

# Fujairah

## New Silk Road

### WEEKLY NEWSLETTER

**JULY 23<sup>rd</sup> 2020**  
**VOL. 39**

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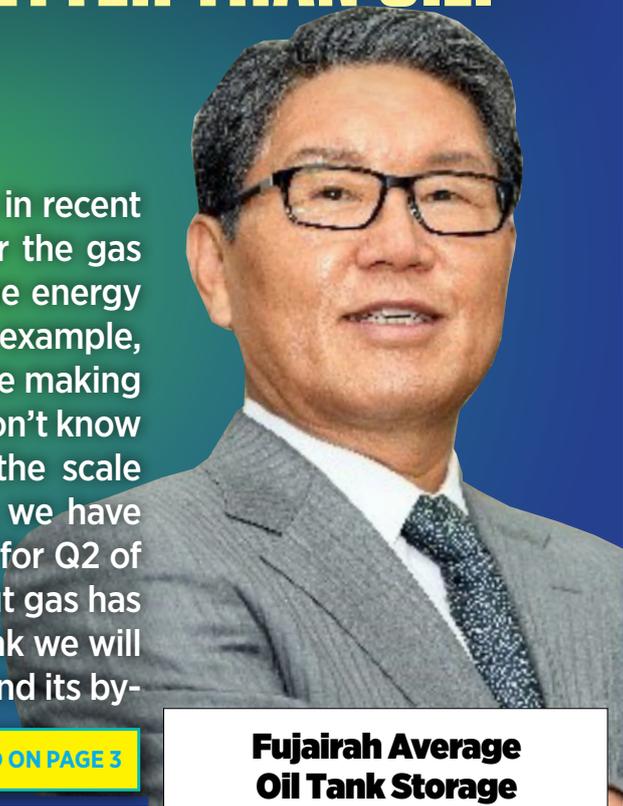
**EXCLUSIVE INSIGHTS /// ACTIONABLE INTELLIGENCE /// DATA TRENDS /// LATEST NEWS**

**AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW**

**“DEMAND DESTRUCTION HAS BEEN HUGE, BUT GAS HAS HELD UP BETTER THAN OIL.”**

**Dr. Joo-Myung Kang**  
**President, International Gas Union**

We have never experienced a pandemic like this in recent history. The impact has been huge, not only for the gas industry, but also the entire global economy. The energy industry has no immunity to this pandemic. For example, big players like Exxon, Chevron, Total, and Eni are making massive CapEx cuts and dividend reductions. I don't know how fast we will be able to recover or what the scale of recovery will look like. For the gas industry, we have already seen a reduction of 10% in consumption for Q2 of this year. Demand destruction has been huge, but gas has held up better than oil. For the future of oil, I think we will start to put more emphasis on the raw material and its by-products as opposed to the fuel.



**CONTINUED ON PAGE 3**

**Fujairah Weekly Oil Inventory Data**

**7,311,000 bbl**  
Light Distillates



**3,941,000 bbl**  
Middle Distillates



**14,090,000 bbl**  
Heavy Distillates & Residues



Source: FEDCom & S&P Global Platts

**Fujairah Average Oil Tank Storage Leasing Rates\***

**BLACK OIL PRODUCTS**

**Average Range \$3.61 - \$4.38/m<sup>3</sup>**



**↑ Highest: \$4.50/m<sup>3</sup>**

**↓ Lowest: \$3.50/m<sup>3</sup>**

Source: GI Research - Weekly Phone Survey of Terminal Operators

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# THE WEEK In Numbers



### Weekly Average Oil Prices

**Brent Crude:** \$43.84/bi

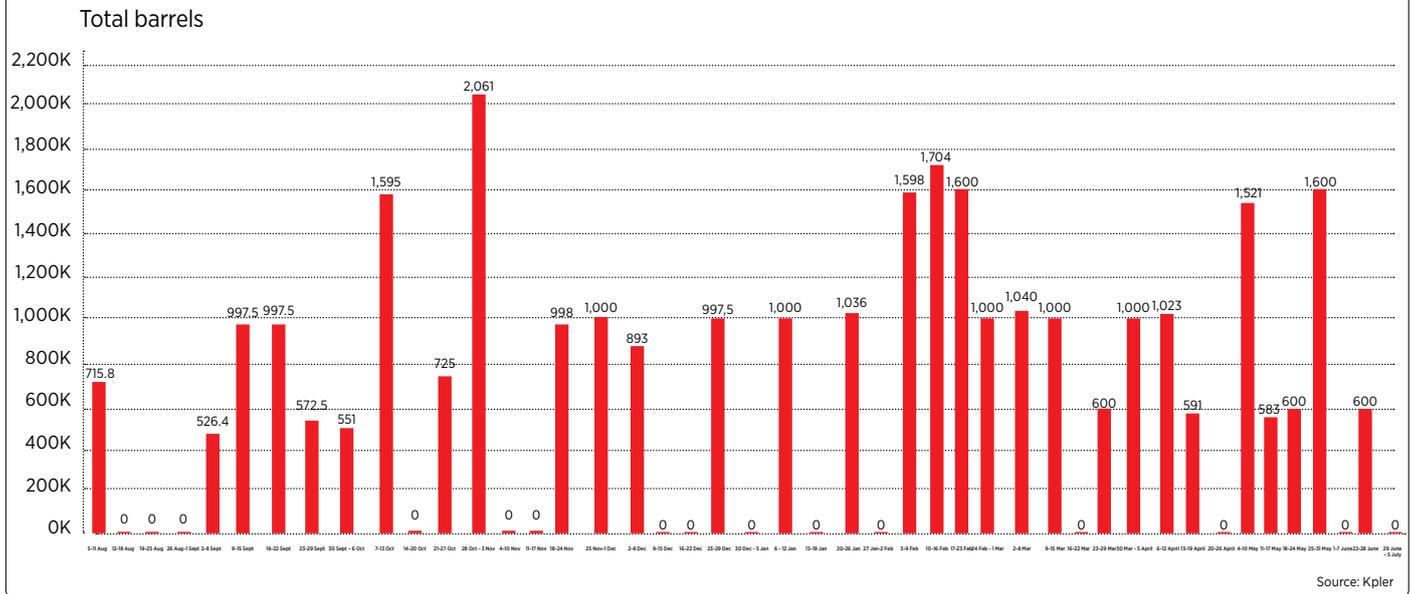
**WTI Crude:** \$41.41/bi

**DME Oman:** \$44.96/bi

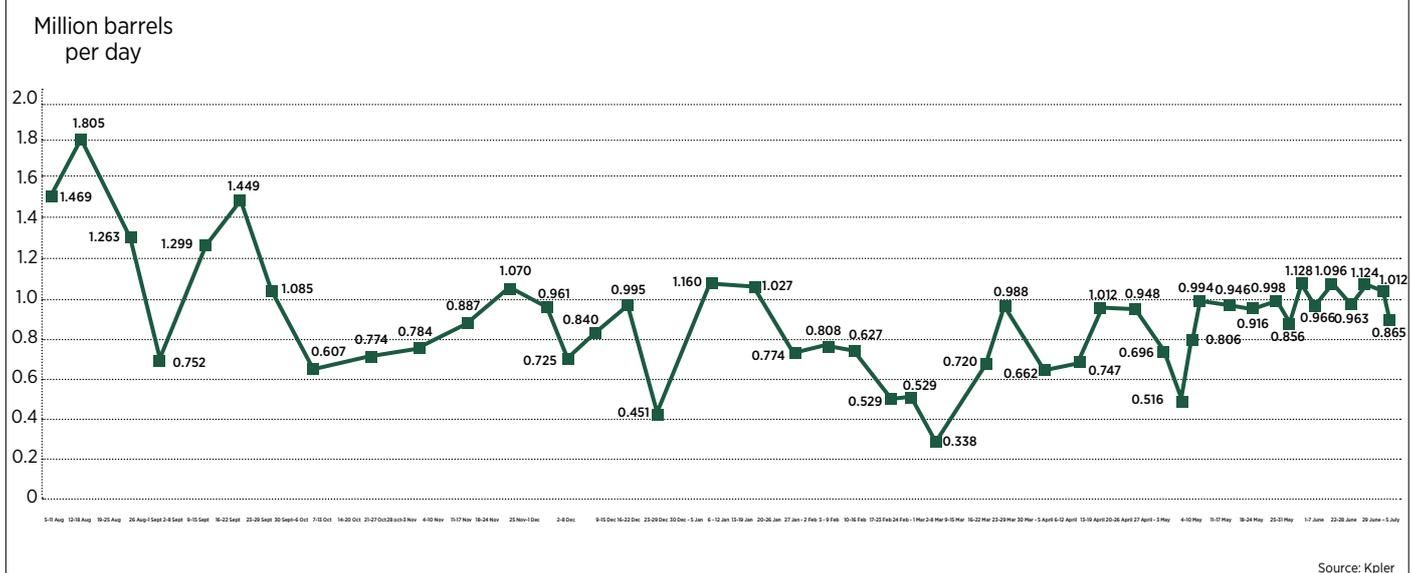
**Murban:** \$43.85/bi

Time Period: Week 3, July 2020  
Source: IEA, OilPrice.com, GI Research

## Weekly Imports of Heavy Sweet Crude into Fujairah



## Total Refined Product Exports from the GCC to Asia-Pacific



**CONTINUED FROM PAGE 1**

**GIQ: What is your outlook for the future of global gas markets?**

**Dr. Joo-Myung Kang:** 2017-2018 was the peak for the global gas industry. At the time, gas consumption was huge. Today, gas production is usually around 400bn tonnes per year. If natural gas reaches a trading volume of 40% of the overall mix, then we could truly call it a global product. We haven't reached that stage yet. If natural gas becomes a global product then we won't have any issues with premiums and segregated markets in Asia, Europe and North America. But when you reach the 40% trading volume of natural gas, then you can say it can be globally produced.

**GIQ: What is your outlook for US gas exports post-Covid-19?**

**Dr. Joo-Myung Kang:** We have to look at the supply and demand side. Ten years ago, the US built an LNG facility for the regasification of imports. Now, things have changed. The US is the number one producer and the second largest exporter of gas in the world. The Henry Hub price is now less than \$2, which is a great achievement considering it was \$8 about six years ago. We are now facing a totally different gas economy.

**GIQ: Some countries are increasing their production of LNG. What is your outlook for LNG Demand?**

**Dr. Joo-Myung Kang:** The Asian market is already enjoying low natural gas prices. Also, Asian gas buyers are getting smart. They know what the cost of gas is. I don't think the Middle East can enjoy high prices anymore. Even US gas prices, due to shale development, have declined a lot. It's a win-win strategy in the global gas market. Henry Hub is around \$3.5/MmBtu. The Asian premium market is around \$7/MmBtu - \$8/MmBtu. This is a really grim price.

**GIQ: Will Asian gas buyers urge Middle East producers to move away from the oil index?**

**Dr. Joo-Myung Kang:** It's the heating value ratio between oil and gas. Let's say that oil is \$6 and gas is \$10. the heating value is that balance, but this gets really distorted in all the data. That's why producers

tend to stick to the oil index. US shale is a game changer because we have more sources for imports. In the past, Russia and Qatar were really the only ones exporting gas.

**GIQ: Will gas be able to compete with renewables in the future?**

**Dr. Joo-Myung Kang:** Deployment of gas technology into the power sector reduces emissions and helps boost national economies. Gas is not only a bridge fuel for the energy transition – on its own it helps reduce carbon emissions and pollution. It has a very unique advantage over renewables. When you need it, you just burn it. Gas also emits less pollution if you consider the need to recycle renewable energy by-products. That's the uniqueness of gas. Furthermore, natural gas isn't just the sole focus anymore. We also have hydrogen, renewable gas, blue gas and biogas. All of these sources will play a larger role in the energy mix moving forward. Also, renewables have to deal with the negative aspect of seasonality. What is going to compensate for that seasonality? Gas. That's why gas will be hand-in-hand partners with renewables. The more renewables contribute to the global energy mix, the more gas you will need to compensate for seasonality.

**GIQ: Do you think gas can continue to displace coal in Asia and China?**

**Dr. Joo-Myung Kang:** I think so. Maybe in 10-20 years' time. For example, European coal-fired power generation is almost 38 years old. Sooner or later they are going to retire it. However, Asian coal-fired power generation is only 11 years old. They have another 20 years to go. Climate policy in Asia will dictate how fast they move away from it. Even if we have coal, it doesn't mean we have to burn it for power generation.

**GIQ: The Middle East is now becoming a net importer of gas. How do you think that will impact global markets?**

**Dr. Joo-Myung Kang:** In terms of growth for the gas market, I see this as a very positive sign. The Middle East is going to export oil and import gas because of the price difference.

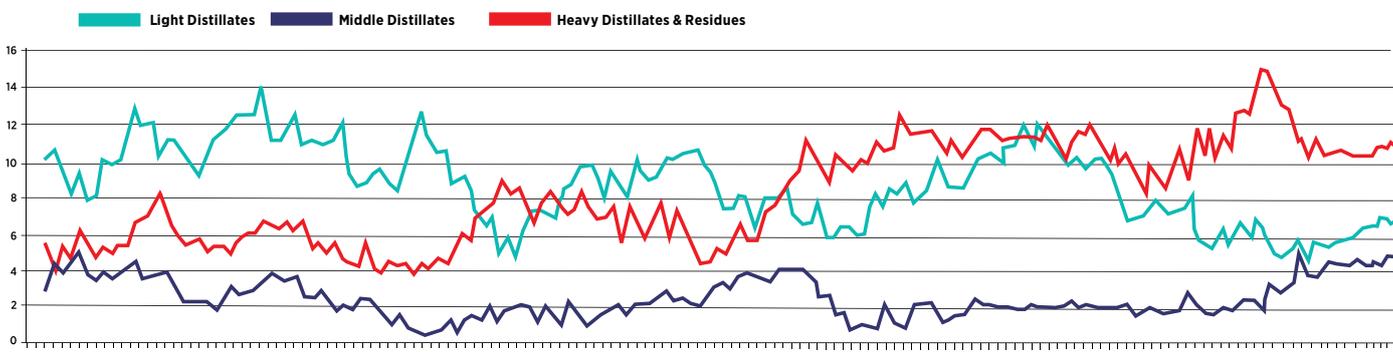


**WATCH FULL INTERVIEW HERE**

# Fujairah Weekly Oil Inventory Data



bbl (million)



## TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 25.342mn barrels, falling for the fourth consecutive week. Stocks fell by 1.544mn barrels drawing down 5.7% week on week, with draws in middle distillates and heavy residues offsetting a build in light distillates.
- Stocks of light distillates rose by 1.044mn barrels or 16.7% week on week. Total volumes stood at 7.311mn million barrels. The gasoline market East of Suez was under some pressure from length in North Asia which was weighing on

sentiment. Chinese gasoline exports were expected to ramp up as high refinery crude throughput, high domestic inventories as well as slight slowdowns in domestic demand due to poor weather were likely to spur refiners to push cargoes overseas.

- Stocks of middle distillates fell to 3.941mn barrels as they fell by 8.6% or 373,000 barrels. Gasoil like gasoline was seeing an expectation of higher exports from North Asia as weighing on sentiment, with China expected to export more cargoes in the near future. The expectation of higher

exports was offsetting support to the market found recently after news of Taiwanese Formosa Petrochemical Corp.'s fire at the company's 540,000 b/d Mailiao facility on July 15, which is set to reduce the refiner's gasoil output by 30%.

- Stocks of heavy residues saw a large draw falling by 13.6%, falling by 2.215mn barrels on the week to stand at 14.090mn barrels. This is the lowest level stocks have been since April 27 when they stood at 13.063mn barrels and the largest week on week draw since December 2, 2019 when they fell 2.552mn barrels. The

delivered bunker market was seeing an uptick in activity, spurred on by an uptick in crude prices which were leading to some shipowners looking to cover requirements. "We saw quite a number of inquiries today [Tuesday] compared with yesterday [Monday]. The market firmed and shipowners panicked as avails seemed to get tighter as well," a bunker supplier said. Delivered bunker prices for Marine Fuel maximum 0.5% sulfur in Fujairah moved up to \$335/mt on Tuesday, with the discount to Singapore widening to \$10/mt.

Source: S&amp;P Global Platts

## Commodities

Oil prices were slightly lower overnight but failed to show much conviction during the course of trading. Brent prices are still holding onto \$44/bl while WTI is just shy of \$42/bl. Data from the EIA showed a build in US crude stocks of 4.9mn bbl last week while product gains took total petroleum inventories up by over 8.8mn bbl. Production actually rose by 100k b/d while product supplied slipped by over 800k b/d with kerosene/jet losing ground along with distillates. Gold prices

continue their ascent, closing up 1.6% at \$1,871/troy oz. A break above \$1,900 looks to be more a matter of timing, particularly as risk-off assets continue to receive support.

## FX

The dollar continued its losing streak on Wednesday. The DXY index has dipped just below the 95 handle at 94.990, recording fresh four-month lows after US President Donald Trump warned that the coronavirus situation in the country will likely worsen before it improves. USDJPY rallied above the 107 level during the session and has consolidated minor

gains at 107.15. The euro has continued to climb, at one point breaching the 1.16 mark, meeting resistance and eventually declining to 1.1570. This was still an advance on Tuesday's closing price of 1.1527. Sterling was largely unchanged for the day at 1.2730, still holding its ground just above the 200-day moving average of 1.2704 for now. Similarly the AUD has traded mostly sideways for the day at 0.7130 whilst the NZD recorded modest gains to reach 0.6660.

## Equities

In the US, equity investors largely shrugged off the

rising tensions between the US and China, seemingly preferring to focus on the prospect of a new stimulus package and some form of vaccine for Covid-19. This sent the S&P 500 up 0.6% to a five-month high, while the Dow also gained 0.6%. Investors in Europe were perhaps more perturbed by the latest round in the spat, as the Dax lost 0.5%, the FTSE 100 1.0% and the CAC 1.3%, though they were coming from a relatively high position after recent days of optimism regarding the Eurozone rescue package.

Source: Emirates NBD

# ENERGY MARKET NEWS

## RECOMMENDED READING & VIEWING

- 1. EIA CONFIRMS CRUDE INVENTORY BUILD, OIL PRICES DROP**
- 2. SURGE IN GOLD PRICES COULD BE BAD NEWS FOR OIL**
- 3. CHINA EVACUATES THOUSANDS AFTER FLOODS THREATEN VILLAGES**
- 4. BOUNCEBACK IN US SHALE OIL OUTPUT IS UNLIKELY TO LAST THE SUMMER**
- 5. COVID-19: CALIFORNIA SURPASSES NEW YORK IN CONFIRMED CASES**
- 6. US-CHINA RELATIONS: FORCED CLOSURE OF HOUSTON CONSULATE**
- 7. LIBYAN CONFLICT AT RISK OF SPIRALING OUT OF CONTROL**
- 8. ASIA MARKETS TO COME UNDER PRESSURE AS US-CHINA TIES WORSEN**
- 9. BATTERED US DOLLAR 'HANGING BY A THREAD'**
- 10. INVESTORS RUSH INTO HAVENS AS STOCKS NEAR HIGHS**

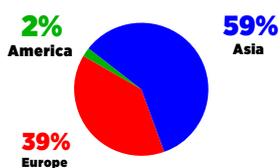


### DAILY RECOMMENDED VIDEOS

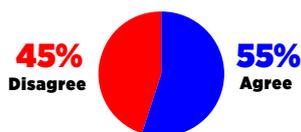
- **IGU: "ASIAN GAS BUYERS ARE GETTING SMART!"**
- **VANDA INSIGHTS: CRUDE IN HOLDING PATTERN AROUND 4-MONTH HIGHS**

## Weekly Surveys

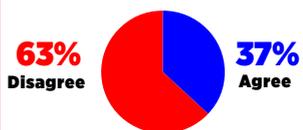
*Which region of the world is showing best leadership navigating COVID pandemic?*



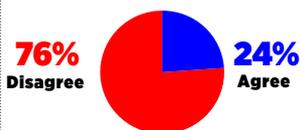
*OPEC supply increase will discourage US shale and other higher cost producers from restarting production.*



*The stimulus packages over the next few weeks from the EU & US (\$3trn) will be the trigger to send Brent towards \$50/bl.*



*The equity markets returning to PRE-COVID levels indicate economies will also follow.*



*A new US Biden Administration will repair relations with China?*



Source: GIQ

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# Fujairah Spotlight

## Fujairah Ruler Congratulates Emir of Kuwait on Successful Surgery

H.H. Sheikh Hamad bin Saif Al Sharqi, Supreme Council Member and Ruler of Fujairah, has sent a message to the Emir of Kuwait Sheikh Sabah Al Ahmad Al Jaber Al Sabah, congratulating him on the successful surgery he underwent. The Ruler of Fujairah in his message expressed his sincere wishes to Al Sabah for a speedy recovery and continuous good health. H.H. Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah, sent a similar message to the Emir of Kuwait.

Source: Emirates News Agency

## Free Covid-19 tests for all Fujairah Residents

A free Covid-19 testing campaign is being rolled out in Fujairah, it was announced on Tuesday, July 21. The campaign will see all Emiratis and expats in the emirate get tested for Covid-19. The campaign will adhere to a specific timetable that will cover every neighbourhood of the emirate. Residents must take their Emirates ID to the testing centres. It is being carried out under the directives of His Highness Sheikh Hamad bin Mohammed Al Sharqi, Member of the Supreme Council and Ruler of Fujairah. It will be overseen by the Ministry of Health and Prevention and the Fujairah Medical Zone. The UAE has introduced one of the world's most comprehensive testing and tracing regimes early on. With accelerated mass testing, the country has managed to carry out over 4.5mn Covid-19 tests.

Source: Khaleej Times

## GP Global denied Terminal Trouble, Launches Restructuring

Despite the rumors, GP said operations at its Hamriyah and Fujairah terminals were normal. "They have not been sealed," it said. The company had sought to secure financing lines but was unsuccessful. GP said some financial institutions had declined to provide their full support. As such, it said, restructuring was under way, guided by prudence.

Source: Energy Voice



## Fujairah Data: Stocks Drop after Saudi prince Warns of Power Demand Pickup

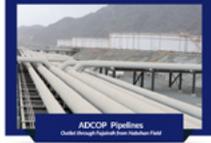
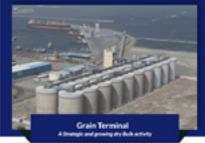
Stockpiles of refined oil products at the UAE's east coast port of Fujairah declined to a two-month low as of July 20, led by the biggest weekly plunge in seven months for fuels used for marine bunkers and power generation. Inventories stood at 25.342mn barrels, down 5.7% on the week and the lowest since April 27, according to data released July 22 by the Fujairah Oil Industry Zone. Heavy distillates and residues, used in marine bunkers and for power generation, tumbled 14% to 14.09mn barrels, the biggest weekly drop since Dec. 2, 2019, and the lowest since April 27. Global oil demand is on a "recovery path," Saudi Arabia's energy minister Prince Abdulaziz bin Salman said on July 15 after the OPEC+ decision to ease record production cuts. Seasonal consumption by many OPEC countries in the Middle East, where power generation for air conditioning is peaking, will further tighten the market, he said.

Source: S&P Global Platts



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 <b>Dry Bulk Cargo</b> A major terminal of shipping throughout the Gulf.	 <b>Bunkering &amp; Trading</b> The 3 in 1 of World's Best Bunkering Ports.	 <b>Fujairah Oil Tanker Terminals 'FORT'</b> One of the World's Largest Oil Tanker Terminals.

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# GI EXCLUSIVE SOUNDINGS

## Should Energy Markets Prepare for a Downside Correction in the Fall?

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:

- Christof Rühl, Senior Research Scholar, Center on Global Energy Policy, Columbia University
- Robin Mills, Chief Executive Officer, Qamar Energy
- Matt Stanley, Director, Star Fuels
- Edward Bell, Senior Director, Market Economics, Emirates NBD
- Laury Haytayan, MENA Director, Natural Resource Governance Institute
- Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy
- Adi Imsirovic, Research Associate, Oxford Institute for Energy Studies
- Kevin Wright, Lead Analyst APAC, Kpler
- John Roper, CEO, Middle East, Uniper Global Commodities SE
- Vandana Hari, Founder & CEO, Vanda Insights
- Omar Najia, Global Head, Derivatives, BB Energy
- Olga Labai, Director, Oil & Gas Consultants

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

“It feels a little bit like we are in the eye of the hurricane right now. When you look week-by-week it seems like almost nothing is happening at the moment. We are approaching a time where several trends are emerging but one that sticks out is that Covid-19 doesn’t seem to be going away.”

### Robin Mills, Chief Executive Officer, Qamar Energy

“Oil prices have been struggling to break \$42/bl for weeks now. I get the feeling the market would like to go up but, in the face of current physical realities, they just can’t do that. A few weeks ago, we had the narrative that we were through the worst of Covid-19, but clearly, we’re not. Fuel consumption is dropping again in major markets and we’re seeing renewed threats of lockdowns in the US.”

### Matt Stanley, Director, Star Fuels

“Trading volumes dropped off significantly last week. I’m fearful that traders are now looking from the outside in. Perhaps demand recovery is not coming as quickly as they had hoped for. The longer Covid-19 is ignored, the longer the market is going to stay in this hesitant range that we find ourselves in.”

### Edward Bell, Senior Director, Market Economics, Emirates NBD

“The approach the financial markets are taking at the moment is equivalent to a big options strategy called a “straddle”. They aren’t really sure which way things are going to go. But when markets move, they are going to move one way up or down very violently.”

### Laury Haytayan, MENA Director, Natural Resource Governance Institute

“I’m not a markets person, but I follow the behavior of people. What we are seeing is a massive sense of uncertainty due to conflicting information surrounding Covid-19. At this stage, all people want is to have some normalcy for a couple of months before another storm comes in.”

### Omar Najia, Global Head, Derivatives, BB Energy

“The oil market needs a big correction. For oil prices, short-term we will go a little bit higher, mid-term we will go a little bit lower, but long-term I’m completely bullish on oil. Equities though are going to fall off a cliff.”

### Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy

“We hear about the OPEC+ cuts but we don’t hear about the real economic difficulties that these countries are going through. For example, countries like Kuwait have liquidity as they rely heavily on oil revenue. As a result, they will resort to public issuance of debt, which is a temporary solution but not a sustainable solution.”

### Adi Imsirovic, Research Associate, Oxford Institute for Energy Studies

“EU negotiations have been very hard. If they failed, then it would have been seriously bad news. As far as the markets are concerned, we can see that Asia has already picked up and the macro situation is looking better. At the same time, we have another recovery package being discussed in the US.”

### Kevin Wright, Lead Analyst APAC, Kpler

“The retail price of gasoline and diesel in China has been amended upwards over the last few weeks to make sure that margins are still there. This has incentivized refiners to run as hard as they can. But you’re getting to a situation now where there are over 860mn barrels of oil in storage. There’s no space left.”

### John Roper, CEO, Middle East, Uniper Global Commodities SE

“There is nowhere for gas to go at the moment. It is not surprising that there is pressure on prices. The number of LNG cargoes going out of the US last week was down to its lowest level since 2016.”

### Vandana Hari, Founder & CEO, Vanda Insights

“Crude prices seem to be in a holding pattern once again. Not much of a surprise there. For the past month we have seen Brent around \$42/bl. It’s quite stable and close to a four-month high. What I have been drawing my attention to is demand figures. They are starting to look a bit shaky.”

### Olga Labai, Director, Oil & Gas Consultants

“Many oil and gas projects have been cancelled, especially ones that require capital investment. What happens during every crisis, is that oil and gas operators quickly lay people off and try to save money by cancelling projects. I have seen zero preparedness on how to really work with the supply chain during volatile times like these.”

# ENERGY MARKETS COMMENTARY WEEK IN REVIEW



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## PODCAST

### DAILY ENERGY MARKETS NEW SILK ROAD

**Vandana Hari**  
Founder & CEO  
Vanda Insights, Singapore

**Omar Najia**  
Global Head, Derivatives  
BB Energy

**Olga Labai**  
Director  
Oil & Gas Consultants

**Thursday July 23<sup>rd</sup>, 2020**

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## PODCAST

### DAILY ENERGY MARKETS NEW SILK ROAD

**Edward Bell**  
Senior Director, Market Economics  
Emirates NBD

**Laury Haytayan**  
MENA Director  
Natural Resource Governance Institute

**Mike McGlone**  
Senior Commodity Strategist  
Bloomberg Intelligence

**Wednesday July 22<sup>nd</sup>, 2020**

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## PODCAST

### DAILY ENERGY MARKETS NEW SILK ROAD

**Kevin Wright**  
Lead Analyst  
APAC Kpler

**Adi Imsirovic**  
Research Associate  
Oxford Institute for Energy Studies

**John Roper**  
CEO, Middle East  
Uniper Global Commodities SE

**Tuesday July 21<sup>st</sup>, 2020**

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## PODCAST

### DAILY ENERGY MARKETS NEW SILK ROAD

**Frank Kane**  
Senior Business Columnist  
Arab News

**Dr. Carole Nakhle**  
Chief Executive Officer  
Crystal Energy

**Robin Mills**  
Chief Executive Officer  
Qamar Energy

**Monday July 20<sup>th</sup>, 2020**

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## PODCAST

### DAILY ENERGY MARKETS NEW SILK ROAD

**Matt Stanley**  
Director  
Star Fuels

**Amena Bakr**  
Deputy Bureau Chief  
Energy Intelligence

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

**Sunday July 19<sup>th</sup>, 2020**

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# DAILY ENERGY MARKETS WEBINAR July 19<sup>th</sup> - July 23<sup>rd</sup> NEW SILK ROAD "LIVE"



## EXCLUSIVE

## TOP 10 MARKET OBSERVATIONS FOR THE WEEK

- 1.** China-US relationship won't be clear until after the US Presidential election as all the current noise is a bit bla bla!
- 2.** The oilfield production supply chain is under a lot of stress as operators demand significant cost reductions on everything – something has to give?
- 3.** Gold rally/weak dollar points towards a fragile recovery in the US
- 4.** East-Med triangle of gas deposits and oil in Libya offer a lot of tinder that could spark a regional fire as rivals face-off.
- 5.** Energy industry M&A likely to accelerate as lots of cash is available and valuations are too good to ignore for much longer.
- 6.** China's oil imports are tapering off as there simply is no more room in the Inn as tanks reach top.
- 7.** Oil prices will remain static as government stimulus is not a tangible replacement for real energy demand.
- 8.** OPEC+ has done its supply management job and can retreat quietly to the background as demand fights for life.
- 9.** Covid-19 is racing back onto the front page headlines which markets can't ignore.
- 10.** A Biden Administration oil policy towards Saudi Arabia and Russia may become an area for markets to watch.

# ENERGY MARKETS VIEWS YOU CAN USE

## WILL KING DOLLAR FINALLY BE DETHRONED IN JULY?

**By Matein Khalid**  
**Chief Investment Officer**  
**Asas Capital**

The US Dollar Index has fallen almost 6% since its March 2020 highs. This is no surprise given the sheer scale and speed of the Federal Reserve's response to the pandemic – a \$3 trillion rise in the balance sheet, a buying spree in US Treasury, agency, MBS and corporate debt, backstop programs in the corporate credit markets. In addition, Jerome Powell resorted to aggressive forward guidance (“we will not even think about shrinking the Fed's balance sheet”), slashed the Fed Funds rate to 0.25 basis points and inked swaps lines with foreign central banks.

The message from the Federal Reserve's marble palazzo on Constitutional was loud and clear to Planet Forex. The US central bank will do whatever it takes to avert a global deflation and the sort of credit Armageddon that crippled Wall Street after the failure of Lehman Brothers in September 2008.

The Euro, the world's second most significant reserve currency and 57% of the US Dollar Index, was the obvious beneficiary of the Federal Reserve's policy response to the pandemic. In essence, Powell killed the carry trade by eliminating the US dollar's interest rate premium over German and Japanese money market rates. This meant a natural bid in the Euro, which rose from its 1.0650 lows in mid-March to 1.14 now, boosted by the sharp recovery in risk appetite on Wall Street, economic data worldwide and confidence about the Euro's 750 billion Coronavirus Recovery Fund. While valuation is a lousy timing indicator in foreign exchange, economists peg the Euro's purchasing power parity level at 1.25 and thus consider it undervalued at current levels. This means the ECB will not go ballistic if the Euro rises to 1.17 to 1.20 by year end 2020, which I believe is a credible target.

The odds of negative macro data surprises in the US due to post-lockdown surges in Covid-19 cases is higher than in Europe. The unwinding of the global

### US Dollar Index (DXY)



Sources: GIQ, Market Watch

carry trade will continue to boost the Euro. Positioning data and option skews continue to benefit the Euro. My conviction that Donald Trump will go down in history as a one term President whose track record in office makes Richard Nixon seem like a beacon of rectitude amplifies my bearish call on the US dollar.

Virus and political risk will accelerate the Euro's rise against the US Dollar. The virus will be a sword of Damocles on the US economy and thus the US dollar in the months ahead, even as most European countries emerge from well managed lockdowns. The new wave of infections, hospitalizations and deaths in Texas, California, Arizona and Florida vindicates Dr. Anthony Fauci's warnings of a “perfect storm”, a prediction bitterly contested by the Trump White House. If the spike in infections in the American Sunbelt states are not contained, it is entirely possible that US economic growth momentum will wane, a political kiss of death for Trump's Presidential bid in November.

If there is a risk of a US double dip recession this winter, I expect the Federal Reserve to increase its balance sheet again as a preemptive policy strike. Google searches and credit card usage data suggests that US consumer spending – abundant in May and June with retail sales growth at 18.5% and 7.5% - has flattened in July. This real time economic tracker flashes an SOS for Fed Chairman Powell and thus for the US dollar. Consensus forecasts for US

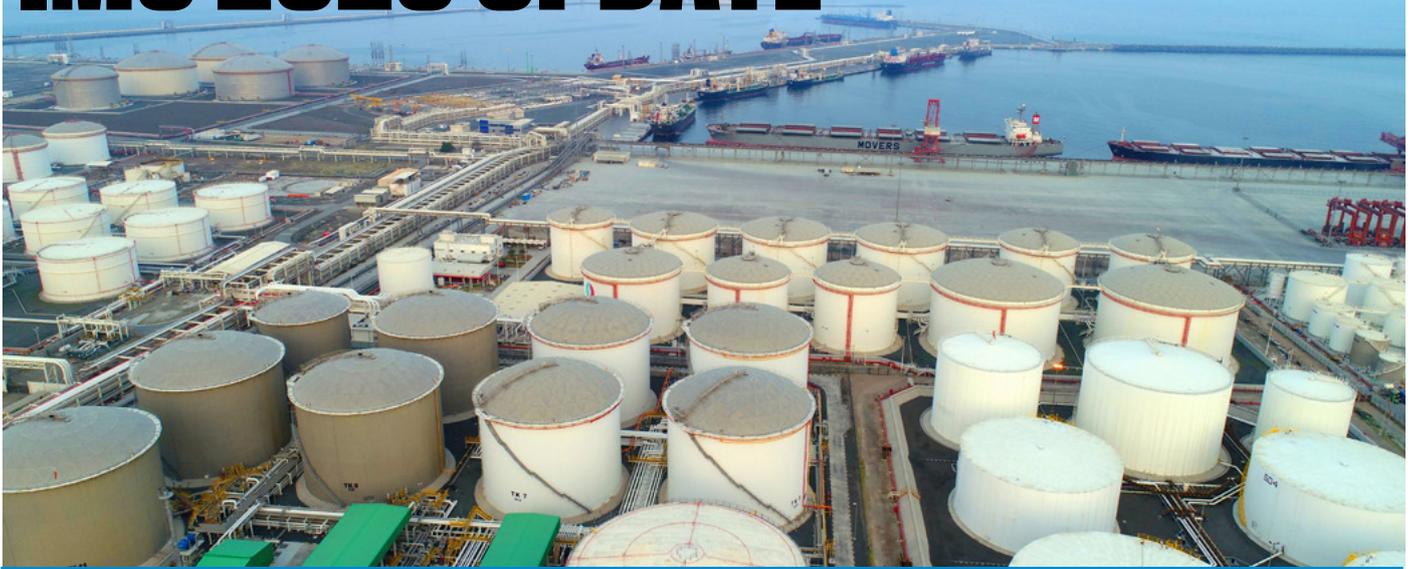
economic growth in Q3/Q4 2020 do not consider the risk of a second lockdown in critical economic hubs like Texas and California.

It is inevitable that the US Presidential election will morph into a referendum on Trump's pathetic response to the pandemic in the US and the perception of the White House's track record in ethics and basic management competence is a joke. In online betting sites, Joe Biden is running 20 points ahead of Donald Trump, a dark omen for the Tweeter-in-Chief. It is important to remember that the 2016 election was not a Trump landslide. Hilary Clinton won the popular vote, if not the Electoral College and only 180,000 votes as well as disastrous campaign strategies in Wisconsin, Pennsylvania and Michigan (all blue states) denied her the White House. Yet the Democratic coalition forged by FDR in the 1930s – African Americans, teachers, factory worker unions, Hispanics, white liberals, Asians, immigrants – will vote for Biden. The left wing of Democratic Party is not exactly a positive prospect for corporate America, Wall Street, Big Tech/Big Oil and the US dollar.

In any case, I expect a rise in US protectionist rhetoric and the trade war with China as the elections draw closer. As Dr. Johnson observed centuries ago in Georgian London, “patriotism (and economic nationalism) is the last refuge of the scoundrels.”

Source: Matein Khalid, July 22, 2020

# IMO 2020 UPDATE



## Average Bunker Prices: Fujairah, Q2 2020

	High	Low	Average	Spread
VLSFO	\$335.50	\$178.00	\$269.50	\$157.50
LSFO(IF0380)	\$245.50	\$117.00	\$185.00	\$128.5

Source: Ship & Bunker, April 2, 2020 - June 29, 2020

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