into its meeting at the end of the month. It may also lead to pressure on some members within the group, such as Iraq, to deliver more successfully on compliance. ■

GI Consultancy Intelligence Publishing

Fujairah Spotlight

Flag Day Highlights Solidarity, Compassion of Emirati People: Fujairah Ruler

H.H. Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, highlighted the importance of celebrating "Flag Day," which is a national occasion that reflects the solidarity and compassion of the Emirati people. It is also an opportunity to express feelings of love and loyalty towards the UAE's Founder, the late Sheikh Zayed bin Sultan Al Nahyan, Sheikh Hamad added.

Source: Emarati News

Sharjah, Fujairah See 'Unprecedented' Development Over the Decade

UAE's eastern region has witnessed unprecedented development over the past ten years, benefitting from federal and local support packages related to roads, infrastructure, housing, education and health, in addition to considerable investment in the energy sector and a significant increase in hotels and resorts. The region covers the emirate of Fujairah and the cities of Kalba, Khor Fakkan and Dibba Al Hisn in Sharjah, has a favourable environment for many development projects, given its strategic location, unique nature and federal and local interest in improving its living standards.

Source: Bunkerspot

Fujairah Police Win Two Prestigious Awards in Fighting Crimes and Effective Policing

Fujairah Police have won two prestigious awards at the International Association of Chiefs of Police (IACP) for their massive achievements in fighting crimes and in ensuring effective policing. The awards were presented by the United States-based IACP in a virtual ceremony. Winning two awards among a wide range of categories at the most distinguished association of chiefs of police is yet another remarkable achievement by Fujairah Police.

Source: Gulf News

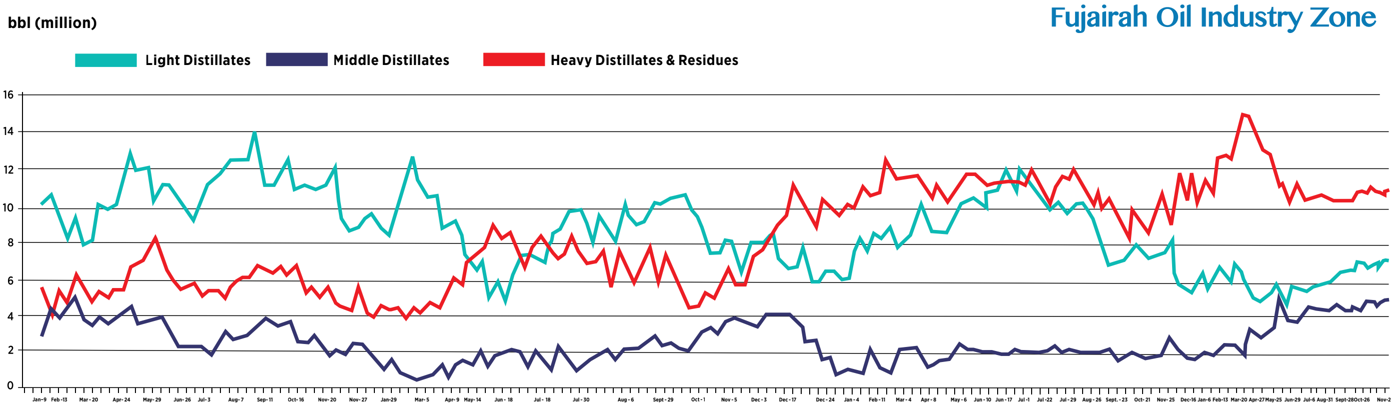
National Bank of Fujairah Posts 87% drop in Net Profit in first nine months of 2020

National Bank of Fujairah on Wednesday reported an 87% drop in its net profit for the first nine months of 2020, compared to the same period last year, as the bank continued to build "substantial impairment provisions" on account of Covid-19. Net profit fell to Dh66.3mn for the nine-month period ended Sept. 30, from Dh511.6mn a year ago. NBF secured net impairment provisions of Dh641mn for the nine-month period compared to Dh350.7mn in 2019.

Source: Gulf News

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 20.243mn barrels, returning above the 20mn barrel level. Total stocks rebounded by 1.778mn barrels or 9.6% week-on-week, with builds in light and middle distillates, while heavy residues posted a draw.**

- **Stocks of light distillates saw a build of 1.105mn barrels or 26.3% week-on-week to stand at 5.303mn barrels. Stocks rebounded this week from last week's levels that were the lowest since weekly stock reporting began at the start of 2017. Gasoline was buoyed by fresh spot demand, news of refinery run cuts as well as supportive news from the West. In India, gasoline demand was seen to be improving reflecting a seasonal uptick prior to the Indian festival of lights, Diwali, in mid-November.**

- **Stocks of middle distillates rose by 1.127mn barrels to 5.447mn barrels – up by 26.1% on the week. This is the first time they have risen above 5mn barrels since June, with middle distillate stocks last higher on June 15 when they stood at 5.536mn barrels. Underlying weak demand in Europe meant the Exchange of Futures for Swaps, or the EFS spread, remained at strong levels in Asia, following news of Covid-19-related lockdowns being rolled out in France, Germany and England, which traders said would likely take a toll on European gasoil demand as consumption patterns would be impacted. As a result, traders expected that volumes from the Arab Gulf and India are likely to be attracted towards Singapore.**

- **Stocks of heavy residues fell by 454,000 barrels or 4.6% on the week to stand at 9.493mn barrels as they posted a draw for the second consecutive week. In Fujairah, volatility in flat price was leading to an uptick in buying interest as shipowners rushed in to meet requirements. This uptick in demand was coupled with persistent tight availability of product for some of the suppliers. Overall values remained supported with Fujairah-delivered Marine Fuel 0.5%S bunker was assessed at $325/mt November 2, reflecting a fall of $2/mt week on week.**

Source: S&P Global Platts

BY MATT STANLEY
SENIOR BROKER
STAR FUELS

Brent is trading this morning at $40.43/bl, down 0.80/bl. WTI is trading down 0.77/bl, at $38.38/bl. You know what, it's a bloomin' good job it's Fireworks night because it's going to go off over in the USA! Fear not, Donald will do what he does best. He'll graciously accept defeat and hand over politely and without hesitation to POTUS-elect Biden. Ha! Imagine! This of course based on results yet to be forthcoming, but that seems to be the way things are going. Do you think The White House can leave The Donald with a blackberry or something just so he can send a random tweet every now and then? That'd be great thanks. I imagine his press secretary, after most likely voting for Biden, must be getting ready for the party of a lifetime, eh? That job is an absolutely thankless task. Imagine the anxiety that every time you heard the tweet noise on your phone and a notification popped up from @realdonaldtrump? Oh noooo what's he said NOW!! Anyway, results should be known by tomorrow I would say but, sadly, we could be in for a real scrap because, as we all know, his Donaldness will not go down without a fight. Keep your eyes on the swingometer. What's this doing to oil? Well, as long as there is ambiguity regarding the outcome of the election, I think crude will be in for a turbulent time. I think it's too early to say that the market will immediately start pricing in the fact that Biden's energy policy will shift to more renewable energy in the future, what with the Republican's most likely taking the Senate making that change so much harder to enforce. Trade flows on a macro level will more than likely shift into the safe haven assets of USD, gold and the new safe haven of 2020 owing to Covid-19 which is tech stocks. Perhaps we're smack bang in the range we will be in over the next couple of weeks of $38/bl – $43/bl on Brent. Lingering over the market though are the fundamentals. Demand is taking another hit in Europe and the US owing to rising Covid-19 cases and supply, for now at least, is coming back in earnest. Foggy, foggy, foggy. Keep your eyes on the headlines. Good day.

5 November, 2020

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BRIEFING NOTE

The Potential Effects of a Biden Presidency on Commodity Markets

The rise of the United States as a hydrocarbon producing superpower has provided unique foreign policy optionality to Donald Trump in ways Biden would utilize differently. Over the past four years, the United States has come to dominate the supply of energy globally, namely for oil, LPG, and LNG, in a way that had not been true in the four decades prior. Such a change provided the Trump Administration with foreign policy optionality not traditionally available to US Presidents. This optionality granted the White House an ability to undergo extremely harsh sanctions regimes against Iran and Venezuela, both long-established oil producers. Under a Biden Presidency, these relationships are set to change dramatically, altering the global balance of oil currently in place.

Donald Trump's provocative approach to Iran and Venezuela had a drastic impact on global oil balances over the past four years. The effects of Trump Administration sanctions on Iran, implemented in November 2018 and on Venezuela, implemented in February 2019, are eye-opening. As of October, combined departures out of the two states held at just 609 kbd, falling well under the peak of 4 mbd realized through May 2018. Most of this decline is a result of lower volumes out of Iran (-2.47 mbd), but given the negative economic situation in Venezuela, even before the implementation of sanctions, the 1.07 mbd decline in oil exports leaving the state over the period was also exceptional. A potential Biden Presidency would represent a radical shift in US – Iranian relations, albeit the process of normalization will be of secondary importance to other geopolitical issues. However, Biden is unlikely to immediately change US positioning towards Venezuela given a disdain for Maduro, although some easing in sanctions for humanitarian purposes is possible.

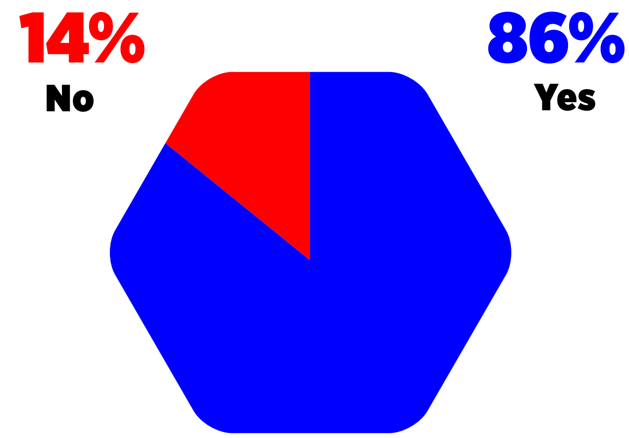
US energy producers are leaning heavily on Chinese purchasers in 2020, as demand for oil and gas derivatives elsewhere remains limited. While US – Chinese relations remain at an all-time low, Chinese purchases of US produced LPG, alongside that of oil and LNG, are a silver lining. Aggregate liquid and gas derivative volumes lifted from the United States by Chinese purchasers through Q2 alone hit a record 211 Mt. Under a Biden Administration, the flow of US energy, alongside re-engagement with international institutions (IMF, WTO) and a focus on multilateralism could provide more leverage to US policymakers regarding China, a relationship that will remain tense, even under a Democratic Administration.

A Biden Administration would remain neutral on the question of fracking, albeit the left-wing of his party will push him to pursue greener policies at the expense of traditional oil and gas. US oil production under a Biden administration is likely to contract, but only slowly, until a point when marginal production can net positive cash flow, even without huge production cuts from Saudi Arabia or Russia. A Democratic party focus on renewables is likely to help buoy domestic demand for natural gas in the medium-term given an emphasis on vehicle electrification and the continuation of thermal coal plant decommissioning. ■

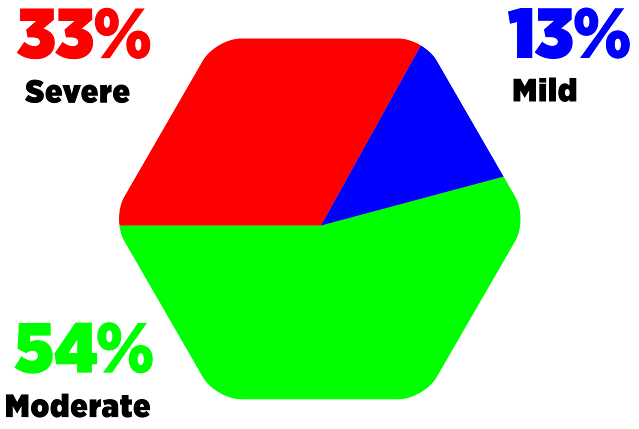
Source: research@kpler.com

GIQ Weekly Surveys

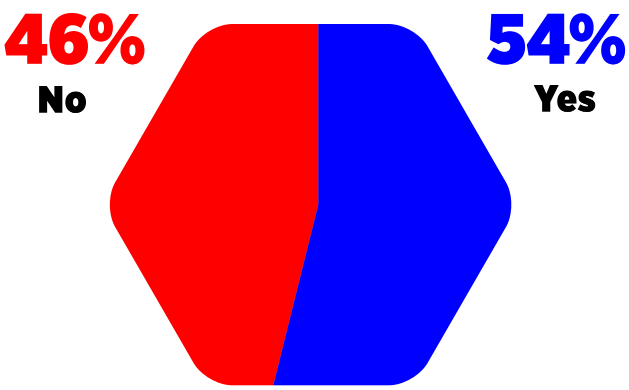
The US officially withdrew from the Paris Climate Agreement yesterday. Will Joe Biden rejoin?



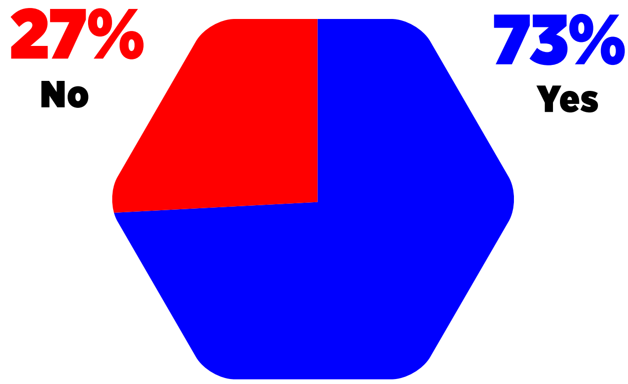
What impact will the second wave of Covid-19 pandemic have on Oil Demand?



Have oil prices fallen low enough to attract Financial Market Participants (fund managers etc.) back into the market to take up a long position?



Do OPEC+ need to go beyond delaying increase and actually make deeper cuts in order to keep prices above $40/bl in Q1?



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