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Fujairah New Silk Road WEEKLY NEWSLETTER

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AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

"DEMAND PROJECTIONS ARE DISAPPOINTING!"

Mike Muller, Head of Vitol Asia

The OPEC+ 2mn b/d planned resumption of oil production is probably one of the biggest planned changes in production that we will ever see. I don't believe the market sees it happening in one fell swoop. It's becoming increasingly clear that demand projections are disappointing, and the world may not see the fragile recovery return volumes of demand to the market at the pace that maybe was felt to be the case two months ago. The smart money in the market is already anticipating OPEC+ will revise that 2mn b/d change in supply to market from January 1st to a later date or perhaps face it over a number of months to align with demand. But there's a lot of time to go between now and the point where they need to reach that decision. January OSPs will be announced about two months from now and the January trading cycle will start just over a month from now. Term contracts for 2021 will also need to be cast in stone about a month from now as well. In the months that lie ahead, we will have a few more indicators from the demand side of the equation and we'll have a slightly better feel for how much supply has been suppressed by these low prices.

CONTINUED ON PAGE 3

Fujairah Weekly Oil Inventory Data

6,278,000 bbl	3,863,000 bbl	10,557,000 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

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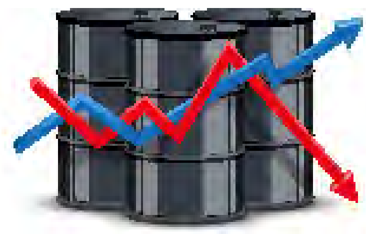
THE WEEK In Numbers

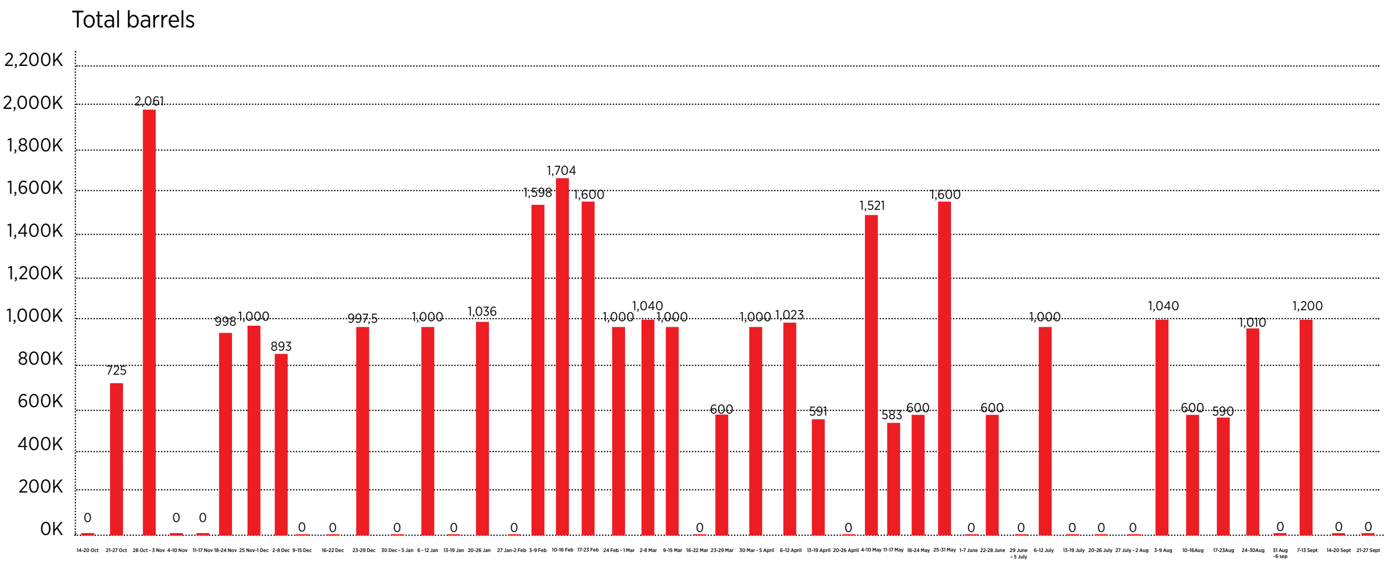


Weekly Average Oil Prices

Brent Crude:	$41.31/bl
WTI Crude:	$390.21/bl
DME Oman:	$40.70/bl
Murban:	$40.51/bl

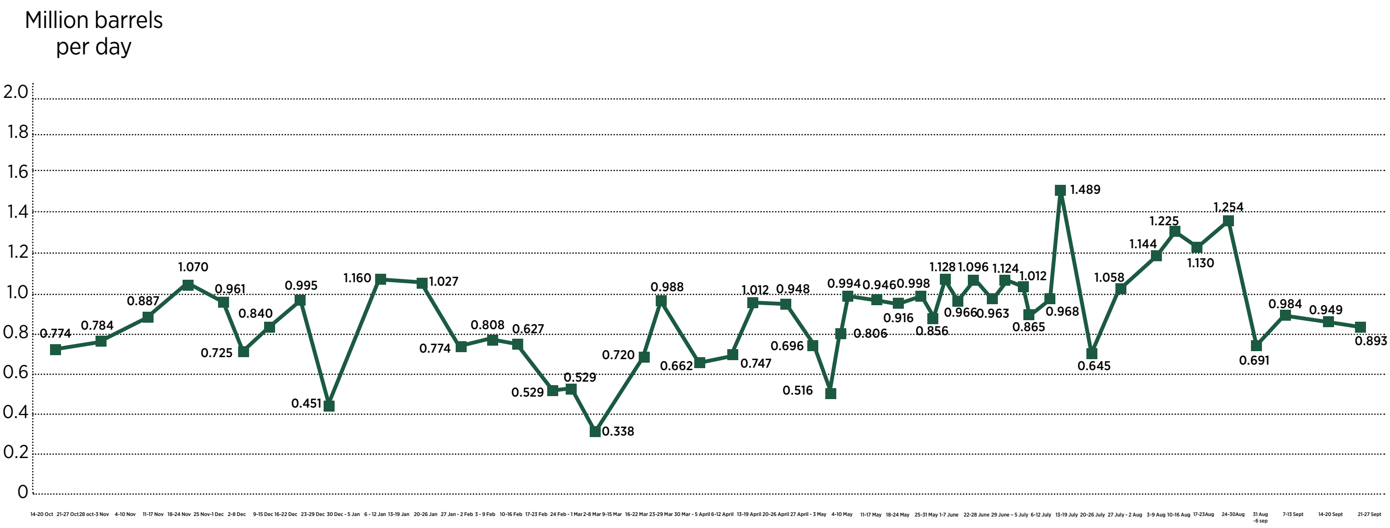
Time Period: Week 1, October 2020
Source: IEA, OilPrice.com, GI Research

Weekly Imports of Heavy Sweet Crude into Fujairah



Source: Kpler

Total Refined Product Exports from the GCC to Asia-Pacific



Source: Kpler

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CONTINUED FROM PAGE 1

GIQ: What lessons has the industry learned as we head into 2021?

Mike Muller: It's always tricky to say how do we build on learnings and move forward into next year. But, it is that time of the year with the annual planning cycle when we have to cast our minds ahead to what strategic decisions we need to take in order to learn and derive some sort of advantage for our shareholders, stakeholders and customers. We need to put pen to paper on agreements on whether to continue with relationships and whether to forge new relationships. Many momentous events have occurred during the pandemic, but many have occurred before the pandemic as well. It's been such an unprecedented year. The biggest takeaway is that the market knows how to respond to surprises. It knows how to deal with Hurricane Delta that we have upon us. It knows how to respond to military escalation in positions of sanctions, even terror attacks. The market has dealt with that field of hostilities. We had a lot of Middle Eastern headlines in the 4-5 months before the Covid-19 outbreak. We had the not-yet-fully-investigated attack on uptake facilities in Saudi Arabia, attacks on vessels in the Gulf of Oman, tightening of sanctions relating to Venezuela, and the big spike across VLCC markets when Cosco's fleet was temporarily sanctioned by the US. We also had the attacks on Qasem Soleimani (Saudi Arabia) and, of course, the ongoing status of US-China trade relations. I can go on and on and on. The point is, the world knows how to respond to these types of events.

GIQ: What lessons have been learned throughout all this volatility in 2020?

Mike Muller: Number one, OPEC+ as an entity is intact and critical to today's oil price. There has been cohesion because common sense prevails. While the target prices of various players in the OPEC+ entity may not be the same, the objective for now has been fulfilled. Their mission has been accomplished in terms of US production. Look at what happened to US output, which was pushing 30mn b/d late last year. It's now down to about 11mn b/d.

Number two, the virus market conditions have accelerated the debate on the energy transition and of the role of traditional players in the future energy landscape. The pace of change was accelerated by recent declarations such as BP Week offering all these scenarios with each one suggesting that peak oil demand is right now. It is also becoming increasingly inadvisable to contradict or challenge prognoses that we all need to do our bit to urge the global economy to curb the threat posed by global warming. But the world is going to need a lot more electricity and a lot more non-oil commodities to build the lower-carbon society required by the Paris Agreement. The international energy firms, that we used to call the oil majors, certainly need to continue to play a role in leading the energy transition. It is also grossly unjust to see some observers generalize or speculate that these companies are not fit to walk the talk when it comes to leading the energy transition. For example, Shell not only has world-class project delivery capabilities, but they also have sincere leadership who definitely mean what they say when they talk about safety and the environment.

My third point is that we are in a cyclical business. The market always reverts to a balance because market forces are at play. Even with the OPEC+ overlay, we have a market which must balance out.

GIQ: How will this impact cohesion amongst OPEC+ members?

Mike Muller: It's all about balancing budgets and whether the countries within OPEC feel sufficient pain on the domestic front where they can no longer hold their end of the bargain. At the very short end of the spectrum, we've seen accusations about certain members of that club not holding to their current agreements. Iraq and West African countries have been in the news being asked to fall in line. The market has broadly congratulated the OPEC leadership for bringing these guys into line by granting them more time to compensate for over-production. On the whole, the market is observing a renewed discipline among some of those countries. In the longer run, the big question is, can some of these countries make do with $40/bl? The answer most observers would have given you in the past is "no". But we have the overlay of economic hardship caused by virus lockdown conditions and other things. In some ways, this makes it worse and maybe shortens the tolerance span to months rather than years on how many of these participants can cope with $40/bl. On the other hand, it also gives the governments a very convenient and valid excuse with potential unrest in their populations where they're going to have to make the inevitable cuts to domestic budgets. This club is not likely to break apart anytime soon.

GIQ: When do you expect inventories to balance out and reach the five-year historical average?

Mike Muller: The recovery in supply and demand fundamentals has been driven primarily by supply being taken off the market. OPEC+ is playing a huge role in that. However, non-OPEC economic forces suppressing investment or suppressing completion of wealth is also playing a very large role. So, if we were to oversimplify, let's say demand next month is the same as this month, which is plausible. You're taking something like 5.7mn b/d off the market compared to the 2019 average, which is the OPEC baseline. That means you're going to see something in the order of 100mn barrels of inventory disappear every quarter. That's going to take us leaps and bounds towards the five-year historical inventory average. Historical averages should be better expressed in days covered because we have a lower-demand world. Although, that demand is primarily focused on one product, which is jet fuel, OPEC+ is trying to create a backward structure in the market where they eliminate the inventory build-up at the front of the market, which ultimately drives a flat price. Unfortunately, we're going through a wave of that not happening because, as an industry, we have seen the initial demand recovery accelerate out of the April lows through May, June and July. People projected that growth would continue. But we may not have factored in things like the impact of floods and bad weather in large Asian economies. We may not have factored in the fact that after people drive on holidays that driving then stops.

As such, demand levels have caught a few people by surprise. What happened was that refineries drew away the inventories, especially on the water. We have observed inventories of crude oil floating on the water drawing down quite substantially. They are putting those through refineries and creating products, which are now potentially moving into surplus as the world was taken by surprise by the absence of demand. But the bigger picture remains that the energy complex is driven by the input, which is OPEC+ and non-OPEC supply of crude. That is unabated at the levels that they set out. What really matters is that the OPEC discipline has restrained supply to market that globally inventories are drawing. We may see a bit of a speed bump ahead because the market has returned to contango in the benchmark grade. Brent is printing about $0.50/bl of contango. That, coupled with very cheap trade rates, has incentivized people to put oil on tankers again. The data won't come through because we trade a few weeks ahead. With data coming through later in October or early November, we may see stocks build, which goes against what OPEC+ are trying to accomplish. The smart money will anticipate this because they see it. The five-year average translates to a backward market where proper supplies trade at a higher price. At the moment, that is not the case.

GIQ: What is your outlook for China's demand recovery?

Mike Muller: There are many things to say about China. They have had a stunning recovery from the virus, which hit the country about two months earlier than much of Asia and four months earlier than the rest of the world. The bounce back from H1 lows in China caught many by surprise. That bounce-back wasn't just in energy demand. It was also in demand for other commodities, such as metals. The economy was motoring on many accounts, but there are many qualifying statements there. We have to remember that for much of Q3, China was free of virus lookdown restrictions when many economies that would compete with China in the international marketplace for manufactured goods would have been locked out. Therefore, this gave China extra demand as the global economy was dragging on goods, the country was the breadbasket of the world mail order system. As various economies, such as India, come out of lockdown even whilst the virus has not been eliminated, that will restore the balance. It's also fair to say that China had a massive economic incentive to build commodity inventories. Look no further than oil for the evidence. The domestic pricing system favored refiners importing oil when the price of oil was below their domestic prices. Refining margins were artificially greater in the country. The other factor is China's launch of commodity indices. The INE futures contract provides for delivery from multiple coastal storage facilities in China. At the same time, we must remember that data in China is not as transparently available as it is elsewhere in the world.

WATCH FULL INTERVIEW HERE

DAILY ENERGY MARKETS FORUM
NEW SILK ROAD "LIVE" October 4th - October 8st

GIQ

EXCLUSIVE WEBINAR

TOP 10 MARKET OBSERVATIONS FOR THE WEEK

1. Global economic growth recovery is increasingly hard to find as both China and the US appear to be running out of steam as Covid-19 second wave bites in.

2. Any plans to inflate Saudi Aramco's Asia OSPs for November may need to be abandoned after last week's oil price decline.

3. The path of least resistance for crude oil markets remains lower in Q4.

4. Trump is unlikely to become a Covid-19 convert for lockdowns and stricter protocol compliance policies.

5. Oil markets are still seeing the world through a rosy glass half-full prism of a normal recession - nothing normal about the US President staging an episode of the Apprentice on the White House balcony.

6. OPEC+ shouldn't be distracted from all the noise coming out of the US Election and instead focus on the outlook for the fundamentals of oil supply & demand.

7. China's oil imports are likely to drop off in Q4 after reaching near record levels in Q3.

8. Asia oil storage tanks remain fully contracted, triggering stalled new-build projects back to life around Singapore.

9. Contango curves are flattening slowly but surely as PMI reports signal real demand if returning to developed economies.

10. China is expected to accelerate buying of crude oil in the coming weeks after the Golden Week holidays.

ENERGY MARKETS VIEWS YOU CAN USE

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

Trump Infection: Perception is as Important as Reality

It's not going to be just a normal election. The thing to watch now is who controls the narrative on Trump's infection, who controls the news flow. And we have seen this started immediately - the king goes into the hospital and immediately the doctor comes out and says everything 'fine'. The chief of staff comes out and says, not so fine. The king has then to try to get the different strands together, and obviously in this pre-election time, the what happens is becoming just as important as the way in which it is communicated. And so, whether there is a coordinated news flow or not, I think it is going to be in the short term an important indicator of how stable the situation is.

Economic Recovery – Trouble is Becoming Entrenched!

I think we are in a world where everything is becoming shakier. You look at economic growth, and it doesn't really pick up. The job Numbers were not that great. The hope that China would become the new global locomotive for growth -- I think that hope is slowly fading, justifiably so. You look ahead at oil demand, and there's not much improvement there. You look at oil supply, and you see the effects of oil price stabilization in the $40s in the US, with the rig count increasing for the third week in a row -- that's exactly OPEC's short-term problem.

So, in a situation like this, when everything starts to worsen and to become more entrenched in a not so positive sense, the second defense lines become more important for oil producers, such as the outlook for fiscal and monetary policies in developed economies hit by the pandemic. And the key question is can they revert to growth, rather than just plugging holes for investors and stock markets. That means is there something in that stimulus package which stops the decline in markets? So, this is very much a picture of trouble becoming entrenched. ■

Robin Mills
Chief Executive Officer, Qamar Energy

President Back at the White House – Good for the Oil Market?

I find that the gyrations on the President's health and the supposed impact on the markets and the oil price, kind of amazing. Firstly, it is hard to see how Trump being better is somehow connected to a higher oil price? Secondly, to see what he is supposed to accomplish now that he is back in the White House? There is talk that he might sign off on the stimulus package, but the stimulus package has been struggling for months now and He's not really a bridge builder. I am not sure he is going to bring much more coherence to the process. I think we have also got to be cognizant that he is not out of the woods yet health wise, despite how he thinks he may be feeling.

Libyan Production Should be Sustainable at Current Levels

I think Libya's oil production is sustainable at around 300,000 barrels a day. There are some issues with reopening some of the loading ports, and there are some technical issues as well. Whether production pushes higher, I think is the question? But I think around this level is sustainable, especially given the stress on the Libyan budget, which was fading away to almost nothing, and the stress it was putting on power supplies. There was a big issue with Libya not producing enough gas because they had nowhere to store the condensates when they were not exporting, and so severe power cuts were happening across Libya. This was particularly one of the drivers to get the oil production restarted at some level so they could at least supply the associated gas for the power plants.

Strikes in Norway Never Last Long

We have had the strike in Norway and that has been interesting to watch as the amount of production shut-in is significant. But these strikes never last very long. The Norwegian government always steps in and imposes a solution if it looks like there will be a serious disruption to the production. So, I would expect them to reach a resolution in Norway fairly soon. ■

ENERGY MARKETS VIEWS YOU CAN USE

Vladimir Langhamer
Managing Director, Supply & Trading, OMV

Relief for Refiners ahead of Long Winter?

The Middle Distillates market has been very difficult of late, mostly because Jet demand has been almost non-existent. The long-haul flights are still down from where they have been and probably will be for longer. So, there has been a lot of Jet fuel being blended into the diesel pool -- we have seen that on the amounts and the volumes in the market, and also in the qualities. We saw qualities sold in the summer that were almost suitable for winter in Europe, just because there was so much jet being blended into Diesel. I think it should lift the Diesel and Gasoil cracks a little bit if it is sustainable. The Middle-Distillate part of the barrel will continue to suffer because it is tied much more to the recovery in economic activity across the world rather than price sensitivity. So, I think this is good news for Jet and Middle Distillates in general, and if it stays it could help some of the refiners out there to potentially weather a long winter that is ahead of us.

China's Demand Data Needs Close Scrutiny

The data coming out of China is in itself good, but the question is in the interpretation. I think if you're looking at the imports as an indication of demand, there is a part of it where they just buy for the SPRs, so you need to look into data a little bit more carefully. I think China seems to be showing signs of recovery. We may not be yet at pre-COVID levels, but I think they have done a pretty good job in the ability to manage local lockdowns and mitigate the impact on the wider economy of China. I think it's a sign of hope in the whole demand picture, because if some of the other countries, in particular, if India could stage something like that, you know, the oil market would look very closely at that, but it might take still some time.

Libya Could Come Back Quicker Than Expected

Libya is coming back, which is great for the country that has had some very difficult times. I would not be surprised if they come back stronger than the 300,000 barrels a day as they have shown in the past that they are able to come back from a desolate state relatively quickly. ■

Peter McGuire
Chief Executive Officer, XM Australia

China Set to Soar on Return from National Holidays Next Week

I wouldn't be surprised to see China come roaring back next week as far as equity markets at least. I think it could be a very solid move to the upside. It may remain choppy over the next couple of weeks leading into the US election, but the numbers overall are going to be fairly strong from China. I think it's going to be onward and upward as far as the equity markets are concerned.

Pound may Shrug off Data as Brexit & COVID Back on the Menu

The pound has been pushing efforts to break September's downfall over the past week against the dollar, but it is too early to turn confident on the currency. The clock is ticking down to Boris Johnson's Brexit deadline, with less than two weeks left for the EU and the UK to build relations and resolve key differences that would subsequently lead to a trade deal before the transition period ends in December. However, neither side seems ready to provide concessions, with the EU recently trying legally to put the ball back to the UK's court.

Asia Waiting to See if its Biden or Trump to take on China

I really think that it's a very fractured environment in Asia at the moment due to China's positioning in the South China Sea. if Biden is elected, I think he's going to be a far better friend for China than what Trump is going to be. And from where we are sitting in Australia, everyone is waiting to see how successful Trump's going to be. If Trump is reelected, I'm sure that they are going to drive the stake deep into the heart of Beijing and to try and regain some form of power across the whole region. ■

GIQ EXCLUSIVE SOUNDINGS

Oil Markets Brace for a Touch and Uncertain End of the Year

Over the last week, Gulf Intelligence has interviewed energy market experts in Asia, the Middle East, Europe and the US – the intelligence below is harvested from these exclusive briefings:

- **Dan Graeber, Author, The GERM Report**
- **Omar Najia, Global Head, Derivatives BB Energy**
- **Kevin Wright, Lead Analyst APAC, Kpler**
- **Robin Mills, Chief Executive Officer, Qamar Energy**
- **Vladimir Langhamer, Managing Director, Supply & Trading, OMV**
- **Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence**
- **Rustin Edwards, Head of Fuel Oil procurement, Euronav NV**
- **Tony Quinn, Operating Partner, Prostar Capital & CEO, Tankbank International**
- **Matt Stanley, Director, Star Fuels**
- **Peter McGuire, Chief Executive Officer, XM Australia**
- **Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy**
- **Leo Tameeris, Chief Executive Officer, NRG Global**

Dan Graeber, Author, The GERM Report
"It all depends on what side of the spectrum you are on in the US in terms of the general outlook. There's a lot of uncertainty in the US particularly heading into the elections. That the uncertainty in the political mood leads to uncertainty in the markets. And we're seeing that today."

Omar Najia, Global Head, Derivatives BB Energy
"We have this magical thinking that's going on in the US. We see the S&P's trading price to earnings ratio at about 27.2. The markets are trading around 175% of GDP. Even at the historical peak, when we had the Nasdaq bubble, it was at about 145% of GDP. So, the problem right now is everybody seems to believe in this La La Land where we don't have to think or do much."

Kevin Wright, Lead Analyst APAC, Kpler
"This week is the golden week in China and there's a huge amount of migration that goes on during this period. However, China on its own is not enough to support the whole world's demand. India, interestingly, has seen gasoline demand starting to recover. It's actually back to pre-Covid-19 levels, which is a healthy sign for the market, and potentially one of the first signs of demand recovery that we've seen. If India and China come back with full recovery, then obviously that's significant for the markets."

Robin Mills, Chief Executive Officer, Qamar Energy
"I find the gyrations on the US President's health in relation to markets and oil prices to be amazing. It is hard to see how him being better is connected to a higher oil price. It's interesting in terms of the upcoming election with his chance of re-election becoming even slimmer. But what we are supposed to draw from this in terms of oil prices is pretty puzzling."

Vladimir Langhamer, Managing Director, Supply & Trading, OMV
"Jet fuel demand is still almost non-existent. The outlook for long haul flights is bearish and, as a result, here has been a lot of jet being blended into the diesel pool. We have seen this on the amounts, volume, and quality of fuel on the market."

Mike McGlone, Senior Commodity Strategist, Bloomberg Intelligence
"A few months ago, most of us decided that there was going to be a new president and now it's the narrative of what it is going to do to the markets. In the short-term there may be a boost to oil and gas. But, in the long-term there will be greater focus on clean energy and electric vehicles."

Rustin Edwards, Head of Fuel Oil procurement, Euronav NV
"When you look at the crude structures and the paper markets in general, the contango curves are becoming less pronounced. That's not a function of bearishness. That's a function of more demand in the front of the curve, pulling up the front end. Demand is coming back and economies are recovering and that is going to warrant higher crude prices."

Tony Quinn, Operating Partner, Prostar Capital & CEO, Tankbank International
"The Siberian pipeline going into northern China is something to look out for. It is going to be quite fascinating to see the revelation on the market as Russia and China start getting together. That's the natural move for them to make now."

Matt Stanley, Director, Star Fuels
"We've been delusional for six months now. The reality is that demand will come back when things start opening up. That is when the $50/bl crude price will start looking realistic."

Peter McGuire, Chief Executive Officer, XM Australia
"I wouldn't be surprised if China comes roaring back. As far as equity markets go, I think next week we could see a solid move to the upside. Things will remain choppy over the next few weeks leading into the US Elections, but overall, the numbers from China look fairly strong."

Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy
"The numbers we have seen with inventories is only making it that much more difficult for OPEC+. Its an exercise of further pressure for the organization to revisit its agreed production cuts."

Leo Tameeris, Chief Executive Officer, NRG Global
"China's improved imports in Q3 was a result of picking up cheap cargoes in April that have just been floating around. As a result, we will not see as high a level of Chinese imports in Q4 as we did in Q3."

ENERGY MARKETS COMMENTARY WEEK IN REVIEW

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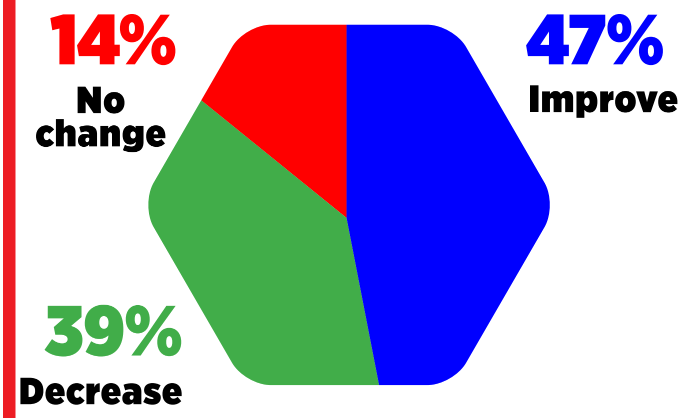
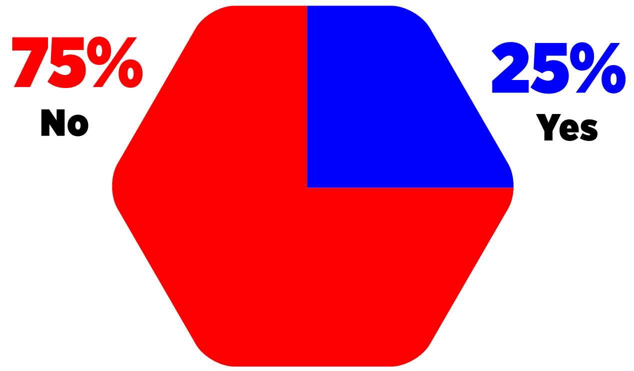
GIQ Weekly Surveys

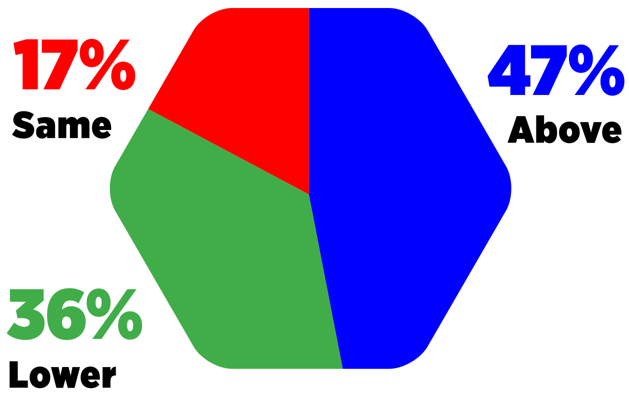
Does Trump's Covid-19 infection improve or decrease his chances for re-election?



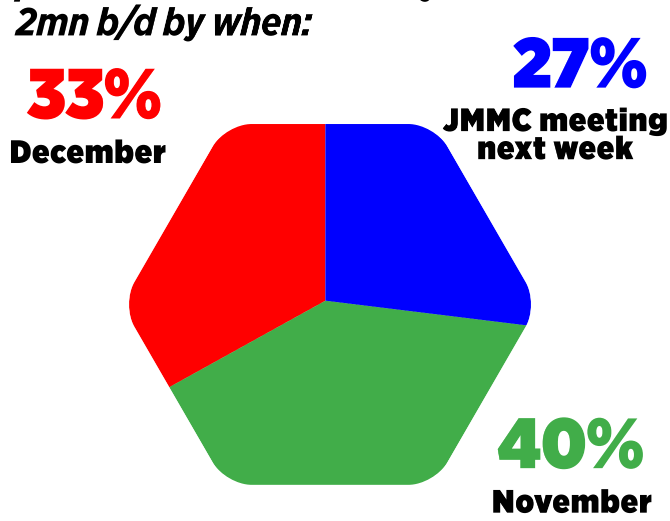
Will Trump become a Covid-19 reborn convert and drive strict new compliance with protocols?



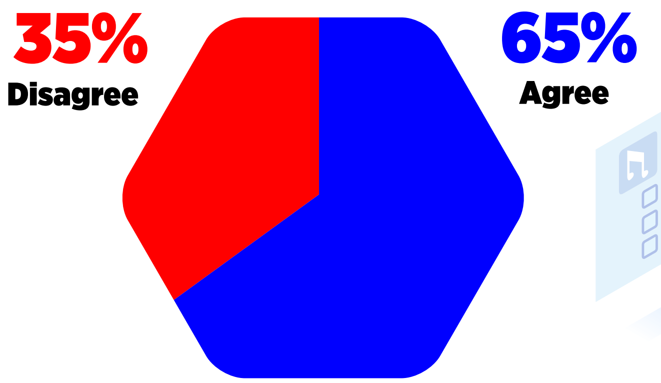
China sees 500mn Chinese travelling this week for Staycation holidays. Do you expect China's oil imports to be at or above Q3 levels in Q4?



OPEC+ need to inform markets of plans to abandon January hike of 2mn b/d by when:



China is expected to accelerate buying of crude oil in the coming weeks after the Golden Week holidays?



Source: GIQ

Fujairah Spotlight

Fujairah Charitable Society delivers 200 Tonnes of Aid to Flood Victims in Sudan

The Fujairah Charitable Society has sent 200 tonnes of food and clothing to Sudan, as part of the UAE's humanitarian aid bridge provided by the UAE to the Sudanese people following the floods that hit the country. The aid was delivered with the support and directives of H.H. Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah.

Source: Relief Web International

Fujairah Ruler Congratulates Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah on his Inauguration as Prince of Kuwait

His Highness Sheikh Hamad bin Mohammed Al-Sharqi, a member of the Supreme Council, the Ruler of Fujairah, sent a congratulatory message to His Highness Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah on his inauguration as Prince of the sister state of Kuwait. His Highness Sheikh Mohammed bin Hamad bin Mohammed Al-Sharqi, Crown Prince of Fujairah, also sent a similar congratulatory message to His Highness the Prince of Kuwait.

Source: Fujairah AE

Sheikh Zayed Grand Mosques in Abu Dhabi and Fujairah Opens to Visitors

The Sheikh Zayed Grand mosques in Abu Dhabi and Fujairah will be reopened to visitors, the Ministry of Presidential Affairs, announced. In addition to the two mosques, the Founder's Memorial will also be reopened but under strict precautionary measures in line with the highest standards of health and safety. A set of measures have been put in place ahead of the reopening including limiting the capacity of visitors allowed inside all cultural landmarks. This is to ensure that the number of visitors is under control during the permitted timings to avoid overcrowding and guarantee social distancing and smooth flow of movement during their tour of the cultural attractions.

Source: Gulf News

Fujairah Refined Products Stockpiles Drop for Sixth Consecutive Week

Oil products stockpiles at the UAE's Fujairah refining and trading complex dropped for a sixth consecutive week, matching the longest drop on record as gasoline was shipped to India for the first time since March. Iraq also took 550,000 barrels of gasoline from Fujairah in the week starting 28th September, the most in three months, Kpler data showed. Another 806,000 barrels of gasoline from Fujairah were bound for West Africa and Cape Town, according to Kpler.

Source: Emirates News Agency


GI HALF-TIME TALK Special Report
Q3, 2020
EXCLUSIVE OPINION EDITORIALS
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THE ARAMCO TRADING
NEW SILK ROAD
CEO
– OF THE YEAR –
AWARDS
2020
FUJAIRAH
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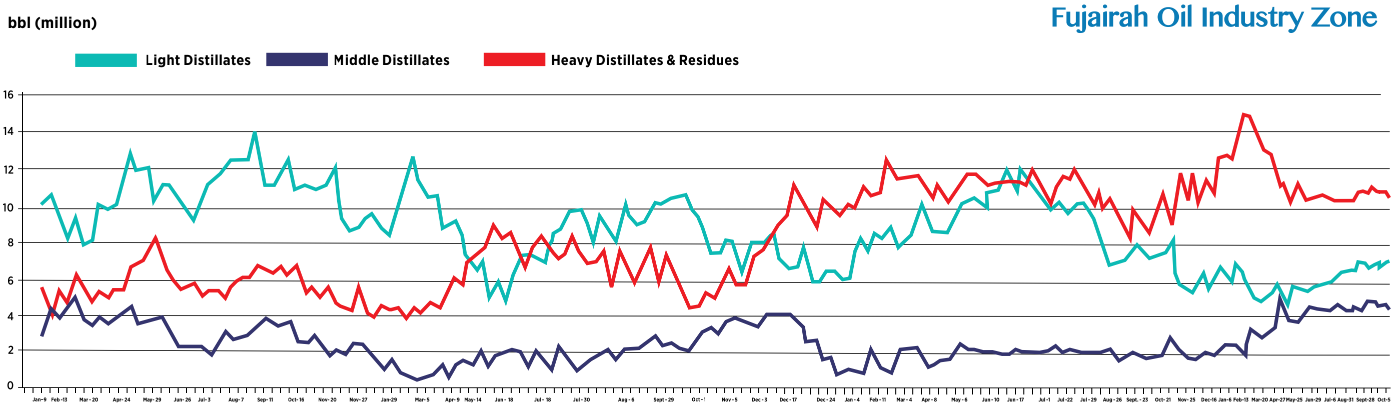
trading

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 20.698mn barrels. Bringing them closer to levels last seen in January this year, having last stood lower on January 13, when a level of 20.406mn barrels was seen. Total stocks fell by 263,000 barrels falling 1.3% week on week, draws in light distillates and middle distillates were seen, while heavy residues posted a build.
- Stocks of light distillates fell by 223,000 barrels or 3.4% week on week to stand at 6.278 million barrels. The gasoline market East of Suez was stable going into the start of the fourth quarter. While there were signs there could be some upward pressure from potential supply side disruptions in the US with more tropical storms gathering across the US Gulf Coast, regionally there were some supply side pressures as several blendstock and gasoline clips were offered in the spot market. The 92 RON physical gasoline crack in Singapore was lower Tuesday, standing at $4.82/bl, reflecting a fall of .57/bl week on week.
- Stocks of middle distillates fell by 472,000 barrels to 3.863mn barrels as they fell by 10.9%. Middle distillates remained characterized by poor sentiment for any meaningful uptick in demand, with a contango market structure persisting. Recent calculations showed that the arbitrage to send Arab Gulf gasoil to the Mediterranean as well as the UK-Continent were both closed at disincentives of minus $1.32/bl and minus $1.51/bl, respectively.
- Stocks of heavy residues rose by 4.3% building 432,000 barrels on the week to stand at 10.557mn barrels. In the Fujairah bunker market, despite a calm market, some market participants continued to see tight barge availability with the earliest deliveries from Oct. 14. On Tuesday Marine Fuel maximum 0.5% sulfur delivered bunkers were assessed at $330/mt representing a $5/mt discount to Singapore. In the high sulfur fuel oil market, HSFO 380 CST delivered barges were assessed at $255/mt on Tuesday, reflecting a $75/mt discount to the Marine Fuel maximum 0.5% sulfur.

Source: S&P Global Platts

Commodities

Oil prices were weaker overnight with Brent down by 1.6% at $41.99/bl and WTI slipping 1.8% to close at $39.95/bl. Both are tentatively higher in trade this morning. The threat of Hurricane Delta affecting the Gulf Coast production in the US will help to provide a near term support for oil markets with as much as 80% of production shut in anticipation of the storm. EIA data showed a modest build in commercial crude inventories last week (although there was a draw on the US SPR). Draws across the rest of the barrel are, however, constructive. Gasoline stocks were down by 1.4mn bbl while there were decent increases in product supplied across most products. US crude production returned to 11mn b/d last week, a gain of 300k b/d. Output data will again be distorted in coming weeks thanks to the impact of Hurricane Delta.

FX

The USD has failed to hold onto the positive momentum established at the end of Tuesday. The DXY index has fallen since that time and currently trades around 93.580. This comes amid some optimism on stimulus talks despite talks remaining volatile. USDJPY advanced by 0.33% overnight and trades around the 106 handle, marking a break above the 50-day moving average of 105.81.

Equities

US equities mounted a recovery from the previous day's sell-off, either reflecting skepticism that the White House and the Democrats would ever have reached agreement on a new fiscal stimulus package anyway, or boosted by the (somewhat contradictory) statements coming from the White House about new support. The S&P 500 gained 1.7%, while the NASDAQ and the Dow Jones both closed 1.9% higher. Elsewhere, stocks were little moved with European and Japanese indices broadly flat on the day, though the Nikkei is trading 0.9% higher this morning.

Source: Emirates NBD

ENERGY MARKET NEWS

RECOMMENDED READING & VIEWING

1. OIL PRICES RISE AS HURRICANE DELTA APPROACHES US GULF OF MEXICO
2. SAUDI ARABIA RAISES NOV. CRUDE OFFICIAL PRICES TO ASIA
3. ENERGY DEALS ARE CREATING A POWERFUL ALLIANCE BETWEEN CHINA AND RUSS
4. CEO SAYS ARAMCO MAY SELL ASSETS
5. EIA US CRUDE STOCKPILES EDGE UP, FUEL DRAWS DOWN
6. NORWAY STRIKE COULD SHUT GIANT SVERDRUP OILFIELD ON OCT. 14
7. ASIAN SHARES AT ONE-MONTH HIGHS ON RENEWED US STIMULUS HOPES
8. WITH EYE ON CHINA, US OPENS ARMS TO INDONESIAN DEFENCE MINISTER PRABOWO
9. A FLY ON PENCE'S HEAD, AND 5 OTHER HIGHLIGHTS FROM THE VP DEBATE
10. 1 IN 4 PHILADELPHIANS KNOWS SOMEONE WHO DIED OF COVID-19, NEARLY HALF LOST JOBS OR WAGES

RECOMMENDED VIDEOS & REPORT

- CHINA IS EXPECTED TO ACCELERATE BUYING OF CRUDE OIL IN COMING WEEKS
- PACE IS PIVOTAL TO THE ENERGY TRANSITION
- STIMULUS DEAL: IS IT DEAD OR IS TRUMP BLUFFING?

World's First High-Frequency Decentralized Energy Market Helps Drive Port of Rotterdam's Energy Transition

Distro is a new microgrid electricity trading platform that leverages both Artificial Intelligence and Blockchain's distributed ledger technology.

"The blending of high frequency AI trading capabilities with the benefits offered by blockchain security is a landmark achievement. Distro brings seamless and tangible benefits of lower prices, improved payback on batteries and solar panels while maximizing the use of renewable energy... Market feedback has highlighted the need for a new generation of marketplaces, like Distro, to be at the forefront of addressing climate change by helping power energy transition projects around the world."

James Rilett
Head of Innovation
S&P Global Platts

OPEC World Oil Outlook 2020

The WOO for the first time extends its outlook to 2045, providing an additional five-year window to examine developments in energy and oil demand, oil supply and refining, the global economy, policy and technology developments, demographic trends, environmental issues and sustainable development.

In the foreword to the 14th edition, His Excellency Mohammad Sanusi Barkindo, OPEC Secretary General, highlighted that the publication was published at a defining moment in the history of OPEC, a year marked by the COVID-19 crisis and the Organization's 60th anniversary.

"In a year without precedent, we are very proud to bring you this exceptional edition of the WOO with the hope that it enriches the global energy dialogue and inspires closer cooperation," the Secretary General said. "As we turn an important page in our history, OPEC's commitment to securing an efficient, economic and steady supply of oil to consuming countries, and providing essential support to the global economy, is as unshakable today as it was when the Organization was founded 60 years ago."

The videoconference launch also featured remarks by Dr Rainer Seele, CEO of the Austrian oil and gas company OMV, and Dr Jonas Puck, Academic Director of the MBA in Energy Management programme at the Executive Academy of the Vienna University of Economics and Business.

This year's edition of the WOO also examines the bold and decisive actions taken by 23 OPEC and non-OPEC oil-producing countries in the Declaration of Cooperation (DoC) in response to the unprecedented market challenges resulting from the pandemic-related economic slump. The DoC committed to the largest and longest-ever oil production adjustments, which have helped to restore market stability since the second quarter of 2020 and provide a platform for recovery.

The WOO 2020 launch represents the culmination of months of planning, writing, review and production under unique circumstances. OPEC's flagship annual publication was in large part carried out remotely, reflecting the global impact of COVID-19 on work environments and travel.

Like its predecessors, the WOO 2020 should be viewed as a helpful and insightful reference tool, one that underscores OPEC's commitment to knowledge-sharing and data transparency. It also is intended to enrich the global energy dialogue and inspire closer cooperation – the hallmarks of OPEC's 60-year record of success.

OPEC was founded by Iran, Iraq, Kuwait, Saudi Arabia and Venezuela on 14 September 1960 during a ceremony at the Al-Shaab Hall in Baghdad, Iraq. The Organization today comprises 13 Member Countries and the OPEC Secretariat is located in Vienna, Austria.

Highlights from this year's WOO include:

• The outbreak of the COVID-19 pandemic resulted in the sharpest downturn in energy and oil demand in living memory.
• Despite the large drop in 2020, global primary energy demand is forecast to continue growing in the medium- and long-term, increasing by a significant 25% in the period to 2045.
• All forms of energy will be needed to support the post-pandemic recovery and to address future energy needs.
• Oil is expected to retain the largest share of the energy mix throughout the outlook period, accounting for a 27% share in 2045.
• Natural gas will be the fastest-growing fossil fuel between 2019 and 2045 and, after oil, will remain the second-largest contributor to the energy mix in 2045 at 25%.
• 'Other renewables' – combining mainly solar, wind and geothermal energy – will grow by 6.6% p.a. on average, significantly faster than any other source of energy.
• Assuming that the COVID-19 pandemic is largely contained by next year, oil demand is expected to partly recover in 2021 and healthy demand growth rates are foreseen over the medium-term horizon.
• Globally, oil demand is projected to increase from nearly 100 mb/d in 2019 to around 109 mb/d in 2045.
• In OECD countries, oil demand is expected to plateau at around 47 mb/d during the period 2022-2025 before starting a longer-term decline towards 35 mb/d by 2045.
• In contrast, demand in non-OECD countries is projected to rise by 22.5 mb/d over the forecast period, from nearly 52 mb/d in 2019 to 74 mb/d in 2045.
• India is expected to be the largest contributor to incremental demand, adding around 6.3 mb/d between 2019 and 2045.
• Oil demand in road transportation will continue to dominate the sectoral breakdown, but the largest growth will come from petrochemicals.
• Oil demand in the aviation sector was most affected by COVID-19 restrictions in relative terms, but is projected to partly recover in 2021 and will continue growing thereafter.
• US tight oil is expected to recover quickly as market conditions improve, but is not likely to reach heights projected in previous Outlooks.
• Looking further ahead, non-OPEC supply will decline again after US tight oil peaks around 2030 while OPEC liquids will fill the gap, rising by around 10 mb/d to 44 mb/d by 2045.
• The downstream has come under enormous pressure due to declining demand. This will likely force a wave of refinery closures, especially as new capacity comes online in the Asia-Pacific and Middle East & Africa regions.
• The global oil sector will need cumulative investment of $12.6 trillion in the upstream, midstream and downstream through to 2045.
• Traded volumes of oil are expected to grow only modestly in the long-term, in line with supply patterns. However, the Middle East's share of global crude and condensate trade will rise robustly during the second part of the forecast period.
• Crude and condensate flows between the Middle East and Asia-Pacific remain the most important oil trade link, with volumes increasing from around 15 mb/d in 2019 to nearly 20 mb/d in 2045. The Asia-Pacific region is forecast to remain the most important crude oil importing region throughout the forecast period, with imports rising by more than 6 mb/d.
• Technological advancements are set to shape the global energy landscape while public policies relating to energy demand and supply are expected to become more stringent over the forecast period.
• Enhanced global collaboration is vital to address the challenge of climate change.
• International cooperation could allow a more coherent, balanced and integrated approach for realizing the Paris Agreement goals and interlinked sustainable development aspirations.

Source: OPEC

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