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Fujairah New Silk Road WEEKLY NEWSLETTER

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"Oil Prices Struggling Because of Financial Flows, Not Fundamentals!"

Amrita Sen, Co-Founder and Director of Research, Energy Aspects

We've built a lot of inventory in Q4 2022 and the early parts of Q1 2023. But that shouldn't be confused with China's recovery, which is phenomenal right now. The March data that came in for demand was about 600,000 b/d higher than what we had expected, and we had already forecast a decent uptake. Outright demand was over 16 million b/d, so China isn't the problem. The problem is the West, which has slowed down, but the real reason why oil prices are struggling is much more to do with financial flows than fundamentals. If you look at physical grades around the world, be it in the Middle East, or dated Brent, they are much, much higher than the paper prices. That's one of the big issues right now with the market – traders want to see bigger stock draws; they want to see that tightening happening first before they come back in. So, prices will be going up, but not in Q2. There are just too many macro headwinds so it's going to be from the second half of the year. On demand, we see 1.5 million b/d of year-on-year growth. We may not be in an overall technical recession, but we are in an industrial recession, at least in the US and parts of Europe. The expectations that we would have 2 million b/d of growth this year would require miracles out of Asia. That's not going to happen, but we will see tightness in supply in the second half of the year. From a macro point of view, the fear right now is we could get a hard landing, but our forecasts are calling for a mild recession in the US and Europe. If the market gets clarity of that and that the banking system isn't going to fall over, it then allows risk assets to perform. The oil market has probably priced in a bit more towards the hard landing, so if that doesn't materialise, prices can still rally.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

6,873 bbl	3,426 bbl	9,661 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:	$79.51/bl
WTI Crude:	$75.78/bl
DME Oman:	$80.46/bl
Murban:	$79.94/bl

*Time Period: Week 4, April 2023
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $610.00/mt

Low = $574.00/mt

Average = $592.00/mt

Spread = $36.00/mt

MGO

High = $1,013.50/mt

Low = $971.50/mt

Average = $994.00/mt

Spread = $0.00/mt

IFO380

High = $469.50/mt

Low = $452.00/mt

Average = $460.00/mt

Spread = $17.50/mt

*Source: Ship and Bunker, *Time Period: April 20 – April 27, 2023*

Fujairah Bunker Sales Volume (m^3)

250 180cst Low Sulfur Fuel Oil	451,405 380cst Low Sulfur Fuel Oil	81,058 380cst Marine Fuel Oil
538 Marine Gasoil	26,549 Low Sulfur Marine Gasoil	3,475 Lubricants

Source: FEDCom & S&P Global Platts

CONTINUED FROM PAGE 1

Amrita Sen, Co-Founder and Director of Research, Energy Aspects

Have the voluntary cuts by OPEC+ fulfilled their intention?

The market needed some form of stability with the banking crisis in the background and so OPEC+ were trying to provide that. Stability is also needed for long term investment. But one of the big reasons why we haven't seen traders come and put positions, is because there's still a lot of skepticism whether these cuts will materialise. We're not expecting 100% compliance but on average historically it's been between 96 to 98% for voluntary cuts. We are absolutely expecting Saudi Arabia to lead in the efforts of cutting production. If the market over tightens, OPEC can always bring this back. It's not going to be an issue for at least some of these countries who will now have some spare capacity. Strong demand is not necessarily a concern right now, but fast forward a year or two with potentially a global economic recovery, and that capacity is extremely constrained.

Will we see more disruption to Russian oil exports this year?

It's very clear now that the sanctions were designed to keep Russian oil flowing. Our forecasts are the same for this year - we expect about 500,000 b/d of year-on-year declines for crude and products combined. Russia's latest forecast has confirmed that as well.

Is China's demand for Russian crude detrimental to its Gulf suppliers?

China hasn't stopped taking Middle Eastern oil. Rather, its intake of more Russian oil has been at the expense of Atlantic Basin crudes, be it from West Africa, Latin America, or even some oil from the US. Both India and China absolutely realize the importance of their strategic relationship with the Gulf countries.

Outlook for Europe's gas supply and prices this year?

We believe prices will be low across Europe, and the US has a lot of gas to give following a mild winter. With China's reopening, you are going to see some more demand but it's next year and the year after that we need to look out for. We think the TTF curve is still too low. The gas crisis hasn't gone away, and Russian flows will be lower year-on-year in 2023. If gas prices get too low, industries which had switched away from gas will come back quickly and that's a chunky amount of demand. So, the politicians in Europe need to be careful not to become complacent. There was demand destruction by choice in Europe last year which allowed inventories to rebuild, and we got extremely lucky with the weather but looking at where prices are right now, we could start getting a lot more of that demand back, which could shock the market by early 2024.

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Energy Markets Views You can Use

Nur Azlin Ahmad
Editor, Crude Oil
Argus Media

We do see recovery on the ground in China, but it is slow.

Chinese oil demand is forecast to increase by about 700,000 b/d this year - that's 45% of the total increase in global demand, so there is some concern. Refining margins right now in Asia are also a concern and Middle East producers are watching those very closely. They haven't crashed, but they're slipping, in April compared to March. Cracks for jet kerosene, naphtha and other fuels, have been easing and we are hearing some chatter in the market about refiners at least considering the prospect that they may have to reduce runs.

Will prices above $80 kill Chinese oil demand?

China is price sensitive, but it also has more choices with crude than a lot of other countries in Asia. It's continuing to buy Russian oil as well as other crudes. Immediately after the latest OPEC+ voluntary cuts, we saw an increase in the Middle East OSPs into Asia, and we saw Chinese refiners nominating lower volumes. That was them trying to indicate to all producers, that should prices go a little too high above the ideal level, that they could pull back. We don't think China will cut those crude purchases drastically, but it will continue to import Russian crude, as it's still the cheapest option out there. And the bottom line for Chinese refiners is still better than for those in Singapore, South Korea, or Japan.

Clyde Russell
Asia Commodities & Energy Columnist
Thomson Reuters

How is the Chinese demand recovery in Q2?

I look at the whole Chinese picture, rather than just oil imports. Yes, imports were up about 700,000 b/d in the first quarter in line with forecasts but there are other caveats that the market tends to ignore. Exports of refined products were also up by about 60% in Q1, about 610,000 b/d. And when you then throw in the other factor of putting in about 700,000 b/d of inventories, that doesn't give you a picture of terribly strong Chinese domestic demand. If the oil price heads above $80, China can dip into stockpiles while continuing to take cheaper crudes from countries like Russia or Venezuela.

Is the oil market more confident about the macro picture for 2H 2023?

They're getting more confident that things are going to be weaker. We're starting to see the rapid and sustained monetary tightening in much of the developed world, crunch down on those economies and that's going to continue. At the same time, OPEC+ is working very hard to keep the price above $80, but the world economy is set up to handle a price closer to $60. In the race between OPEC+ and a global recession, the global recession is going to win. The unknown X factor is just how strong China will be in the second half and logic tells me that it won't be strong if the oil price is high. We're seeing a very uneven recovery in China. The massive stimulus spending has not produced the uptake in the construction and infrastructure sectors as it did before. It's hard to see how we can get a sustained rally or even keep oil prices at their current levels without that and without recovery in other countries also.

Outlook for gas markets?

It's all price driven. There are many price-sensitive buyers in Asia, especially for spot cargoes. China will buy spot gas if the price is right – it certainly must be below $15 per MMBTU. Any more than that and they struggle to make a profit selling it into their domestic market. China also counts as a price sensitive buyer – it would rather use coal for heating than the gas if it comes down to it.

Fujairah Spotlight

FUJAIRAH DATA: Oil product stocks post biggest drop in four months as exports double

Stockpiles of oil products at the UAE's Port of Fujairah dropped 13% in the week ended April 24, the biggest drop in four months, according to Fujairah Oil Industry Zone data April 26. Total inventories fell to 19.960 million barrels as of April 24, with all categories showing declines, the FOIZ data provided exclusively to S&P Global Commodity Insights showed. It was the biggest weekly drop since the week ended Dec. 19, leaving them at a two-week low after gaining 15% a week earlier.

Source: S&P Global Commodity Insights

National Bank of Fujairah Q1 2023 net profit surges 151.8%, reaching Dh152 million

National Bank of Fujairah (NBF) recorded year-on-year growth of 151.8 per cent in its net profit for the first quarter of 2023 to close the three month period at Dh152.0 million compared to Dh60.4 million in the corresponding period of 2022. Supported by higher net interest income and net income from Islamic financing and investment activities and fee income, NBF posted an operating profit of Dh397.9 million for the three month period, a rise of 35.7 per cent compared to Dh293.2 million in the corresponding period of 2022 and up 30.9 per cent quarter-on-quarter.

Source: Khaleej Times

A first glimpse into Etihad Rail's $3bn mountain track in Fujairah

The Etihad Rail network spanning over 900 kilometres was completed in March, connecting four major ports and seven logistics hubs across the UAE. The rail track connecting the seven emirates of the UAE will feature 593 bridges and crossings, a fleet of 38 locomotives, and six tunnels, and can transport 60 million tonnes of goods annually.

Source: Logistics Middle East

Government of Fujairah to launch Census 2023 project in May

H.H. Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah, asserted that the Fujairah Census 2023 project is a key pillar of the Fujairah Government's strategic plans, helping achieve its future objectives, and supporting its development plans that benefit individuals and the community across all sectors.

Source: Zawya

Fujairah Weekly Oil Inventory Data

TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 19.96 million barrels with a drop of 2.911 million or 12.7% week-on-week falling under the 20-million-barrel level. The stocks movement saw a drop across the board for light distillates, middle distillates and heavy residues.

- Stocks of light distillates, including gasoline and naphtha, fell by 1.692 million barrels or 19.8% on the week to 6.873 million barrels. The East of Suez gasoline market firmed slightly April 25, recovering from a three-month low crack in the April 24 close, as Asia tracked a stronger US RBOB/Brent crack, sources said. Nonetheless, the Asian market was under some downward pressure amid expectations of the new batch of Chinese export quota and as demand from Indonesia and Malaysia is expected to taper out after the Eid celebrations, sources said. "The East-West spread is too strong at current level for cargoes to arb out to Middle East or Africa. The only arb that works is to Mexico, but it's limited on size," a Singapore-based trader said. "Barrels are trapped in the east, the west is coming down faster than east, so the east needs to weaken more to clear out the barrels," the trader said.

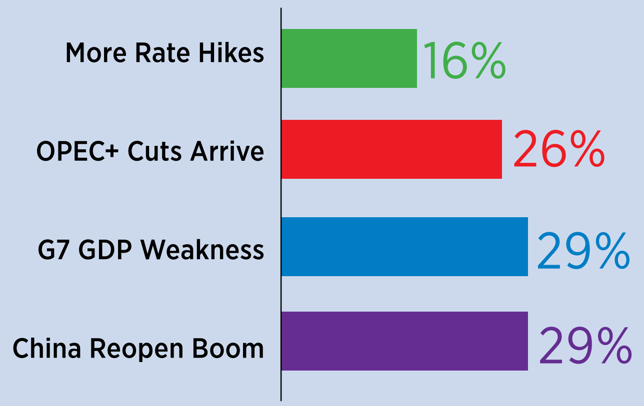
- Stocks of middle distillates, including diesel and jet fuel, dropped by 13,000 barrels or 0.4% on the week to 3.426 million barrels. The East of Suez gasoil market remained pressured in the week of April 24 amid healthy regional supplies, trade participants said. Some sources said there was a mix of regional cargoes on offer for May-loading dates while concerns of incremental volumes from China boosting length in an already well supplied pool lingered. "Negative sentiments are still lingering around," a trader said April 24, adding that some unsold cargoes for May-loading dates were still being heard from a few North Asian refiners. The softer sentiment was reflected in a weakening market structure. At 0700 GMT April 24, the front-month Singapore gasoil derivative time spread was at an intraday value of plus 6 cents/b, narrowing from an assessment of plus 20 cents/b at the 0430 GMT close April 21. Despite a second straight weekly fall, stocks remained well above year-ago levels. Stocks now stand 63.9% above the same point in 2022, compared to 61.4% higher a week ago and 49% higher at the end of March. Gasoil, mainly used for heating in Europe, saw weak demand and little spot trading as temperatures continued to rise.

- Stocks of heavy residues fell by 1.206 million barrels, down 11.1% on the week as they stood at 9.661 million barrels. Spot trading activity at both the bunker hubs of Singapore and Fujairah ranged around tepid to average at best, as some buyers hurried to meet requirements amid a strengthening flat price, according to market sources April 25. Two crude distillation units with a total processing capacity of about 410,000 b/d at Kuwait Petroleum Corp's Al-Zour's refinery went offline in the week ended April 14 following technical glitches, stoking fears of low sulfur fuel oil cargo shortages which led ex-wharf premiums to soar. The bullishness was short-lived as LSFO cargo availability has been ample for downstream requirements. S&P Global reported April 14 citing the company that CDU 1 was expected to restart shortly. The traders said April ex-wharf LSFO cargo premiums have shrunk to low-single digits in the week started April 17, with highest offers around a $10/mt premium.

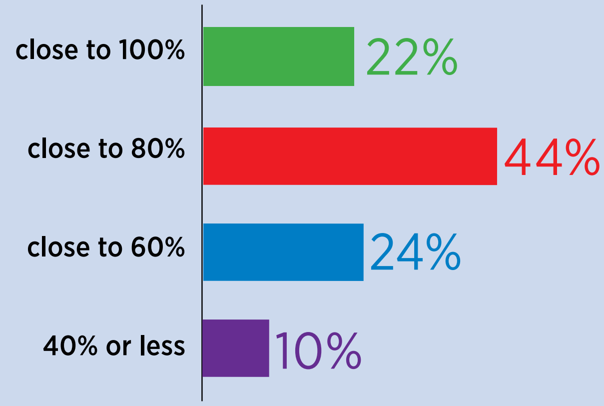
Source: S&P Global Commodity Insights

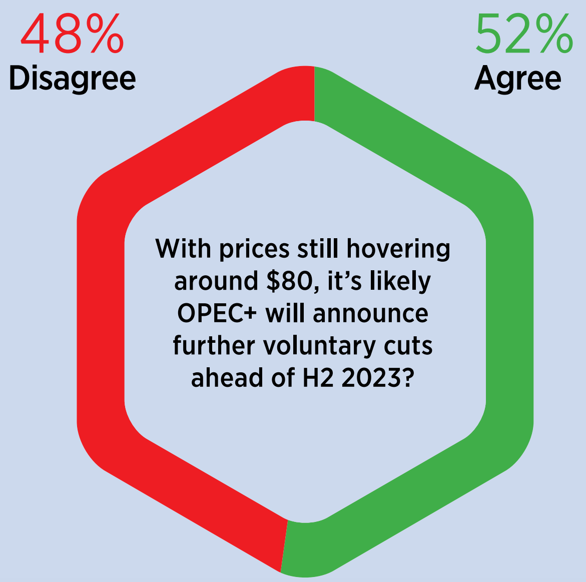
Weekly Surveys

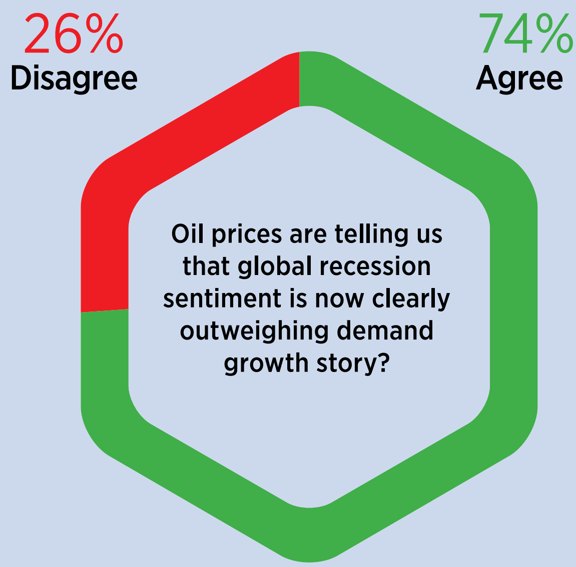
Which will win the battle to influence direction of oil prices over the month ahead?



How much of the announced OPEC+ cuts of 1.6mn b/d starting May 1st do you expect to be implemented?







The IEA says OPEC+ cuts policy is inflationary and a risk to global economic health. OPEC says rising interest rates and lack of energy investment are more serious threats. Who is right?

Source: GI Research March 2023

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Energy Markets COMMENTARY WEEK IN REVIEW

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Energy Markets Views You can Use

Neil Atkinson
Former Head of Oil Markets Division
International Energy Agency (IEA)

Does the market believe that OPEC+ will deliver on its voluntary cuts?
I'm not entirely sure that it really matters whether it's 100% or 90%. It's a very fluid situation. But the cuts that were announced last October and the latest ones, represented a masterful reading of the actual fundamentals of the oil market. The producers were not trying to necessarily boost prices significantly - they were trying to stop them sliding further. What happens over the next few months is entirely dependent on whether we think the demand growth outlook weakens - I think it will because of the economic uncertainty, the possibility of further interest rate hikes in the Western world, and because of economic problems in China and supply chain issues and financing for various sectors.

Why would Russia even consider cutting 500,000 b/d?
Maybe they won't as they need every dollar they can get their hands on. The oil analyst community have got it spectacularly wrong since the early days of the invasion of Ukraine, partly because of the price cap mechanism and partly because of the way in which China and India have taken Russian oil. Production has stayed at very high levels and going forward, I think the Russians will just play it week by week. I don't think they will cut. All countries making voluntary cuts will look at it from the point of view of their own interests.

Has the Ukraine conflict become a marginal issue for oil markets?
It's become a bit like the First World War, where the two sides slug it out for ten meters of gains a day. It looks as if this war is here for the long haul and it's been remarkable how the energy crisis, which was forecast as a consequence of the Russian invasion of Ukraine, did not come to pass. The enormous price spikes we saw last summer in gas to Europe have basically gone and prices are now more normal, and Europe is in a better position to withstand the coming 2023-2024 winter.

ENERGY MARKET NEWS

1. OIL SET FOR SECOND WEEKLY DROP AS RECESSION FEARS, RATES CLOUD OUTLOOK
2. SINGAPORE FUEL OIL STOCKS SLIP TO FOUR-WEEK LOWS; NET IMPORTS EASE 19%
3. IRAN SEIZED OIL TANKER HEADED FOR TEXAS, U.S. NAVY SAYS
4. PENCE TESTIFIES BEFORE FEDERAL GRAND JURY INVESTIGATING TRUMP'S ROLE
5. IEA SHOULD BE 'VERY CAREFUL' ABOUT UNDERMINING KEY OIL INVESTMENTS
6. CRUDE EDGING UP; RUSSIA SAYS OPEC+ SEES NO NEED FOR FURTHER OIL OUTPUT CUTS
7. US ECONOMY GREW AT WEAK 1.1% RATE IN FIRST QUARTER
8. SHIP INSURERS WARN OF RUSSIAN OIL PRICE CAP EVASION, RISKS OF 'DARK FLEET'
9. EXXON MOBIL APPROVES $12.7 BILLION OIL PROJECT IN GUYANA
10. PAKISTAN ALL SET TO GET DISCOUNTED RUSSIAN OIL, PM SAYS

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GI Soundings Week in Review

"Global Economic and Financial Concerns Outweigh Demand Recovery!"

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.

- **Omar Najia, Global Head, Derivatives, BB Energy**
- **Vandana Hari, Founder & CEO, Vanda Insights**
- **Peter McGuire, Chief Executive Officer, XM Australia**
- **Yousef Alshammari, CEO & Head of Oil Research, CMarkits, Senior Research Fellow, Imperial College London**
- **Salih Yilmaz, Senior Equity Research Analyst - Energy, Oil & Gas, Transition, ESG, Bloomberg Intelligence**
- **Narendra Taneja, India's Leading Energy Expert**
- **Paul Hickin, Editor-in-Chief, Petroleum Economist**
- **Richard Redoglia, Chief Executive Officer, Matrix Global Holdings**
- **Ole Hansen, Head, Commodity Strategy, Saxo Bank**

Omar Najia, Global Head, Derivatives, BB Energy MARKETS "If you look at 2008, 2014 and 2022, those were all periods when you saw the S&P go down and oil go up. We look at markets independently. Sometimes they're correlated, sometimes they're not. But the bottom line is, I think oil is going to go up."

Vandana Hari, Founder & CEO, Vanda Insights GLOBAL GROWTH "Economic sentiment very much remains in the driver's seat for oil prices. We've been talking about two halves of the year, but the way I see it is two halves of the world. The West where economic momentum is going downwards, and Asia where it is continuing to accelerate."

Peter McGuire, Chief Executive Officer, XM Australia ECONOMIC SENTIMENT "It's now dependent upon where those CPI numbers lead from Germany, and what happens with the ECB and the US. The inflation story is not over yet, and the impact of higher rates on the return on investment, are all factors that need to be considered, from retail trading all the way through to central banks."

Yousef Alshammari, CEO & Head of Oil Research, CMarkits, Senior Research Fellow, Imperial College London OPEC+ "As we get into Q2, demand from China has not been a major driver to prevent prices from heading lower and we have a weaker economic picture from the G7 economies. For producers to be less concerned, prices shouldn't go below $80 and that's one reason I'm expecting additional OPEC+ cuts, especially ahead of summer."

GI Soundings Week in Review

CONTINUATION

Salih Yilmaz, Senior Equity Research Analyst - Energy, Oil & Gas, Transition, ESG, Bloomberg Intelligence OIL MAJORS "I think their balance sheets are in a much better position and they're doing a lot more buybacks, giving more dividends. M&A is very much on the table again for them to consider, not because they don't think demand is going to be strong, but because it's their priority right now and what their shareholder base wants."

Narendra Taneja, India's Leading Energy Expert RUSSIAN OIL "As long as the Russians can give attractive discounts and make sure that the crude is shipped to Indian ports and they take care of logistics, including insurance and all that in partnership with Indian importers, the refiners will go for that. It has nothing to do with politics or India's stand on Ukraine. It's purely economic."

Paul Hickin, Editor-in-Chief, Petroleum Economist OPEC+ CUT "The market certainly believes in the cuts. The bigger question is - will the $80 price floor hold if we get another banking crisis, or if fears over higher interest rates kick in further? Does OPEC+ have the patience for that? It moved quickly once – will it do so again?"

Richard Redoglia, Chief Executive Officer, Matrix Global Holdings OIL PRICE "One of the biggest factors that we see, is that this market is in backwardation. In my experience, markets that are truly weak move into contango, and pretty quickly. In this case, the market remains in backwardation and not just for the short term - it's backwardation going out a very long time."

Ole Hansen, Head, Commodity Strategy, Saxo Bank SHORT SELLING "OPEC+ announcing cuts over a weekend created a $4-$5 gap in the market. That forced a lot of shorts out to take a massive loss and forced longs back into the market around the $85 level for Brent. And as the short sellers started to look for that gap, they increasingly got out of pocket and joined the selling. So, part of the selling we're seeing now is OPEC's own fault."

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