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Fujairah New Silk Road WEEKLY NEWSLETTER

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FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone
Port of Fujairah
ميناء الفجيرة
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EXCLUSIVE INSIGHTS /// ACTIONABLE INTELLIGENCE /// DATA TRENDS /// LATEST NEWS

"OPEC+ Is Leaning Against the Wind!"

Clyde Russell, Asia Commodities & Energy Columnist Thomson Reuters

It's quite an interesting market. If you look at the last few months and in fact, pretty much the whole year, Brent has been in a broad $70 to $90 range and has spent more time around $75 than it has above $80. It briefly got up close to $90 and almost got below $70 but didn't. So, you're looking at a narrow range, and what has happened to keep it that way is OPEC+, and lately the Saudis acting unilaterally. They've been working very hard to keep it above $70, so you could argue that all this cutting in production, all that has achieved is to keep the price above $70. My own feeling is that if the world is heading towards a recession - and certainly economic indicators like purchasing managers indices suggest things are going to get worse before they get any better - is $75 oil an appropriate level? I would argue probably not. So, I think OPEC+ is leaning against the wind. The big hope is that somehow, we have a huge demand explosion in the second half. That's what the IEA and OPEC is forecasting and others, and they're basing that on a strong recovery in China, on India remaining pretty solid, and on the rest of the world having a very shallow slowdown, and certainly avoiding the worst of a recession. Those are things that could happen, but would I think it's a central case right now? I'm not so optimistic. When you start to tighten monetary policy as much as it has been tightened globally, then you make a recession much more likely, and that's not going to be positive for oil. And I don't think China can ride to the rescue.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

6,627,000 bbl	3,568,000 bbl	9,371,000 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
$3.52 - 4.40/m³

↑ Highest: $4.52/m³
↓ Lowest: $3.38/m³

THE WEEK In Numbers

Weekly Average Oil Prices

Brent Crude:	$73.56/bl
WTI Crude:	$68.74/bl
DME Oman:	$73.49/bl
Murban:	$74.32/bl

*Time Period: Week 3, June 2023
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $571.50/mt

Low = $556.00/mt

Average = $563.50/mt

Spread = $15.50/mt

MGO

High = $869.00/mt

Low = $831.00/mt

Average = $843.00/mt

Spread = $38.00/mt

IFO380

High = $429.50/mt

Low = $415.50/mt

Average = $424.00/mt

Spread = $14.00/mt

*Source: Ship and Bunker, *Time Period: June 7 – June 14, 2023*

Fujairah Bunker Sales Volume (m^3)

480 180cst Low Sulfur Fuel Oil	441,912 380cst Low Sulfur Fuel Oil	126,943 380cst Marine Fuel Oil
257 Marine Gasoil	26,738 Low Sulfur Marine Gasoil	4,270 Lubricants

Source: FEDCom & S&P Global Platts

GI Consultancy Intelligence Publishing

CONTINUED FROM PAGE 1

Clyde Russell, Asia Commodities & Energy Columnist, Thomson Reuters

Is demand for OPEC oil secure in Asia?

US exports into Asia for July are at a record high, something north of 2 million barrels a day. That's obviously being incentivized by WTI being slightly cheaper. But also, the OSPs of Middle East crudes into Asia have been rising against other benchmarks, and they've been taking output off the table as well. Asian refiners are very happy to turn to options like US crude if it's at a reasonable price. The Chinese are also continuing to buy huge volumes of Russian crude, they've been upping their purchases from Iran, and there's even a bit more Venezuelan oil flowing around. So, they are looking for alternatives to the now relatively expensive other grades from Saudi, the UAE and Kuwait.

Outlook for China crude import volumes overall?

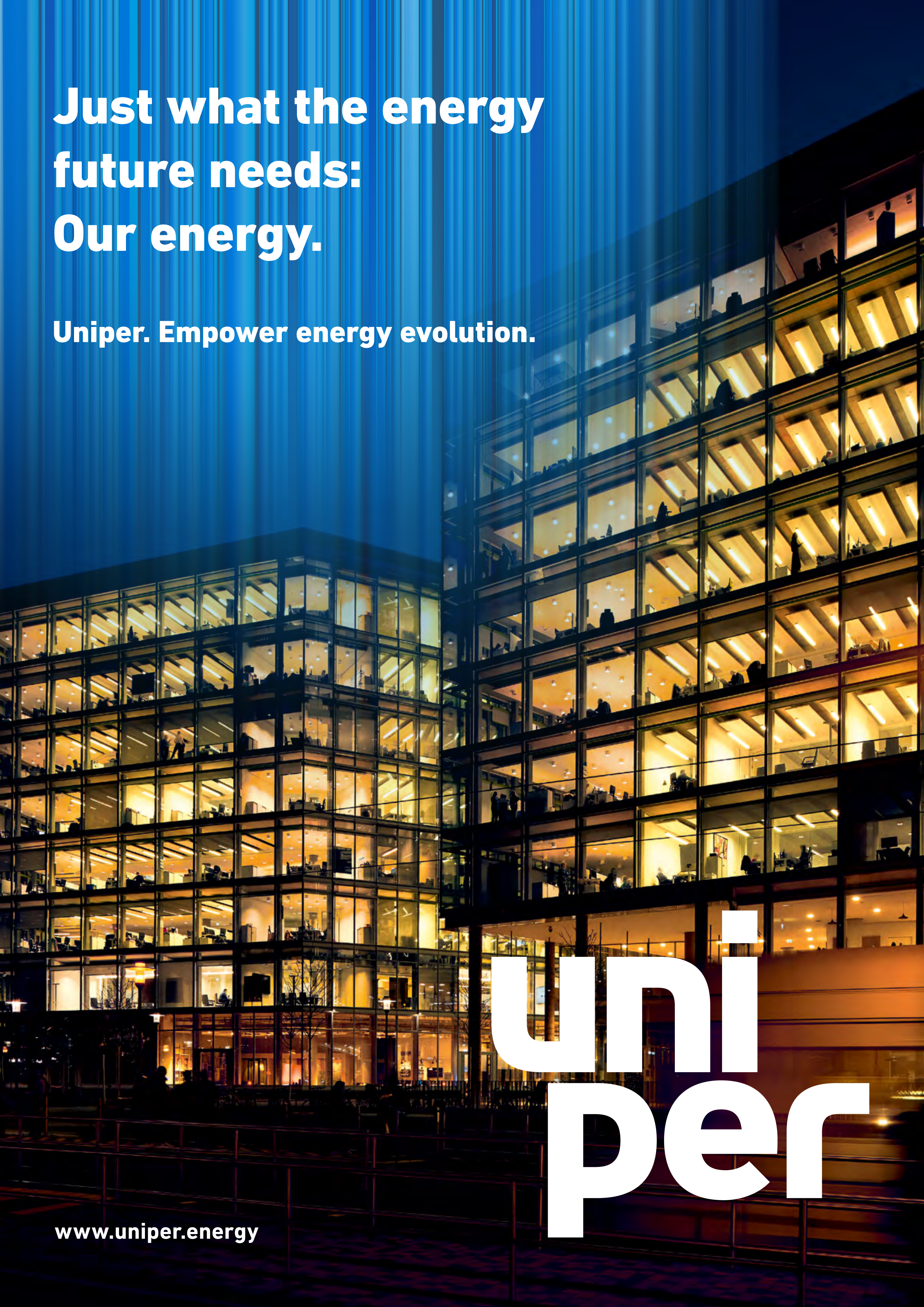
If China sees prices have risen too high or too quickly, they will stop importing large amounts and stick to base volumes of around 10 million b/d – any extra that they would like to do above that if prices are not deemed reasonable, kind of disappears. So, the more successful OPEC is, the less likely the Chinese will meet their bullish demand forecasts. I would say that if the price goes back above $85, the Chinese will cut back on imports and dip into stockpiles.

What are Chinese products exports indicating about domestic demand?

We saw a massive increase in product exports in Q1 - they're still high but starting to taper down. Refiners have used up most of their quotas. I would expect to see Chinese product exports continue at a reasonable pace but nothing like the almost 60% jump that we had in the first quarter. It was a very simple economic win for the Chinese to stimulate the economy. They wanted growth. They wanted it fast and buying crude and exporting products making a nice profit, was an easy win. They're not that interested in continuing that. They also want to make sure they have enough domestic fuel stockpiled to meet summer demand. If there are product exports from China, it's most likely to be diesel as there is less domestic demand for that, but we have also seen margins for diesel fall quite sharply in Asia.

How are other commodities fairing in Asia?

The one I look at most often is iron ore; China buys 70% of seaborne iron ore. We're still seeing solid volumes but starting to see a bit of price pressure. China has had a sluggish and uneven recovery since it ended its COVID lockdowns, and that continues. There's still optimism that they will manage to stimulate the economy and I would be very cautious about betting against that. But there are a lot of things beyond their control, such as manufacturing exports if the world has a recession. We are starting to see some areas of pressure – on iron ore and copper for example - but they're certainly not indicating a major crash ahead. It's all sort of bouncing along in this uneven period of lingering uncertainty.



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MARK YOUR CALENDAR

October 10th & 11th, 2023

#EMFWEEK23 ITINERARY

Port of Fujairah
ميناء الفجيرة
Port of Fujairah
United Arab Emirates

ENERGY MARKETS FORUM

October 10th - 11th, 2023
Novotel, Fujairah

GI Consultancy Intelligence Publishing

OCT. 10th

Time: 11:00AM
What: Open Registration

Time: 1:00PM
What: Port of Fujairah EMFWEEK23 Welcome Lunch

Time: 2:00PM - 4:00PM
What: FOIZ Onshore Terminal Tours

Time: 2:00PM - 5:00PM
What: ENOC Oil Markets Workshop

Time: 7:00PM - 9:00PM
What: Aramco Trading Gala Awards Dinner

Time: 9:30PM - 10:30PM
What: GI Networking Social Hour

OCT. 11th

ENERGY MARKETS FORUM 2023

Time: 8:00AM - 9:00AM
What: Breakfast Briefings

Time: 9:00AM - 11:00AM
What: Plenary Session

Time: 11:30AM - 1:00PM
What: Industry Roundtables

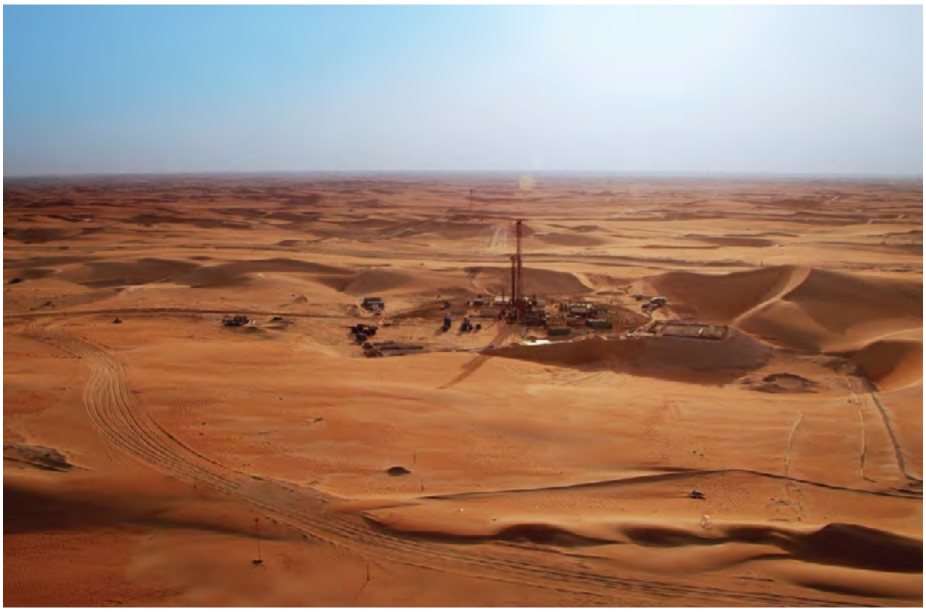
Time: 1:00PM - 2:00PM
What: International Energy Journalism Awards Lunch

Time: 2:30PM - 3:30PM
What: Professional Learning Seminars & Industry Roundtables

Time: 2:30PM - 4:30PM
What: Port of Fujairah BOAT TOUR

5:00PM - END OF EMFWEEK23

Fujairah Spotlight



ADNOC announces milestone for landmark Fujairah project

ADNOC has announced a milestone for its unique CO_2 to rock project, which will utilise a pilot technology that permanently mineralises CO_2 within rock formations found in the Emirate of Fujairah. Solar panels for the project have been installed by Masdar at the site, which will provide the energy required to capture carbon dioxide from the air, mix it with sea water, and inject it underground, where it is expected to mineralise within peridotite rock formations.

Source: Oil&Gas Middle East

Oil product stockpiles drop to two-month low

Stockpiles of oil products at the UAE's Port of Fujairah fell to a two-month low as of June 12, with all categories showing double-digit declines from a week earlier, as exports for most products picked up, according to June 14 figures from the Fujairah Oil Industry Zone and latest shipping data. Total inventories dropped 20% on the week to 19.566 million barrels as of June 12, the lowest since April 3, the FOIZ data provided exclusively to S&P Global Commodity Insights showed. Total inventories were down 5.3% since the end of 2022.

Source: S&P Global Commodity Insights

Fujairah CP receives Director of emirate's Statistics Centre

Sheikh Mohammed bin Hamad bin Mohammed Al Sharqi, Crown Prince of Fujairah, received, in his office in the Emiri Court, Dr. Ibrahim Saad, Director of the Fujairah Statistics Centre. During the meeting, Sheikh Mohammed reviewed updated statistics on various sectors in the emirate contained in the 26th edition of the statistical yearbook 2022. Sheikh Mohammed highlighted the importance of statistical projects in creating a comprehensive system that fosters the emirate's overall growth.

Source: Sharjah24

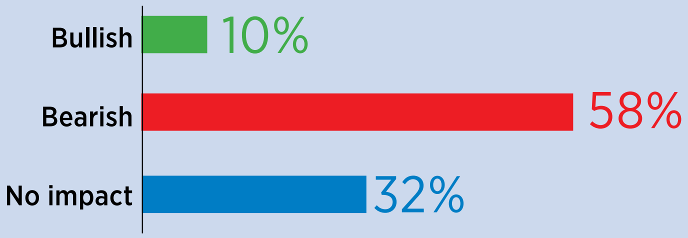
Etihad Rail shows how it links key transport hubs across seven emirates

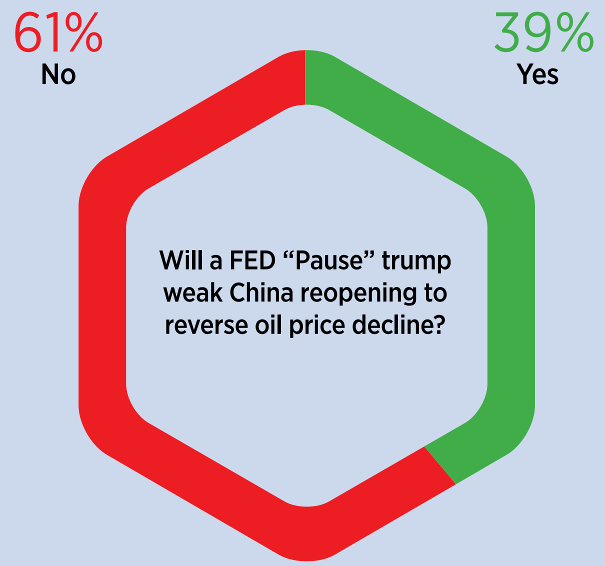
The rail network stretches across the UAE, connecting Fujairah in the east to Al Ghuwaifat in the west. The UAE's national railway operator, Etihad Rail, released a video of its freight train travelling across the country's varied topography.

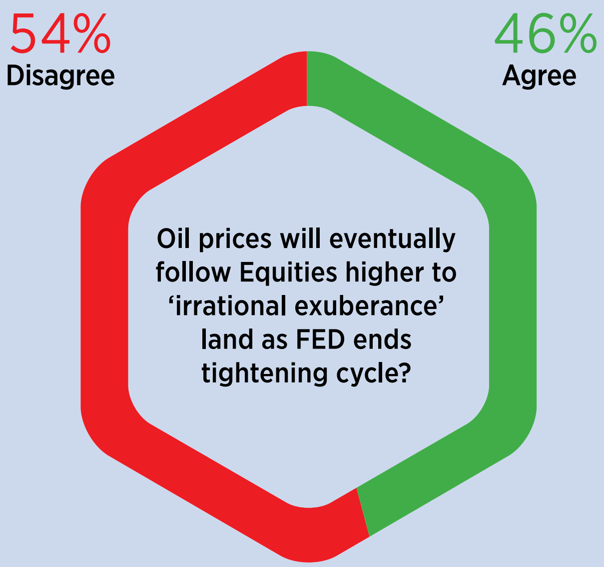
Source: Gulf Business

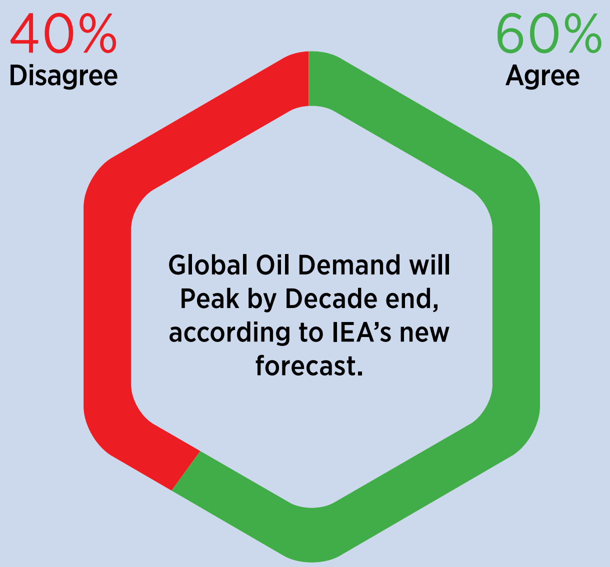
Weekly Surveys

How would Iran-US nuclear agreement impact oil markets:









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Fujairah Weekly Oil Inventory Data

منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone

TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 19.566 million barrels with a drop of 4.757 million or 19.6% week-on-week falling below 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 1.251 million barrels or 15.9% on the week to 6.627 million barrels. The East of Suez gasoline complex strengthened in early trade June 12 supported by small pockets of demand from Vietnam, Cambodia and Myanmar, and some demand from Japan and India where heavy refinery turnarounds and shutdowns are taking place, sources said. However, some market participants said that Vietnam's gasoline demand was unlikely to rise in the short run as smaller players may find it difficult to finance purchases due to high interest rates. India's gasoline consumption rose 471,000 mt on the month to 3.348 million mt in May, latest Petroleum Planning and Analysis Cell data showed. Market participants said that India was seeking gasoline shipments with later delivery laycans to replace incoming cargoes that were unable to unload at Sikka port in western India due to bad weather.

- Stocks of middle distillates, including diesel and jet fuel, decreased by 787,000 barrels or 18.1% on the week to 3.568 million barrels. The East of Suez gasoil market was rangebound June 12, with traders awaiting fresh pricing cues while lean supply amid schedule refinery turnaround season and stable demand continued to lend support. The US National Oceanic and Atmospheric Administration declared June 8 that El Nino climate pattern is now underway with conditions expected to gradually strengthen into the Northern Hemisphere winter. Industry sources observed that the effects of El Nino are likely to impact the agricultural and industrial sectors in Asia and, in turn, dampen demand for gasoil. Meanwhile, China's 2Q2023 gasoil demand growth is expected at 330,000 b/d, before falling 14,000 b/d in Q3 2023 as industrial activity slows, S&P Global analysts said. China's May manufacturing PMI unexpectedly plunged to a five-month low, contracting for the second month in a row on weak domestic and global demand, they added.

- Stocks of heavy residues dropped by 2.719 million barrels, down 22.5% on the week as they stood at 9.371 million barrels. Spot trading activity at the bunkering hubs of Singapore and Fujairah was said to be better-than-average on June 13, traders said. Even so, an uptick in crude -- front month ICE Brent futures rose 83 cents/b, or $6.08/mt, between the 0930 GMT Asian settle and the 1030 GMT close of the Asian bunker Market on Close assessment process -- led some of the buyers to drift to the sidelines and adopt a wait-and-watch stance, traders said. "It has been some good demand today...continuing the trend from yesterday [June 12]...appetite is healthy," said a Dubai-based bunker trader about demand in Fujairah. In the Middle Eastern port of Fujairah, most offers for delivered marine fuel 0.5%S bunker were heard in a wide range of $543-$552/mt. The grade was assessed at $550/mt, $5/mt higher on the day. The premium for Fujairah-delivered marine fuel 0.5%S bunker over Singapore marine fuel 0.5%S cargo inched up 17 cents/mt on the day at $6.18/m.

Source: S&P Global Commodity Insights

Energy Markets COMMENTARY WEEK IN REVIEW

CLICK HERE TO LISTEN

Energy Markets Views You can Use

Jamie Ingram
Senior Editor, Middle East Economic Survey

Market sentiment on the recent Saudi cut announcement?
It was very noticeable that unlike the voluntary cuts that rolled in in May, this was Saudi Arabia going solo. They realized that nobody else has the appetite to cut anymore, so they simply said - we're going to take another million barrels a day off the table from July. It's interesting that they also structured this to be potentially extendable, but we don't know what the metrics will be for them to make that decision, so the market's going to be guessing a lot in the weeks to come as to whether this is temporary or whether it could extend into Q3 and potentially to the end of the year. That's going to have a huge impact on global supply demand balances and inventories going forward.

Is Saudi fed up with Russia not pulling its weight on cuts?
Even before the war, Russian compliance was very low. It's always a political issue between Russia and Saudi Arabia and the rest of OPEC+. They need Russia on board. They understand that if they push it too hard, it will throw its toys out of the pram and the whole thing could fall apart. They're going to push Russia to at least appear to be doing more to comply, but the idea of 100% compliance with its 500,000 b/d voluntary cut, is just not going to happen. Also, if Saudi Arabia was at all concerned about losing market share to Russia, then we would have seen a very different dynamic with the OSPs into Asia, which they keep pushing up. I think Saudi Arabia is sanguine about the situation overall.

Is there renewed belief that we could see a deal on Iran's nuclear program?
I'll believe it when I see it, especially with the US presidential election season kicking into gear – I can't imagine a new JCPOA deal could be sealed before that. But even if we do see something cobbled together soon, Iran is already exporting about 1.5 million b/d on a good day. It's going to take them a long time to ratchet up production and exports back towards the JCPOA level.

ENERGY MARKET NEWS

1. INDIA TO SOON OVERTAKE CHINA AS LARGEST DRIVER OF OIL DEMAND: IEA CHIEF
2. SHELL BOOSTS DIVIDEND BY 15%, MAINTAINS OIL OUTPUT THROUGH TO 2030
3. GERMANY BLAMES IRAN FOR 'BLOCKING' NUCLEAR DEAL
4. NEW ZEALAND ENTERS TECHNICAL RECESSION AFTER ECONOMY SHRANK 0.1% IN THE FIRST QUARTER
5. CHINA BOOSTS CRUDE OIL IMPORT QUOTAS BY 20% FROM LAST YEAR
6. US CASH CRUDE-MARS LARGELY STEADY AS WTI/BRENT SPREAD WIDENS
7. TUMBLING EXPORTS FEED WORKER UNREST IN WORLD'S FACTORY CHINA
8. CHINA TO BECOME OIL REFINING JUGGERNAUT, RAISING GLOBAL RISKS: RUSSELL
9. GLOBAL DIESEL STOCK BUILDS NOT AS HIGH AS FEARED
10. FED HOLDS OFF ON RATE HIKE, BUT SAYS TWO MORE ARE COMING LATER THIS YEAR

RECOMMENDED READING:
- IEA: GLOBAL OIL DEMAND WILL PEAK BEFORE THE END OF THE DECADE
- FED RECAP: BREAKING DOWN THE MARKET'S REACTION TO THE FED'S PAUSE AND ALL OF POWELL'S KEY COMMENTS
- THE HITS AND MISSES IN GERMANY'S NEW NATIONAL SECURITY STRATEGY
- WHAT IS CAUSING THE RECORD RISE IN BOTH CHINA'S COAL PRODUCTION AND IMPORTS?
- OIL AND GAS IS TOO PROFITABLE FOR SHELL TO IGNORE
- RUSSIAN NUCLEAR WEAPONS 'IN HANDS OF BELARUS DICTATOR', WARNS OPPOSITION LEADER

Energy Markets Views You can Use

Dr. Iman Nasseri
Managing Director – Middle East, FGE Dubai

Outlook for China demand?
OPEC has revised up their forecasts, but we think their number of 800,000 b/d for year-on- year growth for Chinese demand is too low. Our number is at 900,000 b/d and that is heavily geared towards transport fuels such as jet and gasoline. On the other hand, on the industrial front, which comprises gasoil, fuel oil and to some extent naphtha demand for petrochemicals, we're still as bearish as most other. PMIs are suggesting that China is still far from being in recovery mode.

Was the outcome of the recent OPEC meeting a surprise and a success?
That one million b/d cut was Saudi's own decision to direct the market and perhaps send the signals that were reiterated many times by Prince Abdulaziz in terms of not wanting the market to be so predictable or easily impacted by speculators. It was a surprise. The fact that it's also possible to roll over the cut beyond July has added another uncertainty. In terms of our analysis of the market going forward, we will continue to see significant draws for the next few months, at least through Q3, of one to two million b/d. In our demand supply balances, we have assumed that the Saudis will roll over that one million b/d cut into August and September and by then, we expect prices to have inched up towards $90 or above, so we could then see them phasing out their voluntary cut. In terms of extending the previous cuts of 1.6 million b/d into next year, OPEC could start phasing those out sometimes in Q1 2024 and into the second quarter because of higher prices.

Will there be a need to accommodate more Iranian production soon?
Iran is almost a year into an interim, unofficial deal, exporting over a million barrels per day of crude. Add to that 200,000 b/d of condensates and about 900,000 b/d of products and that's above 2 million b/d of supply that they're putting into the market, which is not necessarily on everyone's books. The rumor of a deal recently pulled prices down by about $4 and that shows how the market is pricing in that kind of uncertainty. But if Iran gets a deal, or even a full lifting of sanctions, it doesn't have much more to offer into the market.

GI Soundings Week in Review

"Oil Market Settling into Period of Lingering Uncertainty!"

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**
- **Ali Al Riyami, Consultant & Former Director General of Marketing, Ministry of Energy & Minerals, Oman**
- **Osama Rizvi, Energy & Economic Analyst, Primary Vision Network**
- **Anish Kapadia, Director and Head of Energy, Palissy Advisors**
- **Marc Ostwald, Chief Economist & Global Strategist, ADM Investor Services International**
- **Dr. Charles Ellinas, CEO, Cyprus Natural Hydrocarbons Co. & Senior Fellow, Global Energy Center – Atlantic Council**
- **Henning Gloystein, Director - Energy, Climate & Resources, Eurasia Group**
- **Robin Mills, Chief Executive Officer, Qamar Energy**
- **Laury Haytayan, MENA Director, Natural Resource Governance Institute**

Omar Najia, Global Head, Derivatives, BB Energy MARKET DIRECTION "You can make a very good argument for Brent breaking below $70 or above $90. It seems to me that $90 is a better bet, simply because the market is already short, and so if it starts to tick up, people are going to panic and start buying to cover their shorts at any price. So, on the balance of probability, I think this market heads higher."

Ali Al Riyami, Consultant & Former Director General of Marketing, Ministry of Energy & Minerals, Oman DEMAND OUTLOOK "China is a good indicator, but sometimes they are misleading you. It depends on what exactly they are planning in their strategy for buying a lot of oil. They have a lot of storage, but we don't know exactly how big it is. So, it is an indicator but it's not quite a correct one. And anyway, demand is not there."

Osama Rizvi, Energy & Economic Analyst, Primary Vision Network PAKISTAN CRUDE IMPORTS "Russian oil would yield about 50% furnace oil and less high-speed diesel, which is what we require more of. Arab crude yields the opposite, with 50% HSD and about 25% of furnace oil. So, industry people are not that happy with this development and so far, the government has also said that this Russian oil is just a test and would not be used in the petrol pricing mechanism."

Anish Kapadia, Director and Head of Energy, Palissy Advisors OIL SANCTIONS POLICY "The reality is that the West wants Russian oil on the market. We see a similar pragmatic policy from the US with regards to Iran and Venezuela. If they wanted to stop that extra oil coming on the market, there are ways to clearly identify that oil transiting through Malaysia, has come from Iran. At the end of the day, they want lower oil prices."

Marc Ostwald, Chief Economist & Global Strategist, ADM Investor Services International OPEC REPORTS "The predictions by OPEC for demand growth at the moment really are just trying to talk to their own book and saying, we think there won't be a demand deficit and that there's going to be less supply than others may think. It's largely self-serving, and it'll be interesting to see how that, contrasts with what the IEA says."

Dr. Charles Ellinas, CEO, Cyprus Natural Hydrocarbons Co. & Senior Fellow, Global Energy Center – Atlantic Council CHINA GROWTH "China has realized that growth is not where it should be and have cut their interest rates for the first time in two years. This readiness to cut shows that China is determined to give a push to growth, and I think they will succeed and we will see better results during the second half of the year."

Henning Gloystein, Director - Energy, Climate & Resources, Eurasia Group CHINA COAL "China is ramping up its use of coal because they got terrified by surging natural gas prices last winter that mainly impacted Europe. It's also seeing a massive heat wave that's driving up electricity consumption, and the related droughts mean that hydropower output is diminished versus the long-term average, and that is necessitating an increase in coal fired power generation."

Robin Mills, Chief Executive Officer, Qamar Energy EUROPEAN MAJORS "They have a dilemma - which is that they want to try and transition to lower carbon energy, but the market has not rewarded that. New green investments will have to compete much more successfully and aggressively with oil and gas for capital. I think it's become inevitable because the gap in share price performance between European and American majors is so big.

Laury Haytayan, MENA Director, Natural Resource Governance Institute GCC-IRAN RELATIONS "This rapprochement between Iran and Saudi Arabia is very important, focusing on internal regional issues and keeping US relations as a second priority. I think Iran and Saudi Arabia agree on that point - that they should take things into their own hands and play their role as regional powers -this is what we are seeing."

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SPECIAL REPORT

June 15th /// 2023

Is inflation about to fall off a cliff?

SPECIAL REPORT

Consultancy Intelligence Publishing

Is inflation about to fall off a cliff?

Inflation may have finally peaked around the world, but central banks remain on alert amid an uptick in some countries and the stickiness of underlying price measures in others. Whilst the view that inflation will continue to decline in the coming months hasn't changed, policymakers are concerned that it's not coming down fast enough, and this raises the risk that inflation expectations may start to become unanchored. But what if the risk of that happening isn't very high at all and the real danger for central banks is inflation falling off a cliff?

Overcompensating for a policy mistake?

It goes without saying that inflation is one of the most important economic indicators that policymakers, analysts and investors, as well as the wider public, watch. But that doesn't detract from the fact that inflation is a lagging indicator, meaning that it measures the changes in price levels after they have occurred and not before it. This makes the job for central banks quite difficult as they have to base their decisions on interest rates on the predicted path of inflation, often leading to policy mistakes, such as in 2021 when the initial warning signs of simmering prices were deemed to be transitory.

Scarred by that misjudgement, central banks took a very hard line on inflation in 2022 and even now when CPI rates are headed down globally, the likes of the Federal Reserve and European Central Bank are only slowly letting their guards down. This caution seems warranted when considering that consumer demand in just about every region has remained resilient against the rising cost of living and higher borrowing costs, many economies are still experiencing widespread labour shortages and the overall economic pain of the most aggressive tightening cycle in decades has been surprisingly small.

Guided by inflation expectations

However, the fight against high inflation has probably reached its most crucial stage as policymakers have to factor in the substantial policy tightening that's already in the pipeline against the need for additional rate hikes amid the sticky price pressures. Hence, there is increasing attention on the various leading indicators of inflation for clues on its future trend.

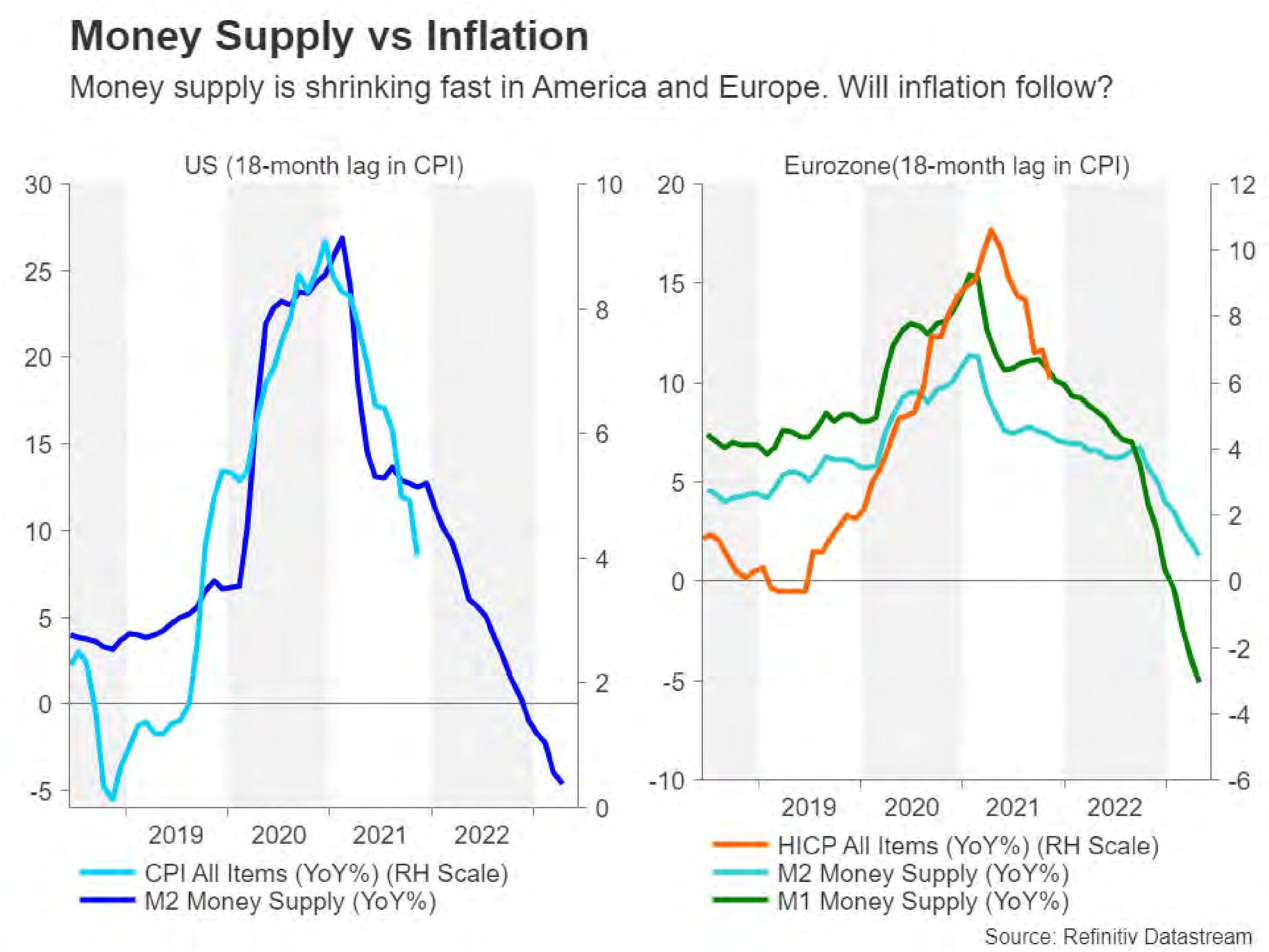
Measures of expected inflation are the foremost leading indicators that central bankers keep an eye on. For the US, there are some very encouraging signals from the two- and five-year breakeven inflation rates as these market-based gauges have settled just above 2%. But this is not a very conclusive sign as they were not particularly great at predicting the extent of the price surges in 2021 and 2022 and they should ideally be hovering slightly below 2% rather than above it, as was the case in the decade before the pandemic.

Moreover, a closely watched consumer-based expectation of inflation – the University of Michigan's one-year inflation expectation – has edged up lately. Taken together, they could be interpreted as suggesting that the decline in inflation has stalled. In the euro area, inflation expectations based on the 5 Year 5 Year swap rate may not have even peaked yet and remain elevated near the all-time high of 2.58% set in May.

Money supply growth is plunging

But other leading indicators paint a much more promising picture, and in some extreme cases, even a worrying one of disinflation going too far. One major red flag is the sharp drop in money supply growth in both the US and Eurozone. European M1 growth and US M2 growth turned negative for the first time on record in 2023. Although the pandemic stimulus is likely distorting these readings, the implied path does nevertheless point to further dramatic falls in inflation over the next 12 months.

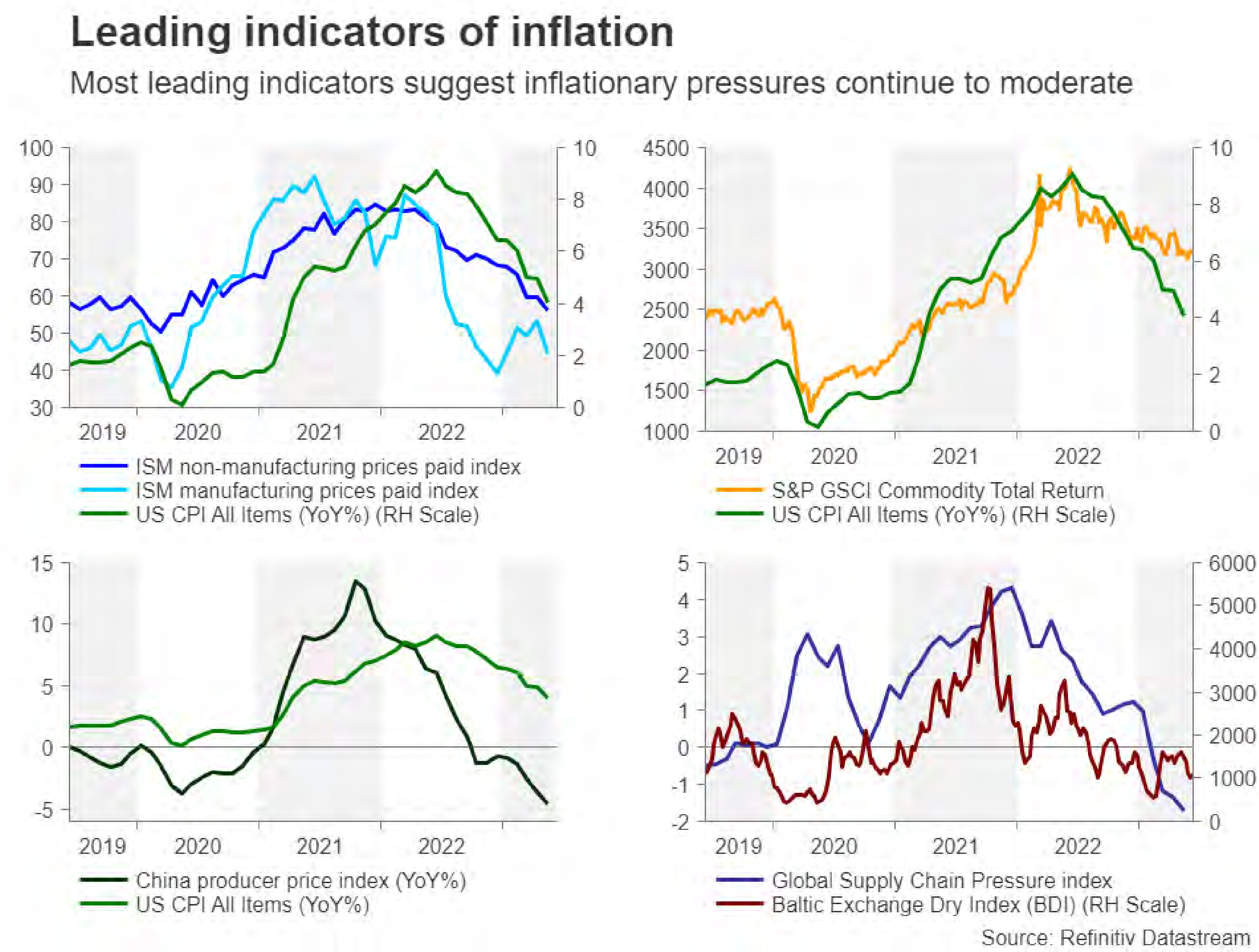
As demonstrated in the charts above, the series of rate hikes on both sides of the Atlantic are having a clear impact in shrinking money supply, though this should not be confused with net liquidity changes in the economy.



The only way is down

Another key indicator, one that is popular with investors, is the ISM prices paid index. Again, the trend here is downwards, particularly for non-manufacturing prices, and while manufacturing prices may have started to creep slightly higher, the drop in services inflation carries a lot more weight for the Fed as this has been its primary focus this year.

In addition, manufacturing prices in the US and globally have a close correlation with the price of goods coming out of China's factories, which have been declining year-on-year since late 2022, signalling more disinflation is on the way. Reinforcing this view are the decreases in other industry indicators such as freight costs and supply pressures. One area of disappointment is commodity prices, which have yet to fully reverse their gains from the Ukraine war and crude oil is one of the few exceptions.



Overtightening fears

But on the whole, everything is pointing to inflation decelerating further this year and this raises the question, have central banks overtightened? Well, the jury is out on that and it will probably be a while before the outcome of the past year's policy actions emerges. However, with the rate-hike cycle now nearing the end in most Western economies, the angst about overtightening won't simply vanish for investors when central banks go on a permanent pause, it will linger on for the duration that they decide to hold rates at their peak levels.

Technical Analysis – BTCUSD trades sideways, bearish pattern remains intact

BTCUSD (Bitcoin) has been generating a structure of lower highs and lower lows after peaking at the 11-month high of 31,064 in mid-April. However, the price has been rangebound in the past week, waiting for developments that could provide fresh directional impetus.

The momentum indicators are currently well within their negative territories, but they are also suggesting that positive momentum is picking up. Specifically, the stochastic oscillator posted a bullish cross just shy of the 20-oversold mark, while the RSI ticked up beneath its 50-neutral mark.

If the bulls manage to push the price above the restrictive trendline that connects the recent peaks, immediate resistance could be met at 27,988, which is the 38.2% Fibonacci retracement of the 48,226-15,479 downtrend. Surpassing that zone, Bitcoin could ascend to challenge the 11-month high of 31,064. Further advances could then cease at the 50.0% Fibo of 31,852.

Alternatively, bearish actions could trigger a price retreat towards the recent 2½-month low of 25,350. Should that floor collapse, the spotlight could turn to the 23.6% Fibo of 23,207. Even lower, the 21,375 hurdle could provide downside protection.

Overall, BTCUSD has been trading sideways during the past week, but short-term oscillators are indicating that bullish momentum is slowly intensifying. Thus, a clear break above the descending trendline is needed to revive bulls' hopes for a trend reversal.

Technical Analysis – Gold retains sideways move

Gold could not sustain its strength above the 1,965 bar on Tuesday, falling aggressively towards the 1,938 floor in the aftermath.

The previous metal switched to recovery mode on Wednesday, though the mixed technical signals in the four-hour chart provide no clear direction. Traders would like to see a close above the constraining falling line at 1,950 before they again turn their attention to the 1,965 barricade. Notably, the 23.6% Fibonacci retracement of the 2,079-1,932 downtrend is placed here too. If that wall collapses, the price may accelerate towards the 200-period simple moving average (SMA) and the 38.2% Fibonacci level of 1,987. Another bullish breakout there could clear the way towards the 2,000 psychological mark.

Failure to jump successfully above 1,950 may bring the 1,938 base back under the spotlight. If the bears exit the range below 1,930, the price may initially pause around the 1,900 number and then head towards the 1,887 region in order to meet the descending line from March 20.

In a nutshell, gold traders are in a wait-and-see mode. A significant move above 1,985 could brighten the short-term outlook, whilst a drop below 1,931 would re-activate May's downfall.

SPECIAL REPORT

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Technical Analysis – JPMorgan Chase just below 2023 high but the upleg lacks momentum

JPMorgan (JPM) has almost cancelled out the mid-March drop as it is currently hovering around the 142 area, not far from the 2023 high of 144.21. It has been a difficult rally from the March lows, with the 141.01 level proving a noteworthy resistance area and the March 23,2023 upward sloping trendline acting as strong support.

The interesting fact is that the latest upleg has occurred with the Average Directional Movement index (ADX) pointing to a trendless market as it remains stuck below the 25-threshold. Equally alarming for the bulls, the stochastic oscillator has entered its overbought territory, raising the possibility that the current rally might be entering its final phase.

If the bulls wish for the rally to carry on, they would seek a decisive move above the January 2, 2022 high at 141.01 and a break of the 50% Fibonacci retracement of the October 25, 2021 – October 12, 2022 downtrend at 145.55. The path then is clear for even more significant upleg.

On the other side, the bears appear keen on reclaiming the 141.01 level and attempting a correction towards the busier 136.47-137.14 level area. This range is defined by the 50% Fibonacci retracement, and the 50- and 100-day simple moving averages (SMA) respectively. However, the bears would firstly have to break the March 23,2023 upward sloping trendline, which is critical from a sentiment perspective, before setting their eyes on lower targets.

To sum up, the bulls are trying to finally record a sizeable break of the 141.01 level. Should they fail again in their endeavor, the risk for a correction towards 137 increases substantially.

Technical Analysis – USDJPY in rangebound ahead of FOMC rate decision

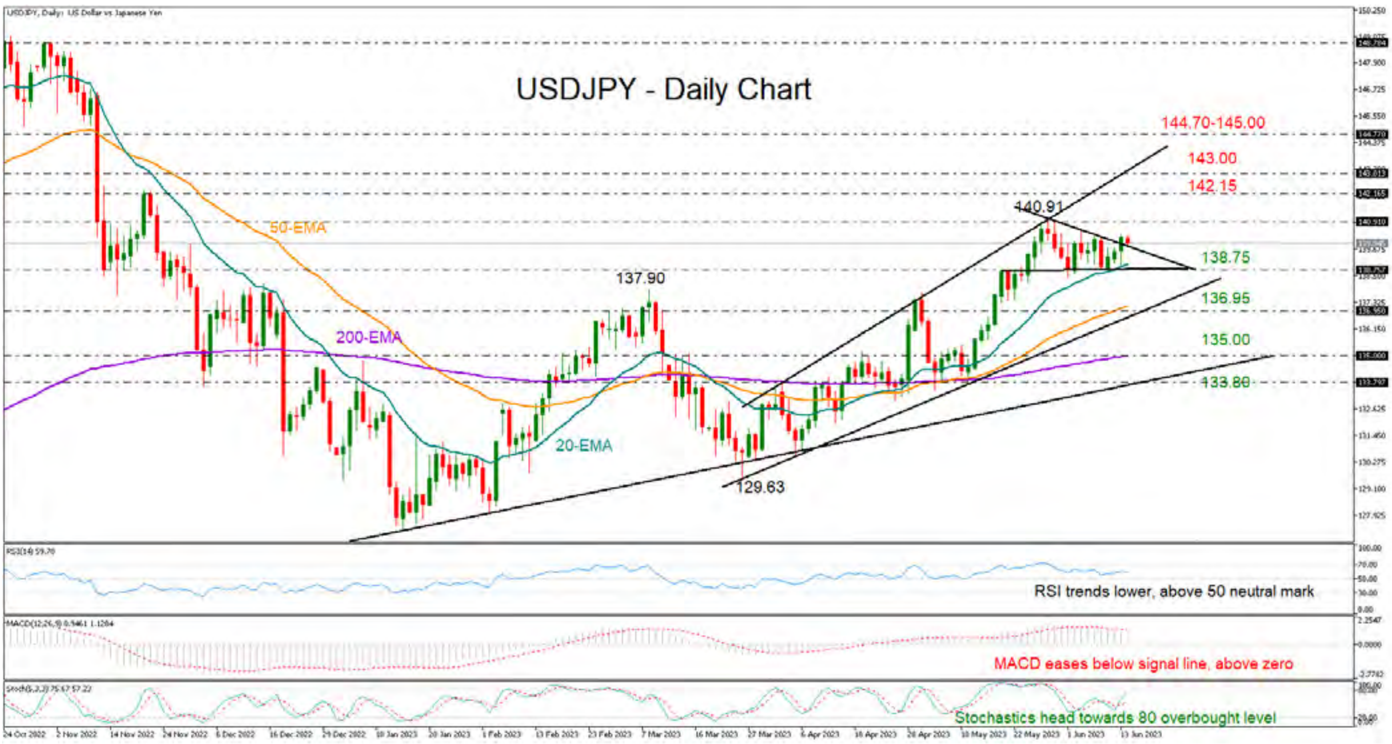
USDJPY was trading muted within a short-term range and marginally above the 140.00 level prior to the FOMC policy announcement.

The pair bounced on the 20-day exponential moving average (EMA) once again on Tuesday, increasing optimism that the bulls could take charge in the short-term. The RSI is still hovering above its 50 neutral mark, reflecting a positive bias. Though, its falling trend witnesses persisting caution in the market. In other warning signals, the MACD remains below its red signal line, while the stochastic oscillator is not far below its 80 overbought level. The descending triangle in the short-term picture is feeding some skepticism as well, although the price is currently trading slightly above it.

Buyers may wait for a close above May's peak of 140.90 to drive the price up to the 142.24 resistance taken from November 21. A dynamic bullish correction could reach the resistance line from March at 143.00. Breaking higher, the pair may next visit the 144.80-145.00 region.

On the downside, a forceful move below the 20-day EMA and the 138.75 floor could squeeze the price towards the 50-day EMA and the support trendline at 136.92. Should the bears push lower, the next pivot could take place around the 200-day EMA at 135.00, while the 2023 ascending trendline may also attract special attention at 133.80.

In summary, USDJPY is in a neutral mode in the short-term picture. A step above 140.90 or below 138.75 could provide the next direction in the market.



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