Fujairah New Silk Road WEEKLY NEWSLETTER

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

Uncle Sam Might Turn a Blind Eye to More Iranian Oil Flow in Run Up to Midterm Elections

Mike Muller, Head, Vitol Asia

The current status quo is that the US allows a certain amount of oil to move out of Iran under a carve out, which they have given a silent okay to for flow to China. If we assume that an agreement for the renewal of the JCPOA has been more or less hacked out, then it is a political decision not to proceed centering around the refusal of the US to accede to the Iranian request to drop the designation of the Iranian Republican Guard as a terror organization. This is a sticking point that is likely to persist. Most analysts are now of the view that there will be no official Iranian oil coming back to the market this year. But it is another form of release in terms of oil ready to go now that is a concern because there is so much Iranian crude oil being currently held in storage -- 100 and something million barrels, depending how much condensates you think it includes. Now, I think the window of political opportunity for the Biden administration to reach a deal with Iran is already evaporating, if not gone, because we are getting into the midterm elections soon. But if the midterms are dominated by the need to keep Gasoline prices low in America, turning a greater blind eye to these sanctioned barrels flowing out of Iran, and competing with Russian oil for that matter, is probably something that you might expect to see. In either case, the US intervention in these sanction-busting flows has always been pretty sparse anyway. So, whilst I don't think there's going to be an Iran nuclear deal, I think the clamping down and arresting of ships is unlikely -- even though there was some going on in the Aegean Sea and in the Mediterranean just recently, and a reciprocal arrest by Iran of Greek ships in the Gulf Hormuz area -- I think there's a chance that Uncle Sam might just allow a little bit more of that Iranian oil to flow, which is not good for markets because it creates a three-tier market.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

7,414,000 bbl	2,411,000 bbl	10,368,000 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

Weekly Average Oil Prices

Brent Crude:	$121.30/bl
WTI Crude:	$120.08/bl
DME Oman:	$116.41/bl
Murban:	$118.34/bl

*Time Period: Week 2, June 2022
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = 1,108.50/mt

Low = $1,029.50/mt

Average =$1,067.50/mt

Spread = $0.00/mt

MGO

High = $1,543.50/mt

Low = $1,451.00/mt

Average = $1,494.50/mt

Spread = $0.00/mt

IFO380

High = $733.50/mt

Low = $703.50/mt

Average = $715.00/mt

Spread = $30.00/mt

*Source: Ship and Bunker, *Time Period: June 1 – June 8*

Fujairah Bunker Sales Volume (m^3)

1,084
180cst Low Sulfur Fuel Oil

512,565
380cst Low Sulfur Fuel Oil

116,621
380cst Marine Fuel Oil

1,873
Marine Gasoil

32,727
Low Sulfur Marine Gasoil

5,193
Lubricants

Source: FEDCom & S&P Global Platts

GI Consultancy Intelligence Publishing

CONTINUED FROM PAGE 1

Mike Muller, Head, Vitol Asia

Is the Russian and Iranian crude a threat to Arab Gulf producers' market share?
This is where a huge range of views come in. If you believe that things are going to remain tight and there are concerns on spare capacity concerns and the whole underinvestment theme, then we need Iranian surpluses to come to the market because there is nowhere else to bring it from. If you believe that the Saudis have an extra million barrels of spare capacity and that there is going to be substantial demand destruction because of recessionary concerns and high commodity prices, then there is no need.

Was the decision by OPEC+ to increase output a surprise?
It was and it will be keeping people on their toes. It amounts to an extra 7mbd in the month of July and the same again in August, which is roughly equivalent to the oil moving from the Arabian Gulf to the Western Hemisphere. The only OPEC members who have spare capacity are Saudi Arabia and the UAE and there is debate on what they can produce sustainably because that subsurface has not been tested. I do not think the extra 216,000 bd is going to make all that much difference to the market and it remains to be seen whether they will put it out. All eyes will be on whether the Saudis in particular, choose to do that because according to some, there were under allocations in one of the recently elapsed months, so they could maybe add if they feel it's the right thing to do. I think they will respond to signals if the price continues to hold above $120 and push towards $130. As for products, there is a very real prospect that with these margins, refineries are going to flat out cancel turnarounds and try to make as much as they can.

How will EU oil sanctions on Russia impact the market?
All eyes are on Russian outflows and the latest round of sanctions, which did contain many carveouts. Some are now saying that closing down so much Russian oil is detrimental to the EU economy in terms of spiraling oil prices, and that even the US administration doesn't want to see prices out of control because they've pulled a number of levers already, such as the with the SPR. From the perspective of the large majors, the sanctions do not change much. They were already self-sanctioning and not taking any Russian crude into their refining systems, so the sanctions only tighten matters for a smaller number of people that have so far been continuing to avail themselves of Russian oil. What does change is that whereas before, you could buy Russian crude without any questions asked on the assumption that you needed it to supply the environment around your refinery, now you need a piece of paper that acknowledges that there was indeed a demonstrable need. That signals that the intent is to make it a lot more difficult for European refiners. The other important factor is to what extent EU registered shipowners are restricted from carrying sanctioned oil. The non-mainstream trade is going to be quite large, with the very real prospect of ships passing in the Suez Canal, one going north, one going south, both carrying more or less the same product, because you have an Asian market that is still taking Russian oil without any restrictions in certain countries, and on the other hand that brings about surpluses or natural trade flows whereby Europe is calling for material.

Expectations for Asian demand recovering?
Outside of China, there is a view that the Asian demand rebound is quite extraordinary. A lot of the Southeast Asian countries are very much exceeding expectations in terms of road transportation demand and pent-up demand to travel and spend. All attention now will be on whether that can be replicated in the lower middle-class populations. Elsewhere in the world, while some of the more affluent are going on summer holidays, the impact is a lot more profound for those challenged by higher energy and food bills. We have a couple of hard breaks to come and while it is hard to say what it means for oil prices; we are not off to the races yet.

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Energy Markets Views You can Use

Laury Haytayan
MENA Director
Natural Resource Governance Institute

OPEC+ willingness to increase supply is very political.
The announcement last week came at a time when there were talks that President Biden will be visiting the region and meeting with Crown Prince Mohammed bin Salman. The market reaction wasn't significant because we all know there are issues with increasing supply, so it was a goodwill gesture that mattered more politically. The OPEC+ situation is not easy because they need to show they are taking care of the market and taking Russia into consideration also. If they were to increase output a bit, the Russians would probably be okay with that because they know they cannot sell as much because of the sanctions.

How is the EU oil sanctions decision likely to play out?
Each country is at a different stage of how much Russian oil or gas they're getting. In the Mediterranean, we're seeing Italy and Turkey getting more discounted Russian oil. Turkey is trying to play as mediator between Europe and Russia so they're okay in doing that. Italy is also trying to diversify its options with gas and has signed deals with Algeria. These discounted purchases will continue until the EU implements its embargo decision.

Iran and US JCPOA talks still not making progress?
The ultimate objective for the Iranians has been to have nuclear bomb capability as that would be a game changer in the whole region and they would then be one of the main players along with Israel and the US. That's been their policy from the start, even when they had the JCPOA.

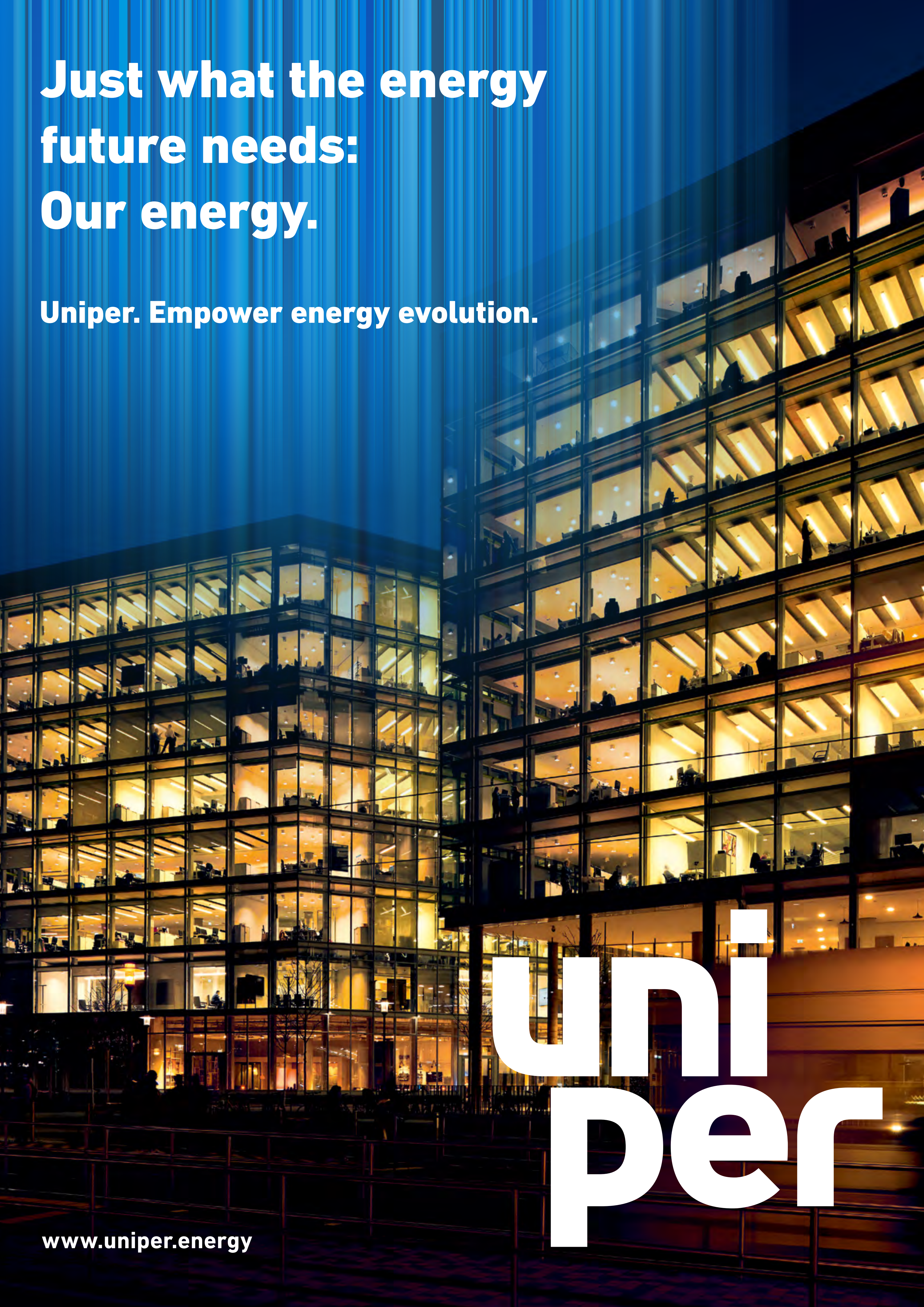
Walter Simpson
Managing Director
CC Energy Development

I'm not convinced OPEC+ will extend their agreement beyond September.
I feel it's run its course, particularly with the embargo on Russian oil and with discounted Russian oil feeding markets. OPEC+ has probably delivered as much as it can so each country will go its own way from here is my gut feeling. They put this deal together when there was a crisis but there isn't that crisis now - oil prices are high and everybody's producing as much as they can.

Are we seeing a recovery in China demand?
With the COVID restrictions being lifted, everybody's optimistic that there will be a demand rise again but the question is whether it will be sustained. Globally, a lot of the metrics that you see indicate that we may be seeing a recession around the corner, but demand is still growing. My sense is that we're going to keep using these large amounts of oil and I don't think the OPEC+ increase announced last week is going to make any difference whatsoever, even if it's real.

Where is Oman at with its plans for increasing capacity?
Oman has had a consistent policy and aspiration to grow production by 10%. Even during COVID, when oil prices were low, they kept the license rounds going and all the operators were encouraged to maintain their exploration programs. That was investment money out of the ministry's pocket which it could have taken as profit. That strategy is now coming to fruition as new oil and gas discoveries, and so the country has the potential to achieve that 10% growth.

Have supply chain issues been a restraint?
Almost every order that we have is delayed. China opening up will help a little, but the problem is not just in manufacturing. The supply chain is also in shipping and getting freight slots is still proving challenging. Talent is also scarce - one fallout from COVID has been a reluctance for people to move overseas.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Fujairah Spotlight

UAE President visits Fujairah Ruler

President His Highness Sheikh Mohamed bin Zayed Al Nahyan, today visited H.H. Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, as part of the fraternal visits that His Highness is keen to continue to his brothers Their Highnesses, Members of the Federal Supreme Council, Rulers of the Emirates. Their Highnesses - during the meeting, which took place at the Rumaila Palace- exchanged fraternal talks in a continuation of communication and consultation approach between the UAE President and the Rulers of the Emirates.

Source: Emirates News

Oil product stocks rise to 6-month high led by gains in light distillates

Oil product stockpiles at the UAE's Port of Fujairah climbed to a six-month high June 6, led by a 17.4% surge in gasoline and other light distillates stocks from the week before, Fujairah Oil Industry Zone data published June 8 showed. Total inventory was up 2.6% from a week earlier at 20.193 million barrels June 6 and was the highest since Nov. 15, 2021, the port data provided exclusively to S&P Global Commodity Insights showed. Inventories were 14.78% lower than at the same time last year.

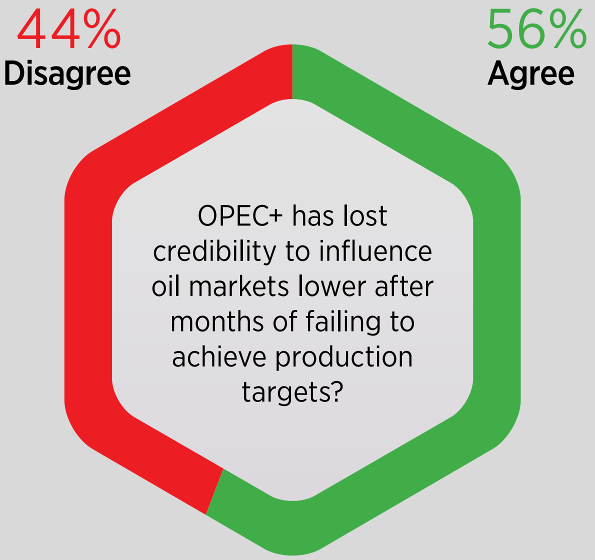
Source: S&P Global Commodity Insights

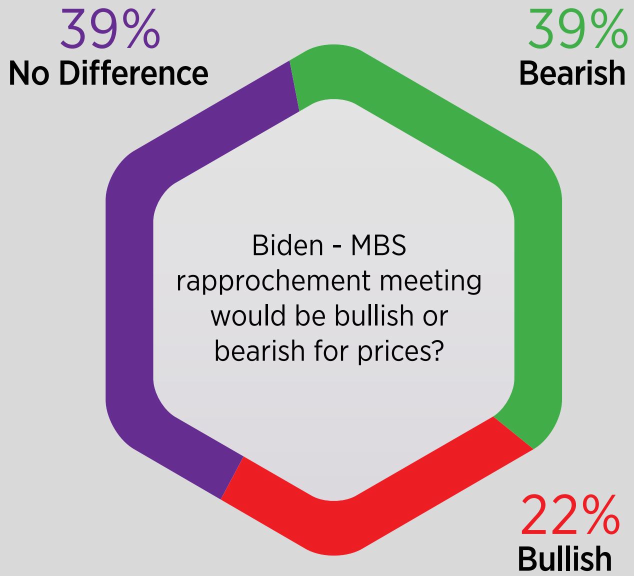
Fujairah Ruler receives Emirati PhD recipients

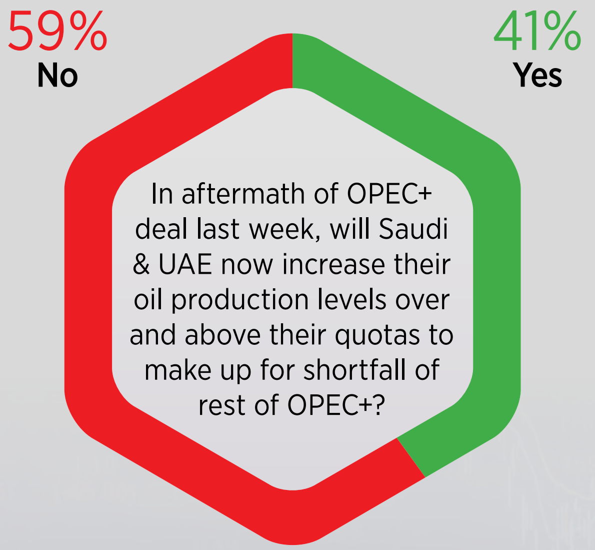
H.H. Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, received at Al Rumailah Palace, Dr. Shaikha Al Kindi and Dr. Hamad Al Samm Al Mutairi, who received their doctorate degrees from the British University in Dubai and Mohammed V University in Morocco. The PhD recipients informed Sheikh Hamad about the topics discussed in their doctoral theses. He congratulated them on their achievements, wishing them further progress and success.

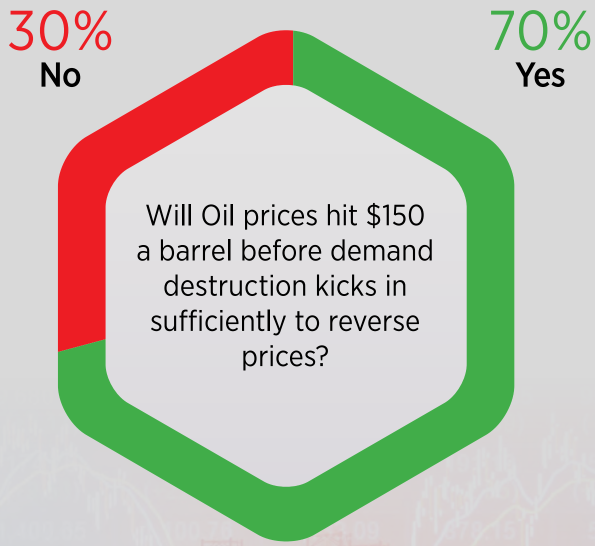
Source: Emirates News Agency-WAM

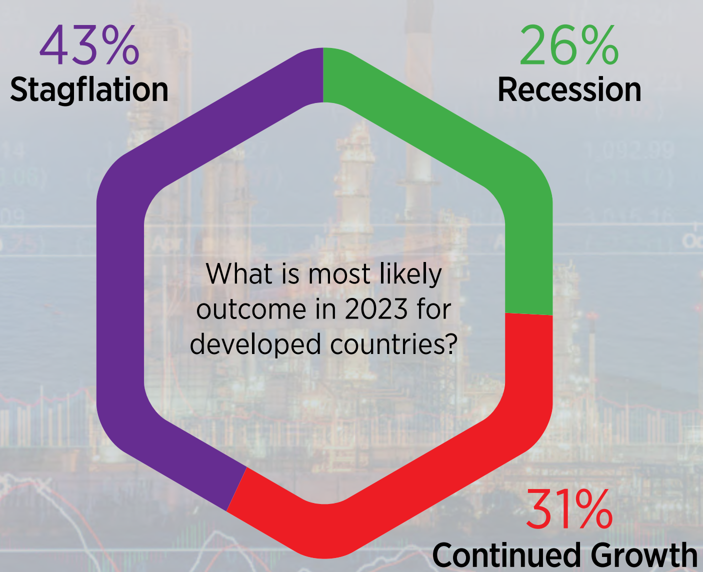
Weekly Surveys











Source: GI Research March 2022

Energy Markets Views You can Use

Sara Akbar
Chairperson & CEO, OiLSERV, Kuwait &
Non-Executive Director, Petrofac

NOCs in this region are pushing to maximize production to help ease prices.
There's a political drive behind this as well. I don't think anyone has any additional barrels that they're not trying to produce. The situation is really tight but unless there's an acceptable settlement between Russia and Ukraine, the oil price is not going to settle. Russia wants three things. It wants recognition of Crimea, a neutral Ukraine and some kind of independence for the eastern part of Ukraine.

How long until we see new Arab Gulf capacity come onstream?
In our business, the investment cycle is about 3 to 5 years so that's the horizon we've planned for execution of major projects. Saudi is planning 13 million, the UAE 5 million, Iraq 6 million and Kuwait 4 million. Service companies are now gearing up for this coming phase so the supply chain to execute projects is there despite costs rising. At this oil price, it's doable and don't forget, new technology really helps in many aspects of our business.

Where does last week's OPEC decision leave the Russia Saudi axis?
OPEC finally realized that the alliance with Russia and continuation of the status quo was not possible. I think that this is all preparation for Biden's visit to the region at the end of this month. Gulf producers don't want to position themselves in the middle of the conflict between Russia and the US. How long we can stay in this neutral space will be apparent after Biden's visit. We've kind of lost faith in what Russia and the US can do in this war and we don't want to antagonize either side. But I don't know if this can continue with the pressures that are mounting from the US for us to take sides.

Neil Atkinson
Former Head of Oil Markets Division
International Energy Agency

Market impact of EU oil sanctions on Russia?
You could say it's been a very impressive response. However, as we move through the summer peak demand season and towards winter with the need for gas also, we will be facing a moment of truth. The resolve of Western European countries will be put to the test if, in the meantime, they've not been able to build up stocks and secure supplies from elsewhere. As for the immediate summer period, there's no sign whatsoever of a reluctance of people to go on holiday and spend money. There's a huge wave of pent-up demand as we come out of lockdowns. These demand pressures, certainly in the short term, are going to build up irrespective of where current prices may be. We're seeing shortages of product in parts of Africa because the local refining industry isn't very efficient, in parts of the northeast US, and there will be pockets of Western Europe where the infrastructure - whether it be refining pipelines or storage facilities - is not optimal and not geared up to cope with periods of stress. These challenges in the refining system remain and we're still in the early stages of adjusting to all of it.

Any surprise at Saudi raising OSPs to Asia?
The main reason behind that is their judgment that Asian demand growth is fairly robust. China is going to come back out of lockdown, and we'll have to see what the pace of their reentry into normal demand patterns is. The price increases were not that dramatic, but they are nevertheless increases at a time when there could be competition into the Asian market from Russian barrels that are displaced from Europe. The Saudi pricing policy will evolve over the next few weeks as we see the evidence of how strong the Asian recovery is.

Is central bank monetary policy helping to ease commodity price challenges?
They have to be very careful because some of the fundamental causes of inflation that we're seeing now include the supply chain stresses that emerged from Covid. Pile on top of that the implications of the Russia Ukraine war, and those fundamental issues are not going to be settled by central banks raising rates on consumers. It takes a long time for it to adjust so they're facing a very difficult tightrope walk.

Fujairah Weekly Oil Inventory Data

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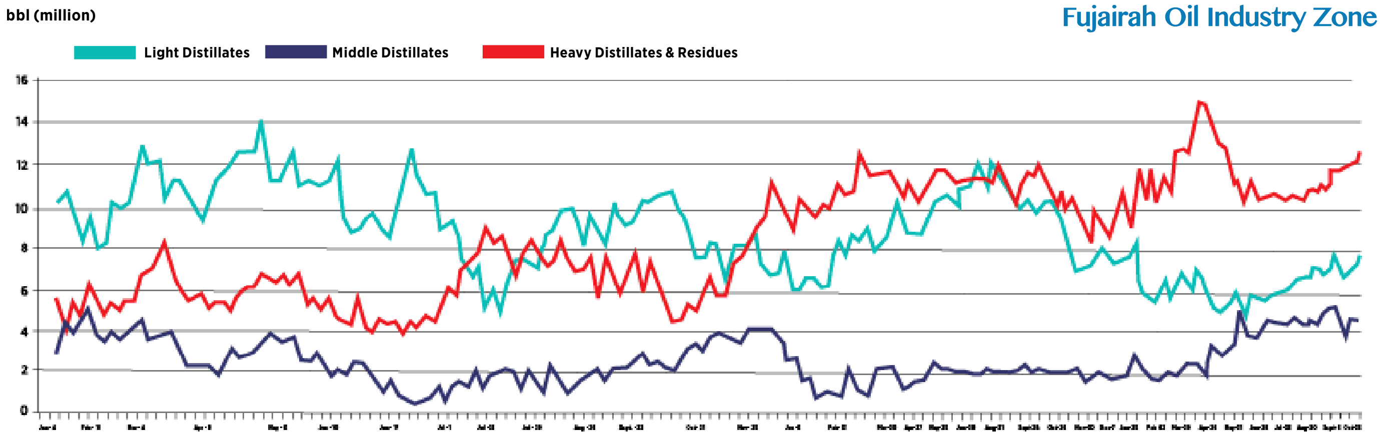

TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 20.193 million barrels as they breached the 20-million-barrel level for the first time since November last year. Stocks were last higher and above 20 million barrels on November 15, 2021 when they stood at 20.296 million barrels. Total stocks rose by 515,000 barrels with overall stocks up 2.6% week-on-week. There was a rise in light distillates stocks while middle distillates and heavy residues posted draws.
- Stocks of light distillates, including gasoline and naphtha, rose by 1.1 million barrels or 17.4% on the week to 7.414 million barrels, the highest level for over a year. They were last higher on March 29, 2021 when they stood at 7.528 million barrels. The East of Suez gasoline market was finding support from regional demand with increased demand from Malaysia due to a scheduled turnaround at Petronas' Melaka refinery and strong demand for gasoline from Indonesia and Pakistan, market sources said.
- Stocks of middle distillates, including diesel and jet fuel, fell by 115,000 barrels or 4.6% on the week to 2.411 million barrels. The gasoil market was seeing record high level for cracks continuing to boost the export incentive for gasoil producers with excess barrels. The strength in the gasoil market has been outpacing that of crude oil in recent days, pushing cracks of the distillate to fresh highs. In recent tender activity, India's MRPL, has issued a tender offering a 40,000 mt or 65,000 mt cargo of 50 ppm sulfur high-speed diesel for loading over June 27-28, according to market sources. The tender closes June 9, with same-day validity.
- Stocks of heavy residues fell by 470,000 barrels on the week to 10.368 million barrels falling by 4.3%. In Fujairah's bunker market participants thought that high prices in Singapore could motivate sellers to divert volumes to the region. "Delivered premiums are still at historically high levels and sellers might want to take opportunity of this," said the trader. Fujairah-delivered marine fuel 0.5% was assessed at $1075/mt on June 7. The premium for Singapore-delivered marine fuel 0.5%S bunker over Fujairah-delivered marine fuel 0.5% narrowed to $45/mt with Singapore delivered bunkers assessed at $1115/mt on June 7.

Source: S&P Global Platts

Commodities

Oil prices added another leg higher overnight as data show an increasingly tightening market. Brent futures added 2.5% to close at 123.58/b while WTI gained 2.3% to settle at USD 122.11/b. Data from the EIA showed a 2m bbl increase in commercial crude stocks though that was offset by a more than 7m bbl drop in SPR inventories. Gasoline stocks also fell last week. Oil production was flat again at 11.9m b/d while product supplied rose by 715k b/d to 20.2m b/d.

Equities

The day started positively as Asian markets followed the US's gains of the previous day, with the Hang Seng adding 0.2%, the Shanghai Composite 0.7% and the Nikkei 1.0%. However, European markets were not so buoyant and while the FTSE 100 dropped only -0.1%, the DAX and the CAC both closed -0.8% lower.

FX

A general move away from risk assets and pull higher in US yields helped to push the dollar overnight. The DXY index added 0.2% to close at 102.542 with the gains largely coming from GBPUSD which fell 0.44% to 1.2537 and USDJPY which jumped more than 1.2% to 134.25. EURUSD managed to gain, up by 0.12% to 1.0716 ahead of today's ECB meeting.

Source: Emirates NBD Report

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Energy Markets Views You can Use

Ole Hansen
Head of Commodity Strategy
Saxo Bank

The fuel markets will be the next driver for oil price direction.
Diesel and gasoline across the world are already trading at record high levels, with refinery margins as elevated as they are. Crude prices are relatively low. It is the fuel price that will determine when we start to scale back our spending habits. We will see demand destruction before $150 but not for the next few months because we need to get on the other side of this strong demand period and see how consumers react in the autumn. We will probably stay in a holding pattern here before we eventually move higher. Demand is strong, especially coming into the summer months in the Middle East, and an expected very strong driving and flying season across the world. We need to get to the point where either the economic outlook starts to deteriorate further, or we get prices high enough to kill demand and thereby balance the market more.

The downturn in financial markets seems to have paused?
We're still concerned about further losses. These 5% to 10% bounces are not unusual.
We have to accept the fact that the global economy is slowing and with interest rates going up, we need to find a new equilibrium in the stock market, and we haven't found that yet. The retail sector has been left with a lot of inventory and that will start to filter through. We have a world which is so highly indebted that the question is how high an interest rate can the global economy cope with.

How significant is China for energy market direction?
China is probably more important for the metals markets where we have had a 25% correction since the recent Covid outbreak. After the lockdown, it will take time for both metals and oil demand to return to where they were. We also need to keep a close eye on the government and its attempt to stimulate the economy, because the growth levels that we're seeing in China are clearly not acceptable.

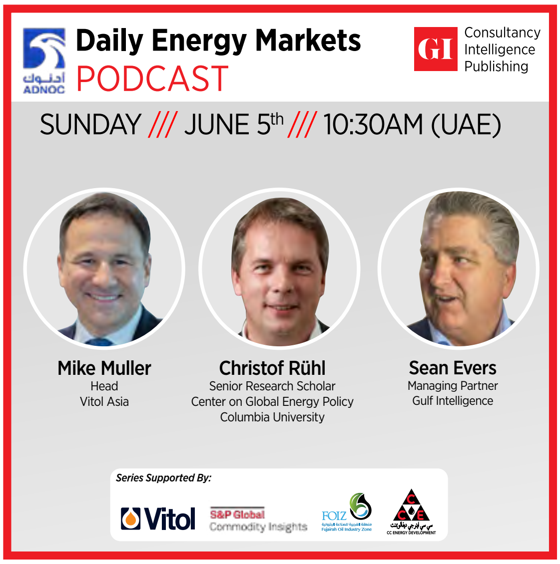
Andy Laven
Chief Operating Officer
Sahara Energy Resources

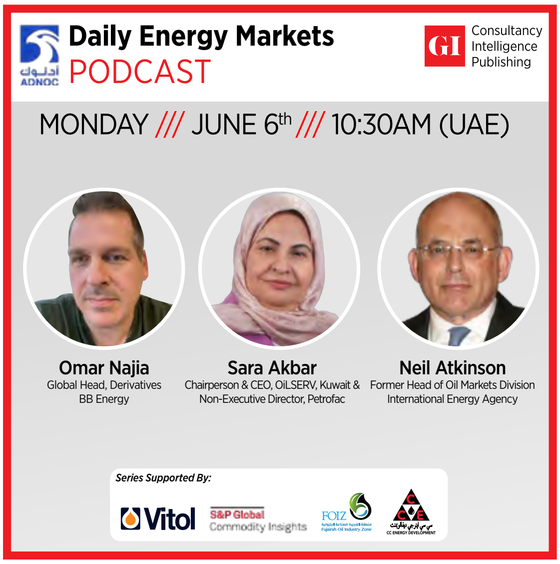
Can we get to $150 oil without demand destruction reversing this course?
The world has moved on since we last had oil at $150 so I think demand can continue at that level. Since May 2020, the oil price trend has been going up. The world has been living in a very low interest rate environment for a long, long time, and it needs a healthy dose of high rates to get a bit of reality back into businesses. The question is, how quickly do we get there and that's the balance between the issues of recession versus politics. But for now, pent up demand will keep people spending even if things are getting more costly. The only way you will see destruction is if China decides to lockdown again and if they do, we will get both demand and supply disruption.

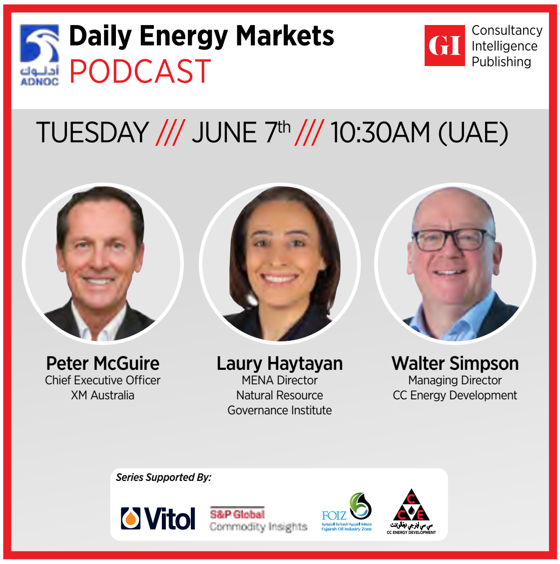
How are oil trading companies dealing with the sanctions bureaucracy?
We've been through such embargoes before, and those companies have learned how to manage the paperwork and manage the positional data. Equally, the regulators have learned how to put sanctions in specific ways to make it difficult. That's what really drove the insurance market system. But there are going to be people who will take advantage of the significant discounts in pricing, use their own vessels, and so on. They won't be able to fill the market totally but also Russia's oil and gas industry is not pushing out as much as it has been. We already had tightness in the market before the sanctions – they've just made it a bit tighter.

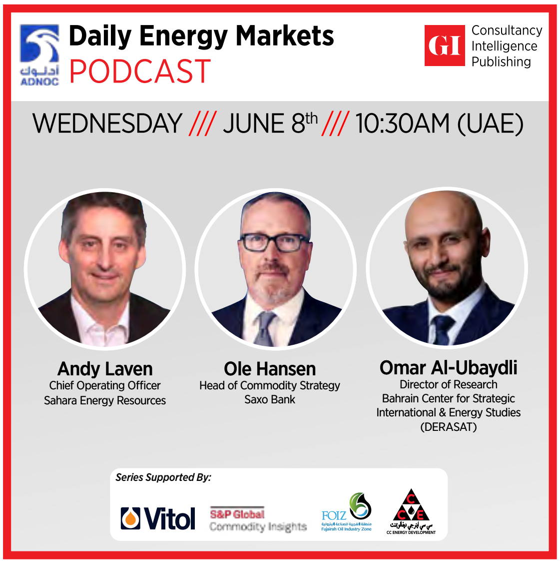
Energy Markets COMMENTARY

WEEK IN REVIEW









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Energy Markets Views You can Use

Christof Rühl

Senior Research Scholar - Center on Global Energy Policy
Columbia University

The EU decision on the Russian oil boycott was a poor one.

In practice, it was not just about giving in to countries like Hungary. They allowed the Russian shipped oil to be easily redirected. Sanctioning pipelined oil is what would have really hurt more. EU decision making based on unanimity is a thing which doesn't work in crisis situations, and it clearly showed its limitations in this case. Having said that, the sanctions game will continue, precisely because there is more scope in the crude oil markets to tighten the screws, and people who are adamant about ending the war, will continue to advocate for this, including those in government.

What do you make of the OPEC announcement last week?

OPEC+ is about 2.6 to 3 million bd short of its current commitments – that's almost 30% so they have to find a way to resolve this. They're walking a tightrope between peace offers with the US and keeping Russia on board. In terms of the current market, there's no problem with crude oil supply, and if there are no secondary sanctions, Russian oil can be exported. We have four safety valves – the SPR; Venezuela, Iran and potentially Nigeria and Libya; the core OPEC countries with spare capacity; and fourthly, ratcheting up US shale. The problem is with products, particularly with diesel, but even there, we will have the enormously flexible global refining system eventually adjusting, as it has done before.

Outlook for oil demand?

The demand destruction argument is a race between when China will pick up again and the US, Europe and other advanced and emerging markets falling behind in recession fears. Once lockdowns are lifted, we will likely see a boost in demand from China, supported by government programs that will concentrate on the consumption side in a very clearcut way.

Is there a chance that inflation won't derail oil demand?

Inflation for oil is only a problem once it hits demand and it hits demand only once it hits economic growth. So, the single most important thing will be aggregate economic growth – the sum of components of recession fears and economic recovery. If inflation impacts economic growth, it will do so through creating a recession or a slowdown in particular countries and then it becomes a matter for oil demand and prices. I don't this we will have a global recession with a real hard impact on oil demand, but there will be a lot of victims on the sidelines, in particular in emerging market economies. We will see more bankruptcies there.

Energy Markets Views You can Use

Omar Al-Ubaydli
Director of Research, Bahrain Center for Strategic International & Energy Studies (DERASAT)

Biden's overtures to Saudi Arabia regarding oil are a red herring.
American voters are focused on inflation and the effect of oil prices on inflation in America are not that high - so many other things are causing inflation beyond gasoline prices. I don't think any meeting will happen between the US and Saudi before the midterm elections because the political calculus within the US sees that Biden won't get what he wants for now, so better to delay it. As for Saudi Arabia and the UAE, they feel a lot more affinity to OPEC+ than they do to the US' capricious oil demands.

Will the move by OPEC+ to add more oil make a difference?
Any effects of that would not be as big as one might imagine. The continued question marks over the future of Russian oil and the lack of investment because of sustainable development goals will weigh much more on markets than a few hundred thousand barrels here or there.

Should we still expect a US Iran nuclear deal?
The sticking point about the terrorist designation of the IRGC demonstrates that both sides are much more interested in scoring points with their domestic audience and internationally, rather than achieving some material strategic advantage from securing the deal. I don't think either side is particularly serious, and we will get to a point where either a deal happens and is of no major consequence or a deal does not happen. Also, nuclear weapons were previously a deterrent against a country invading another. The only country that would have been at risk of invading Iran was the US, so whether or not Iran gets a nuclear weapon is no longer nearly as relevant. It can independently wreak havoc in the region without it.

ENERGY MARKET NEWS

1. OIL INCHES HIGHER AHEAD OF US INVENTORIES DATA, SUPPORTED BY TIGHT SUPPLIES
2. FED GDP TRACKER SHOWS THE ECONOMY COULD BE ON THE BRINK OF A RECESSION
3. EIA EXPECTS RUSSIAN OIL OUTPUT TO TAKE HIT IN 2023 FROM EU SANCTIONS
4. US IN TALKS WITH EU ON WAYS TO LIMIT RUSSIAN OIL REVENUES
5. WORLD BANK DIMS OUTLOOK FOR GLOBAL ECONOMY AMID RUSSIA WAR
6. GOLDMAN SACHS PREDICTS $140 OIL AS GAS PRICES SPIKE NEAR $5 A GALLON
7. BIG OIL SET TO WIN STAKES IN QATAR'S HUGE LNG EXPANSION PROJECTS
8. COMMODITIES GAUGE SOARS TO FRESH RECORD AMID SUPPLY CRUNCH
9. IN TEHRAN, OIL REVENUES ARE MORE IMPORTANT THAN IDEOLOGY RIGHT NOW
10. KAZAKHSTAN SEES OIL EXPORTS CONSTRAINED DUE TO SANCTIONS ON RUSSIA

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- 'UNINVESTABLE' CHINA COULD MAKE A COMEBACK
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GI Soundings Week in Review

Pent-up Demand Warding Off Recession, For Now

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

- **Peter McGuire, Chief Executive Officer, XM Australia**
- **Marc Ostwald, Chief Economist & Global Strategist, ADM Investor Services International**
- **Rustin Edwards, Head, Fuel Oil Procurement, Euronav NV**
- **Dr. Carole Nakhle, CEO, Crystol Energy**

Peter McGuire, Chief Executive Officer, XM Australia: "Stagflation fears heightened ahead of key events this week. The World Bank slashed its 2022 forecast for global growth as surging inflation is forcing central banks to sharply raise interest rates, while the ongoing supply shortages from the war in Ukraine and China's virus curbs are further dampening the outlook."

Marc Ostwald, Chief Economist & Global Strategist, ADM Investor Services International: "We're getting a clear build-up in retail and wholesale inventories, particularly in the US, where demand is starting to fall off. But we also have productive capacity constraints, in terms of office space, machinery, labour. So, we've got a very nasty cocktail where the demand destruction may not actually have that much impact on inflation because the productive capacity isn't there, which implies that the demand destruction we need to see to bring down inflation is actually going to be quite calamitous."

Rustin Edwards, Head, Fuel Oil Procurement, Euronav NV: "Products are always going to be the tougher part of the whole flow, just because the diesel and the naphtha that was coming from Russia and exported to Europe for reprocessing or just for retail sales, there's not that many places for it to go. And so that's kind of where you have the bottleneck on the freight – on the clean product side, not so much on crude oil."

Dr. Carole Nakhle, CEO, Crystol Energy: "The OPEC+ decision last week kind of scored a point on the geopolitical front with the US and they also kept Russia on board. At the end of the day, market stabilization is not really their genuine concern – rather, it is demand destruction, and for that, they have to distinguish between what is cyclical and what is structural, and it is the latter that is more worrying for OPEC, sitting on assets whose shelf life they want to extend for as long as possible."

Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
June 4th - 9th

1. OPEC+ is unlikely to meet new elevated production quotas as they have failed to meet lower output targets for months.
2. When analyzing what steps OPEC+ may take to impact the direction of the oil markets, one should always remember that their top priority is to protect the goose that lays the golden egg -- DEMAND!
3. Recession fears may be overstated this year with large amounts of pent-up demand still to play out in the West and Asia.
4. The reports of a possible summit between the leaders of Saudi Arabia and the US sometime over the next month may be big news, but unlikely to be very consequential for energy markets.
5. The contagion from Ukraine has thus far been economic, but Geopolitical cracks are appearing in many places and could be the next domino to erupt.
6. Iran's pursuit of a nuclear weapon is no longer the geopolitical strategic threat to the region that it was in the past.
7. Oil prices are likely to hit $150 a barrel before demand destruction kicks in sufficiently to reverse prices.
8. The next wind in the sails for Brent crude oil to move higher may come from the fuel markets, which remain near record levels.
9. The drum is banging ever louder on the outlook for weaker economic growth -- no longer if, but when -- the question that remains is will it be a 2008 / 2020 cliff edge, or good old fashioned recession slowdown and recovery?
10. Energy demand in Europe and the US is likely to remain strong through the usually quiet periods of spring and autumn as everyone fills up storage ahead of next winter.

10th Anniversary ITINERARY

ENERGY MARKETS FORUM

October 4th - 6th, 2022 | Novotel, Fujairah

DAY 1 - OCT. 4th

What: Port of Fujairah Executive Boat Tour
Where: Port of Fujairah
Time: 2:00pm

What: FOIZ Oil Storage Terminals Industry Tour
Where: Port of Fujairah
Time: 2:00pm

What: The Aramco Trading New Silk Road CEO of the Year Awards 2022
Where: Novotel, Fujairah
Time: 7:00pm

DAY 2 - OCT. 5th

What: Industry Forum - East of Suez Outlook
Where: Novotel, Fujairah
Time: 8:00am - 3:00pm

What: International Energy Journalism Awards Dinner
Where: Novotel, Fujairah
Time: 7:00pm

DAY 3 - OCT. 6th

What: Energy Markets Workshop - Benchmarks
Where: Novotel, Fujairah
Time: 8:00am - 2:00pm

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