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Fujairah New Silk Road WEEKLY NEWSLETTER

Supported By:

FOIZ منطقة الفجيرة للصناعة البترولية Fujairah Oil Industry Zone

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

AN EXCLUSIVE GULF INTELLIGENCE INTERVIEW

"IT WILL REQUIRE ALL FINANCIAL INSTITUTIONS, OF EVERY SIZE AND KIND, TO WORK TOGETHER TO BRIDGE THIS FINANCING GAP."

Dr. Ahmed Ali Attiga
CEO, Arab Petroleum Investments Corporation

It is more than just the Covid-19 crisis. We have coined the term 'triple crisis' to describe what has happened over the last six months of 2020. This is a health crisis of unprecedented proportions, an oil price shock, and an economic slowdown. It is a complex set of circumstances that have suddenly hit like a perfect storm. The energy sector has been hugely impacted by these multiple crises. The industry has been hit in all aspects from energy demand, to energy supply, and, of course, on the investment side. Our 2020 numbers show that in the MENA region, we expect a reduction in capital investments for both conventional and unconventional projects from almost $1trn down to $800bn over the next five years. This is not a small reduction. It will require all financial institutions, of every size and kind, to work together to bridge this financing gap in both the public sector and the private sector. There are a lot of unknowns at the moment. We don't know what the length of the pandemic will be, the impact of new lockdown policies most countries have taken, the pace of recovery, the elasticity of demand, and how long the resilience of OPEC+ will last.

CONTINUED ON PAGE 3

Fujairah Weekly Oil Inventory Data

6,501,000 bbl	4,335,000 bbl	10,125,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues

Source: FEDCom & S&P Global Platts

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.54 - 4.38/m³

↑ Highest: $4.50/m³
↓ Lowest: $3.40/m³

Source: GI Research – Weekly Phone Survey of Terminal Operators

Insights brought to you by: 2010 GI 2019 Publishing
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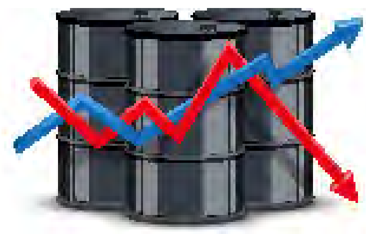
THE WEEK In Numbers

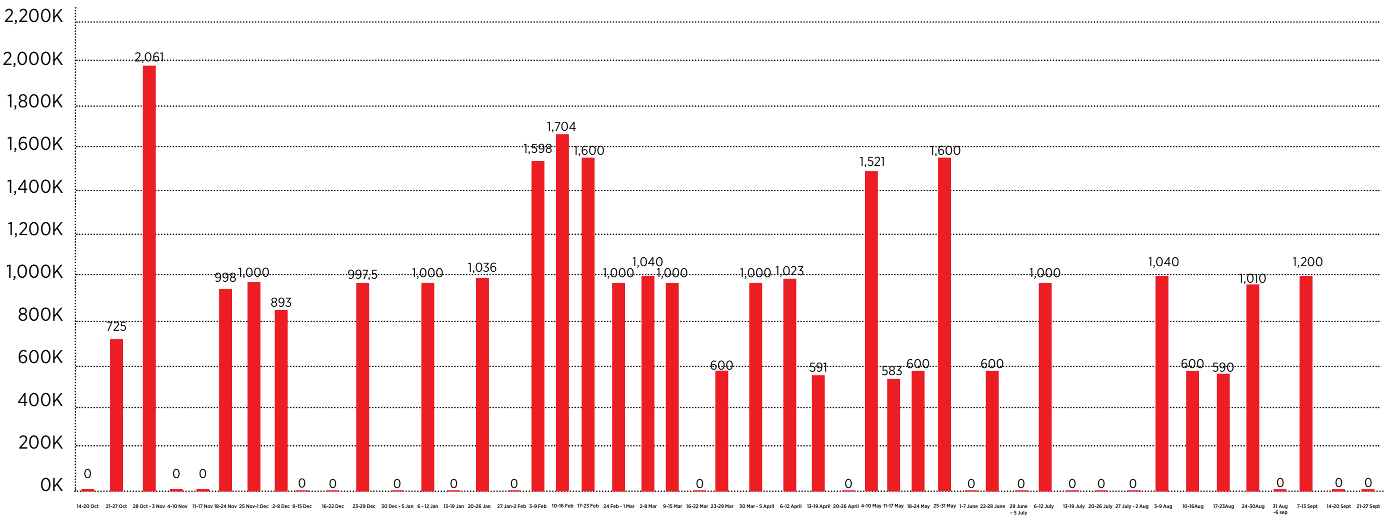


Weekly Average Oil Prices

Brent Crude:	$42.29/bl
WTI Crude:	$40.09/bl
DME Oman:	$41.30/bl
Murban:	$41.58/bl

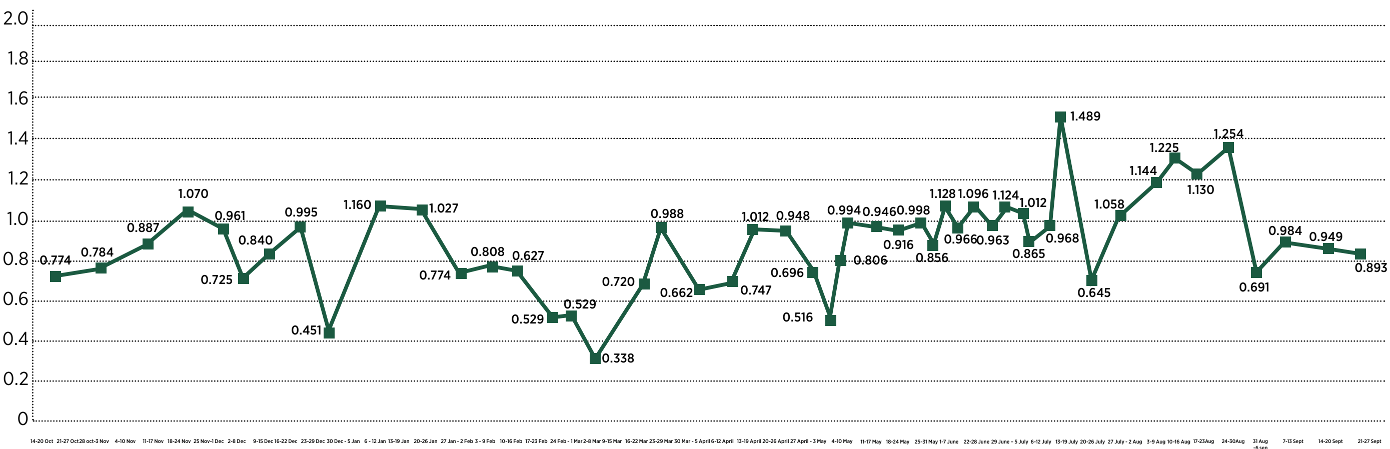
Time Period: Week 4, September 2020
Source: IEA, OilPrice.com, GI Research

Weekly Imports of Heavy Sweet Crude into Fujairah



Source: Kpler

Total Refined Product Exports from the GCC to Asia-Pacific



Source: Kpler

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GIQ: Will new players have to come in to help finance the energy sector?

Dr. Ahmed Ali Attiga: Yes, definitely. There must be a new way of financing the energy sector. We have called this the need for a 'new renaissance.' This will include new financial partners playing a different role. APICORP is a good example. We are a multilateral financial institution that, in situations and crises like this, must take a countercyclical approach. This is where you take more risks and provide funding for both public and private sector entities that otherwise would not be available. This also requires mobilization. No entity can do it alone. The mobilization of additional funding from multilaterals and sovereign wealth funds becomes very important. Another form of financing is on the equity side with investments. We also label this as 'patient capital.' The current situation presents opportunities for assets that may be undervalued because of the crisis, but it is not a result of the overall potential of the sector where they operate in. So, you come in, take an equity stake at a discount value, and be patient with it. This means you keep it for the longer term as an investment until the role is satisfied. That asset will come back again in 3-5 years where the investment will reap the returns. At the same time, the overall sector will also recover.

GIQ: What is your outlook for debt capital markets in the GCC?

Dr. Ahmed Ali Attiga: In 2020, we have seen sovereign and sub-sovereign entities in the region go to markets to raise debt through bonds and other financial instruments. This isn't a new phenomenon. Some of these countries have even gone to the market at much higher prices for their papers than they usually get. It is the result of a combination of need and to secure long-term funding that they can utilize in their own countries or through their financial institutions. The debt capital markets have being very active. There will be competition for investors who buy these papers, particularly from the sovereign entities. We have seen national oil companies going to the market even before Covid-19. ADNOC and Saudi Aramco have gone out to the market. Saudi Aramco has done an IPO all together. The crisis will only accelerate the availability of these financial products and their role in securing required funding for the sector.

GIQ: As the global energy transition accelerates, how concerned are you that investors may turn away from fossil fuels in a time when the sector requires greater financing?

Dr. Ahmed Ali Attiga: The international oil companies (IOCs) have started to show a pattern of behavior, particularly on the exploration side, that is consistent with their own priorities and with their own strategies given the countries they are from. However, fossil fuels will remain a major ingredient of the energy mix. The challenge is how to make it more sustainable, lower cost, and integrated with the energy mix of nonconventional sources of energy in a manner that ensures balance. Countries in the region who rely on oil have started long before this crisis discussing how they want to strike this balance. APICORP advocates the energy transition should strike a balance. As we always remind everyone, the last barrel of oil will be from this region. That requires a sustainable long-term plan for investing in fossil fuels with a focus on the right technologies and securement of required financing. The national oil companies (NOCs) in the region have started to show how this balance should be.

GIQ: How has the GCC's fiscal environment evolved during this crisis?

Dr. Ahmed Ali Attiga: The Gulf states are not homogeneous in terms of their resource abundance. For example, Bahrain and Oman have always gone to the markets and received funding for their larger projects in the energy sector. In 2020, the fiscal space in all of these countries is facing serious constraints. I think that will continue in the near future. This requires these countries to put plans into places that could provide necessary funding which does not only rely on government spending. The national visions of each country emphasize that funding has to be mixed and rely on public-private partnerships. This will be accelerated by the Covid-19 crisis.

GIQ Do multilateral agencies, such as the IFC and the World Bank, have to revisit their policies towards financing the GCC?

Dr. Ahmed Ali Attiga: Every multilateral has its own mandate and its own set of parameters that it operates within. For example, you mentioned the World Bank and the IFC. At the end of the day, the overarching mandate for these institutions is poverty alleviation through the private sector (IFC) or through the public sector (World Bank). In this context, the Gulf countries don't fit the requirement of direct financing. That's why these institutions are not active in the GCC. But other multilaterals have different mandates which include supporting their member countries in the GCC in both the public and private sectors. I doubt the World Bank and the IFC will change their policy constraints in terms of funding higher income countries. That's a policy decision that their shareholders have to decide on. However, these institutions do engage with higher income countries through advisory services and public-private partnerships. Other multilaterals in the region such as the OPEC Fund for International Development, Asian Development Bank, and the African Development Bank, support member countries whether they are classified as low-income or high-income.

GIQ: What is your opinion of the GCC's strategy to implement austerity measures to deal with the current crisis instead of stimulus programs?

Dr. Ahmed Ali Attiga: When you are hit with a crisis, you quickly try to tighten the belt. Spending in some of the countries of the region was very high, even before the collapse of the oil prices in 2014. So, tightening of the belt becomes very important. Some of these countries don't have what it takes to implement stimulus programs similar to what has been done in more advanced economies. One has to put it in the perspective of what resources are available for any given economy and how they can move forward.

WATCH FULL INTERVIEW HERE

DAILY ENERGY MARKETS FORUM
NEW SILK ROAD "LIVE" September 27th - October 1st

GIQ EXCLUSIVE WEBINAR

TOP 10 MARKET OBSERVATIONS FOR THE WEEK

1. OPEC+ may need to adjust supply plans ahead of the New Year as demand recovery is less than it was previously expected.

2. The US September job report out on Oct. 2nd is likely to show the economy entering a weaker phase, setting the tone for Q4.

3. Oil prices are likely to remain locked in the $40/bl range for the next few months until some clear new direction appears up or down.

4. Political leaders in Europe are working through their Covid-19 toolbox to bend the second-wave curve, but alas the nuclear option of total lockdown may end up being the only tool left.

5. The US is still flirting with stimulus 2.0 ahead of the election looks more like poker than economics - all will happen after Nov. 3.

6. Fossil fuels will remain a major ingredient of the energy mix -- the challenge is how to make it more "sustainable," more green, more low cost, more low carbon, and integrated with the non-conventional energy mix.

7. The Gulf States fiscal space is facing serious constraints that will continue in the near future, and plans are being put in place that will provide the necessary funding that doesn't rely on government spending.

8. The Covid-19 pandemic will trigger a $200bn financing shortfall in the MENA region energy sector over the next five years for conventional and non-conventional projects, requiring multilateral financial institutions to play a "countercyclical" role.

9. All eyes are on Washington for the rest of this week for trillions of dollars of more stimulus to avert major layoffs as warned by American Airlines.

10. Arab NOCs are poised to takeover the spaces left by IOCs, including the areas of marketing, supply & trading

ENERGY MARKETS VIEWS YOU CAN USE

Big Takeaways from Q3 Going into Q4?

By Chris Bake
Member of the Executive Committee, Vitol

"A SLOW EROSION OF CONFIDENCE..."

The big takeaway from the third quarter going into the fourth quarter is a slow erosion of confidence in the idea that we have got the worst behind us. Everyone had the notion of the second wave in the back of their heads going into the summer, and that the autumn would probably bring that, but I think the fact that it happened as quickly as it did towards the end of August, early September caught people by surprise. Our assumptions now for demand growth recovery are being questioned, and the market is feeling pretty lackluster and heavy, with the slow grind down again towards uncertainty, both on growth and the extent of incremental shutdown from COVID. We've seen that most of the large organizations, at least here in the U.K., now say that they will not be going back to work until next year, whereas only a few weeks ago, everyone was trying to get back in the door in September and try and revert to some normalization, with normalization being 30% to 40% percent of the workforce in the office, but that just doesn't seem to be happening.

"CHINA WAS A HUGE FACTOR..."

I think China was a huge factor in stabilizing the energy markets in the third quarter. The fact is that the oil stocks that they acquired have been slower to drawdown, and they still have some fairly hefty inventories onshore and offshore waiting to discharge. From an economic point of view, obviously some of the metrics are very good. You have seen copper pricing. You have seen other commodity pricing going into China, recovering, even coal, and not solely driven by China, but as a factor, it has recovered from the lows in the past two weeks. It feels like there has been a substantial stimulus to drive industrial production in China, and the sustainability of that and the full cost of it is definitely not as strong as it was. But, yes, from all the economies, China seems to have been pushing hard.

Legacy of Banks' backing away from commodity trade finance?

I think unfortunately it is a legacy of incredibly volatile markets and a finance system which probably needs further revision and reform. The ability to finance cargoes and the subsequent fraud that happened predicated basically because companies had exposures that they either couldn't manage or didn't manage, resulting in substantial losses that they had to then cover up or try and work through by managing their cash flows. And the banks are today holding in excess of $10bn of bad performance, shall we say, from the trade.

And that's going to cause either a pullback or force the industry to deal with the way that cargoes and trade is financed in a more holistic way, especially around the way that that title documents and the transfer of control of the assets is handled. So, I think it does lead to a big shift. Short term, there is a pullback because the banks realize they have exposures that they thought they had collateral on, which turns out they do not. It may bring in new financing actors in due course, but it is going to force a consolidation on the finance side first, which is problematic for the industry.

ENERGY MARKETS VIEWS YOU CAN USE

Robin Mills
Chief Executive Officer, Qamar Energy

DEMAND IN THE FOURTH QUARTER WILL CONTINUE TO BE WEAK, PARTICULARLY WITHOUT A ROBUST CHINESE RECOVERY. Concerns over a second or third wave of the Covid-19 virus in Europe and the US, while countries like India still deal with a major first wave, is adding pressure on oil markets. Further economic fallout - businesses closing, debt and unemployment – will also take a long time to work through.

SUPPLY KEEPING PRICES IN CHECK
Oil prices have been remarkably stable around the low $40s level in recent weeks. The demand picture remains fundamentally weak but OPEC has also gradually added oil back onto the market when any demand has resurfaced. More supply than expected has come from Libya and there are murmurings that Iran might export more oil than what market analysts had estimated.

OPEC SHOULD ADJUST TO MARKET NEEDS
OPEC may extend or deepen production cuts when it meets in December. Either way, Saudi Arabia is likely to make additional voluntary cuts as it has done previously, if required. Market conditions have changed since OPEC agreed on its plan earlier this year and if necessary, it should be adjusted. It's also important to watch what is happening with non-OPEC supply countries such as Norway and the US. We should also keep an eye on this cycle of underinvestment in the sector and whether it could lead to a price spike a few years down the road.

US ECONOMY RECOVERY POLICIES KEY TO OIL MARKET
If Biden wins the US Presidential election, the impact on US oil industry policy per se may not be as big as expected. The more significant impact will be by demonstration - in how he deals with the virus and getting the economy back on the road to recovery faster. This would ultimately be more positive for oil prices and for long term demand and supply growth.

SOUNDINGS FROM THE FIRST US PRESIDENTIAL DEBATE 2020

COVID-19

**Joe Biden, Former Vice President &
Democratic Presidential Nominee, United States**
"You should get out of your bunker and get out of the sand trap and the golf course and go into the Oval Office and (put) together Democrats and Republicans, and fund what needs to be done now to save lives."

Donald Trump, President, United States
"You didn't think we should've closed our country (to China) because you thought it was terrible... We've done a great job. But I tell you, Joe, you could never have done the job we've done. You don't have it in your blood."

ENERGY TRANSITION

**Joe Biden, Former Vice President &
Democratic Presidential Nominee, United States**
"No, I don't support the Green New Deal...I support the Biden plan that I put forward. The Biden plan, which is different than what he calls the 'radical Green New Deal."

Donald Trump, President, United States
"So why didn't he do it for 47 years? You were Vice President. Why didn't you get the world—China sends up real dirt into the air. Russia does, India does, they all do...We now have the lowest carbon. If you look at our numbers right now, we're doing phenomenally."

ECONOMY

Donald Trump, President, United States
"When the stock market goes up, that means jobs. It also means 401(k)s...if you ever became president with your ideas — you want to terminate my taxes [tax cuts], I'll tell you what. You'll lose half of the companies that have poured in here. They'll leave."

**Joe Biden, Former Vice President &
Democratic Presidential Nominee, United States**
"We were able to have an economic recovery that created the jobs you're talking about. We handed him a booming economy. He blew it."

GIQ EXCLUSIVE SOUNDINGS

Q4 Recovery Predications Fade as Covid 2.0 Casts its Shadow on Demand

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:

- Omar Najia, Global Head, Derivatives BB Energy
- Laury Haytayan, MENA Director, Natural Resource Governance Institute
- Andrei Belyi, Adjunct Professor, Energy Law & Policy, University of Eastern Finland
- Randall Mohammed, VP, Energy Solutions, Ahart Solutions International
- Ahmed Mehdi, Research Associate, Oxford Institute for Energy Studies
- Andy Laven, Chief Operating Officer, Sahara Energy Resources
- Edward Bell, Senior Director, Market Economics, Emirates NBD
- Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy
- Chris Wood, Chief Executive Officer, AAG Global Investments
- Vandana Hari, Founder & CEO, Vanda Insights
- Bora Bariman, Managing Partner, Hormuz Straits Partnership

Omar Najia, Global Head, Derivatives BB Energy
"OPEC is going to increase production by another 2mn barrels. You've got Libya coming back. You've got the US presidential election, which is going to introduce uncertainty into this market. So, I find it very difficult to believe that markets, faced with this amount of uncertainty, are going to start accelerating higher and set new highs."

Laury Haytayan, MENA Director, Natural Resource Governance Institute
"What's next for Lebanon? It's hard to predict but it's definitely going to be difficult economically. We're expecting that with the depleting dollars that we have in the country, the government and the central bank will remove all the subsidies otherwise there'll be a spike in prices of fuel and basic needs and that'll be a catastrophe."

Andrei Belyi, Adjunct Professor, Energy Law & Policy, University of Eastern Finland
"Russia needs the Nord Stream 2 gas pipeline deal less than Germany. Germany would like to have the pipeline to increase the competitiveness of its gas market. Would Germany block such a business initiative? Probably not. Note that there is an energy charter treaty which protects such international investments."

Randall Mohammed, VP, Energy Solutions, Ahart Solutions International
"The statistics have shown that if the market is rallying within that 90-day period before the elections, the incumbent has a much better chance of winning the election. But at the end of the day, the main reason for another stimulus package is that US economy is struggling."

Ahmed Mehdi, Research Associate, Oxford Institute for Energy Studies
"What the market is paying more attention to is how Covid-19 has hit specific parts of the demand barrel. It has obviously hit jet fuel and now middle distillate stocks are elevated. That's putting pressure on the cracks. As we enter colder months, we will also see weakening of gasoline and high distillate stocks. Middle East producers should also look at spot market activity in this cycle, as it will give clues as to what buying interest looks like."

Andy Laven, Chief Operating Officer, Sahara Energy Resources
"The easier way for oil majors to transition is through acquisitions, like Total acquiring Blue Point London. The challenge is when they start seeing their returns deteriorating and shareholders looking elsewhere. I think what we'll see in the medium-term is for small to medium-sized oil industry participants coming together to create mass around non-core assets rather than the old majors buying into more oil."

Edward Bell, Senior Director, Market Economics, Emirates NBD
"I'm not very hopeful that we're going to see a sizable and meaningful stimulus get agreed upon before the election. After the election, regardless of who wins – Biden or Trump – and regardless of the makeup of Congress, further stimulus is likely and that's going to be supportive towards asset classes."

Dr. Carole Nakhle, Chief Executive Officer, Crystol Energy
"The V-shaped recovery, both for the global economy and for oil markets, keeps getting delayed. We recovered from the worst in April and things started to look rosier in the third quarter, relatively speaking. But we don't have this rapid growth that many people hoped for by the end of this year."

Chris Wood, Chief Executive Officer, AAG Global Investments
"The challenge is not supply, it is demand. Until there is pick-up in demand, everyone will struggle. If you look at refineries, there are job cuts among US refiners and European counterparts are operating at reduced rates. After a period of time, all this will start to play into the economies of those companies and they have to shed jobs and reorganize themselves in a way that is aligned with a new energy model."

Vandana Hari, Founder & CEO, Vanda Insights
"Overall, the picture remains weak. OPEC is producing more with Libya incrementally putting more oil onto the market. The demand picture is rather subdued especially with government-imposed lockdowns being partially phased in."

Bora Bariman, Managing Partner, Hormuz Straits Partnership
"Today, survival is not so much a matter of securing revenue. It's about securing liquidity and the liquidity is being controlled by the central banks and the systemically important conduits that channel these flows into the broader economy. We see players, like Mercuria, committing billions into renewables over the next few years. I'm not so sure those decisions are driven by return on investment expectations. I think they're driven by a move to align with investors and major fund managers to allocate capital in the years ahead."

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ENERGY MARKETS COMMENTARY WEEK IN REVIEW

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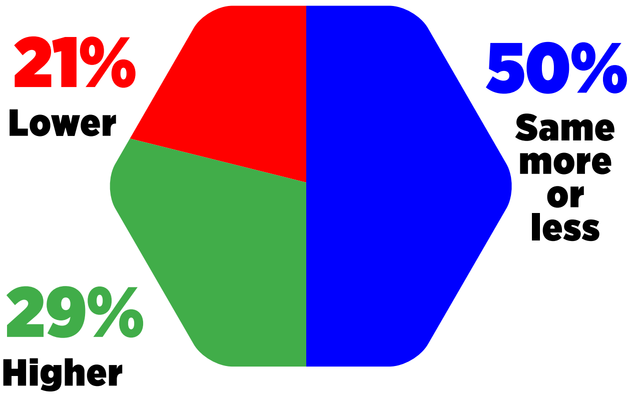
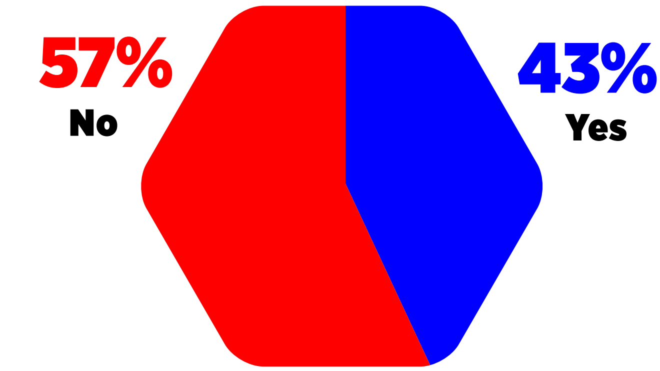
GIQ Weekly Surveys

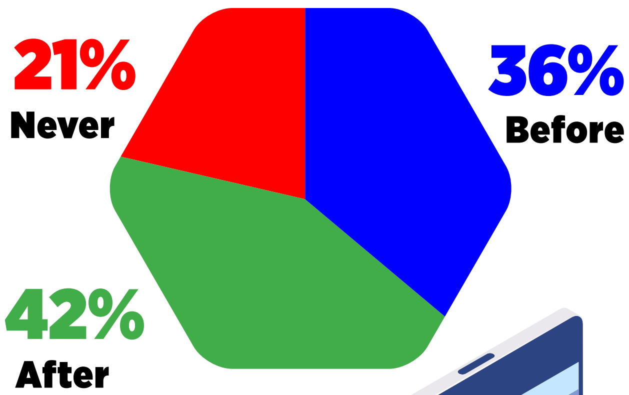
WTI averaged about $40+ in Q3 and Brent at about $43+ – what direction of travel do you expect in Q4:



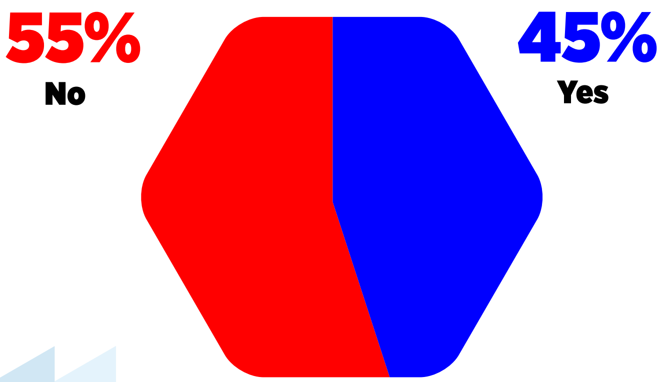
Do you expect some European states to resort back to Full National Lockdowns this Winter?



Do You Expect Democrats & Republicans to Agree Stimulus 2.0 before Election or after?



Do you think OPEC will proceed with planned 2mbpd supply increase in January?



Source: GIQ

Fujairah Spotlight

UAE's ADNOC Starts Crude Trading; Another Unit due to Start Soon

Abu Dhabi National Oil Co – the UAE's biggest energy producer – has started derivatives trading through a new unit, with another trading joint venture alongside OMV and Eni due to be launched in the coming months. ADNOC, which has storage facilities in the UAE, Japan and India, acquired last year a 10% stake in storage terminal owner and operator VTTI, which will help expand its operations globally and in Fujairah where it is building the world's biggest single-site underground oil caverns. ADNOC also announced in 2019 plans to build underground oil storage with a capacity of 42 million barrels of crude oil in Fujairah, in addition to its existing 8 million barrels of storage in the emirate that lies on the country's east coast.

Source: S&P Global Platts

More Than 24,000 UAE Covid-19 Offences in Last Two Weeks

More than 24,000 Covid-19 offences have been committed in the last two weeks across the UAE as officials urged residents to follow the rules. Dubai had the most number of rule-breakers, followed by Fujairah, Abu Dhabi, Sharjah, Ajman, Umm Al Quwain and Ras Al Khaimah. The most common rule broken was failing to wear a mask. There were also a large number of fines for those exceeding the number of people allowed to travel together in a vehicle.

Source: Dubailand News

Fujairah Ruler Mourns Prince of Kuwait

His Highness Sheikh Hamad Bin Mohammed Al-Sharqi, a member of the Supreme Council, Ruler of Fujairah, mourned his brother, His Highness Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, the Prince of Kuwait, who passed away, and called on His Highness Almighty to extend his mercy, live in his vast paradise and to inspire the State of Kuwait and its people and Al-Sabah, the honorable and patient. His Highness said, "With the passing of our great martyr Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, the Arab and Islamic nations lost one of the most prominent leaders who had eternal imprints and courageous positions in the Arab region and the world.

Source: Fujairah.AE

Fujairah Oil Products Stockpiles Drop to Eight-Month Low

Stockpiles of refined oil products at the UAE's East Coast Port of Fujairah have dropped to an eight-month low, with shipments of naphtha and gasoil picking up. Total stockpiles stood at 20.961mn barrels as of 28th Sept., down 2.2% from a week earlier and the lowest since 13th Jan., according to the data from the Fujairah Oil Industry Zone, FOIZ. Stockpiles have now dropped for five consecutive weeks, the longest losing streak since the five weeks ended 1st July, 2019. The record losing streak was six weeks in a row in 2017.

Source: Emirates News Agency


GI HALF-TIME TALK Special Report
Q3, 2020
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Fujariah Weekly Oil Inventory Data

FOIZ
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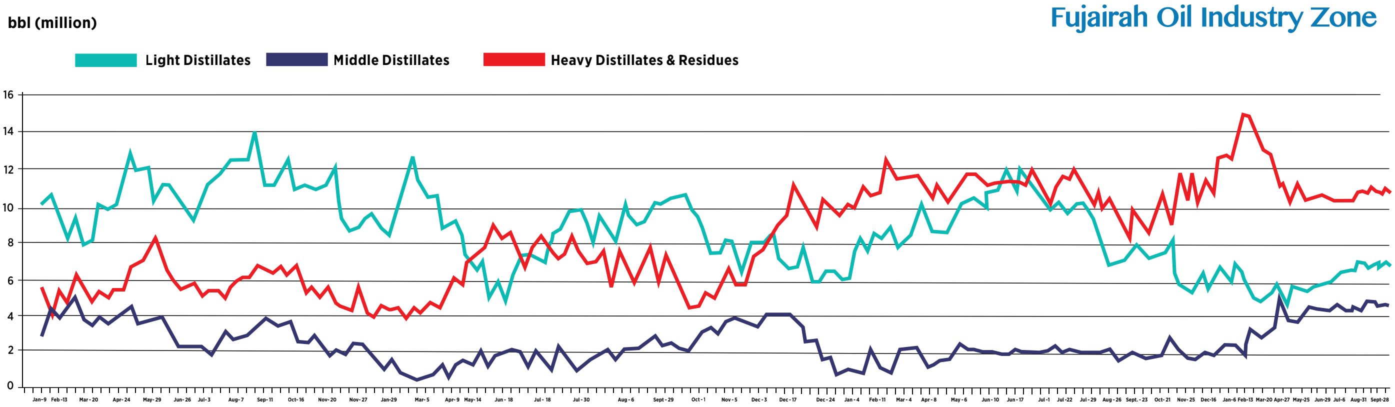

TOP TAKEAWAYS

- **Total oil product stocks in Fujairah were reported at 20.961mn barrels. This is their lowest level since January 13 when they stood at 20.406mn barrels. Total stocks fell by 461,000 barrels falling 2.2% week on week, draws in light distillates and middle distillates were seen, while heavy residues posted a small build.**
- **Stocks of light distillates fell by 157,000 barrels or 2.4% week on week to stand at 6.501mn barrels. The gasoline market East of Suez was finding support from an uptick in demand seen for October coupled with lower production levels expected, particularly from China where resupplies were expected to slow with the country celebrating its national day holiday early October. Crack spreads for gasoline have risen in recent days, supported by an improvement in sentiment in the US. The 92 RON physical gasoline crack in Singapore in recent days rose to multi-month highs, hitting $5.85/bl on Monday, before retreating slightly Tuesday to stand at $5.39/bl. Monday's level was the highest crack spread for the road fuel since March 10 when it stood at $7.09/bl.**
- **Stocks of middle distillates fell by 371,000 barrels to 4.335mn barrels as they fell by 7.9%. The gasoil market was subdued Tuesday as an absence of meaningful demand has been the key factor in hampering the road to recovery for the middle distillate. While supply is seen to be balanced amid curtailed production at regional refineries due to receding gasoil margins, several sources noted the possibility that Chinese suppliers could raise exports in the fourth quarter, given the prevailing high stockpiles in the domestic market.**
- **Stocks of heavy residues rose by 0.7% building 67,000 barrels on the week to stand at 10.125mn barrels. In the Fujairah bunker market, spot product availability remained relatively thin, especially for prompt delivery dates. Bunker prices for delivered Marine Fuel maximum 0.5% sulfur in Fujairah moved back to a discount to Singapore, having seen the Asian port last week at a discount to Fujairah. On Tuesday Marine Fuel maximum 0.5% sulfur delivered bunkers were assessed at $329/mt representing a $1/mt discount to Singapore.**

Source: S&P Global Platts

Commodities
November Brent futures closed the month at $40.95/bl, down 0.2% on the day and the first monthly decline on Brent futures since March. December contracts are now trading at $42.31/bl, flat from overnight. WTI futures rallied 2.4% overnight and are flat in early trading today at $40.20/bl. The EIA reported a draw on US crude stocks of around 2mn bbl last week with most of the draw happening on the west coast. Total crude production was flat last week at 10.7mn b/d while product supplied was down by almost 1mn b/d. distillates in particular fell back, down by around 300k b/d w/w.

Equities
The better-than-expected payrolls data boosted US equities yesterday, with all three major indices closing higher on the day. The NASDAQ and the S&P 500 gained 0.7% and 0.8% respectively, while the blue-chip Dow Jones gained 1.2%. Things were not so positive in Europe, where a series of less-than-spectacular earnings announcements and job losses added to the gloom wrought by a renewed surge in cases and restrictions on movement. The FTSE 100 and the DAX lost -0.5%, while the CAC closed 0.6% lower.

FX
The USD moved tentatively on Wednesday. The DXY index ended the day unchanged but has dipped slightly this morning to reach 93.700, after briefly touching a high of 94.190 in the afternoon. Some slightly better than expected economic data out of the US prevented the greenback from suffering further losses. USDJPY also recorded minor losses for the day and is hovering around the 105.50 region. The EUR bounced off of lows of 1.1685 amid hopes for a new fiscal stimulus deal, and has held firm at 1.1745 this morning. The GBP has also advanced off the back of a slightly improved market mood to reach 1.2940. Both the AUD and the NZD also consolidated gains, trading at 0.7180 and 0.6630 respectively.

Source: Emirates NBD

ENERGY MARKET NEWS

RECOMMENDED READING & VIEWING

1. OIL HOLDS STEADY ON HOPES FOR US STIMULUS AGREEMENT

2. ADNOC'S NEW OIL TRADING ARM BEGINS OPERATIONS AT ADGM

3. EIA: US CRUDE, DISTILLATE STOCKS DOWN IN MOST RECENT WEEK

4. OPEC SEPTEMBER OIL OUTPUT RISES FOR THIRD MONTH ON LIBYA RESTART, IRAN

5. SAUDI ARAMCO RAISES OCTOBER LPG, SPREAD TO FAR EAST QUOTES WIDENS

6. PRADHAN: INDIA LOOKING TO STORE OIL OVERSEAS IN US, OTHER COMMERCIALLY VIABLE LOCATIONS

7. BP SINGAPORE OIL TRADERS LEAVE AFTER PROBE INTO DISPUTED DEALS

8. SHELL TO CUT UP TO 9,000 JOBS AS OIL DEMAND SLUMPS

9. AMERICAN AND UNITED AIRLNES MOVE AHEAD WITH MORE THAN 32,000 FURLOUGHS

10. ENERGY SECURITY AND ECONOMIC FEARS DRIVE CHINA'S RETURN TO COAL

RECOMMENDED VIDEOS & REPORT

- GULF STATES FACE SERIOUS FISCAL CONSTRAINTS
- COMPANIES ADDED BETTER THAN EXPECTED 749,000 JOBS AMID JUMP IN CONSTRUCTION, HOSPITALITY
- VANDA INSIGHTS: CRUDE FLAT AROUND WED'S HIGHER SETTLE, AWAITING FURTHER CUES

Historic Milestone for ADNOC as New Trading Arm Begins Derivatives Trading

**H.E. Dr. Sultan Ahmed Al Jaber,
UAE Minister of Industry and Advanced Technology and
ADNOC Group CEO**

"This historic achievement is yet another important milestone for ADNOC as we become a more modern, agile and progressive energy company. Our steadfast focus is on providing a better service to our customers, while also stretching the margin from every barrel of oil that we produce, refine and trade. Our move into trading supports both of these goals."

"The opening of our trading offices at Abu Dhabi Global Market (ADGM) further reinforces its position and reputation as a leading and growing commodities trading hub for our nation and the Middle East region."

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BRIEFING NOTE

US ELECTION
What Could it All Mean for Markets?

GIO BRIEFING NOTE

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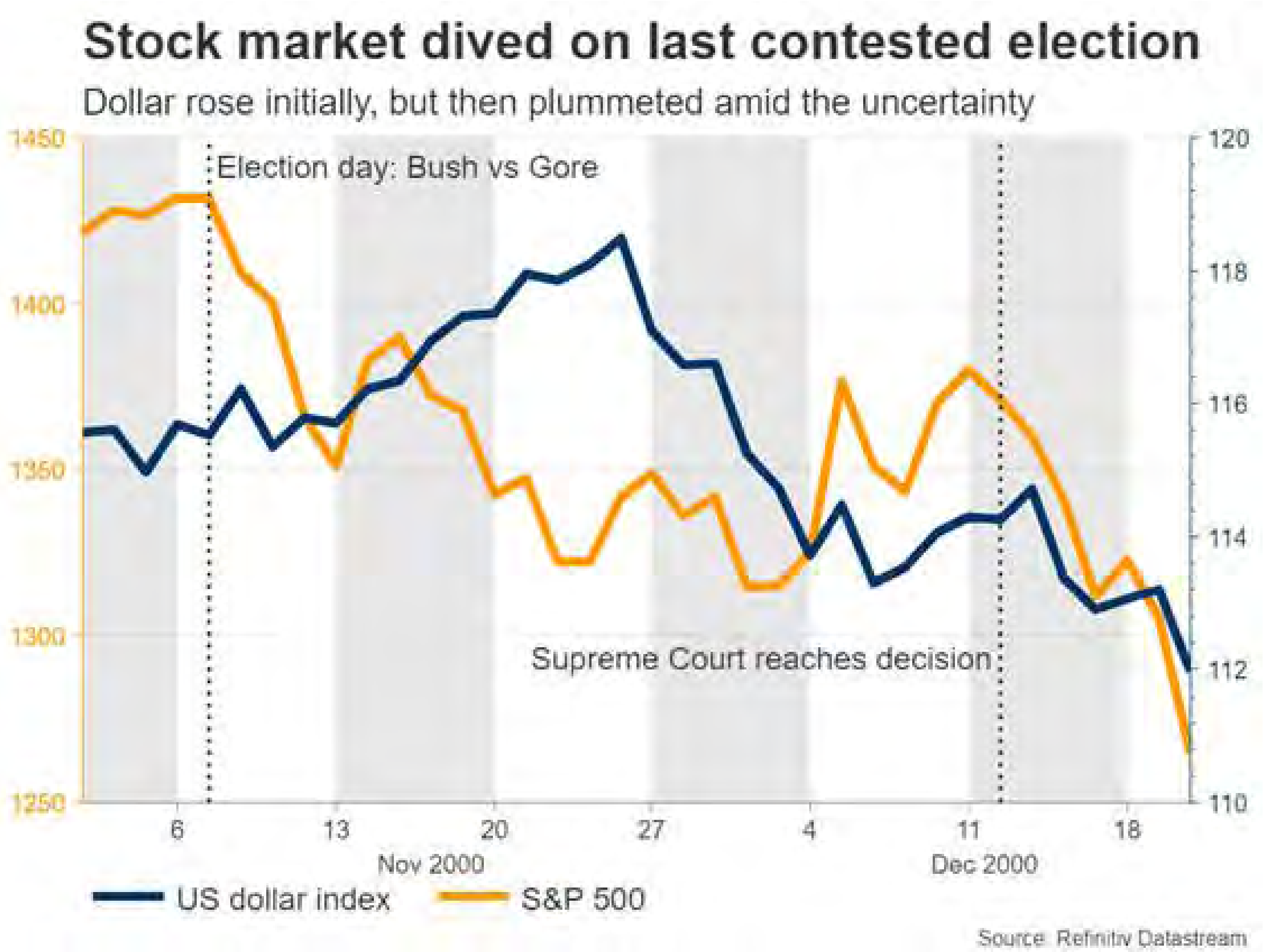
What Could it All Mean for Markets?

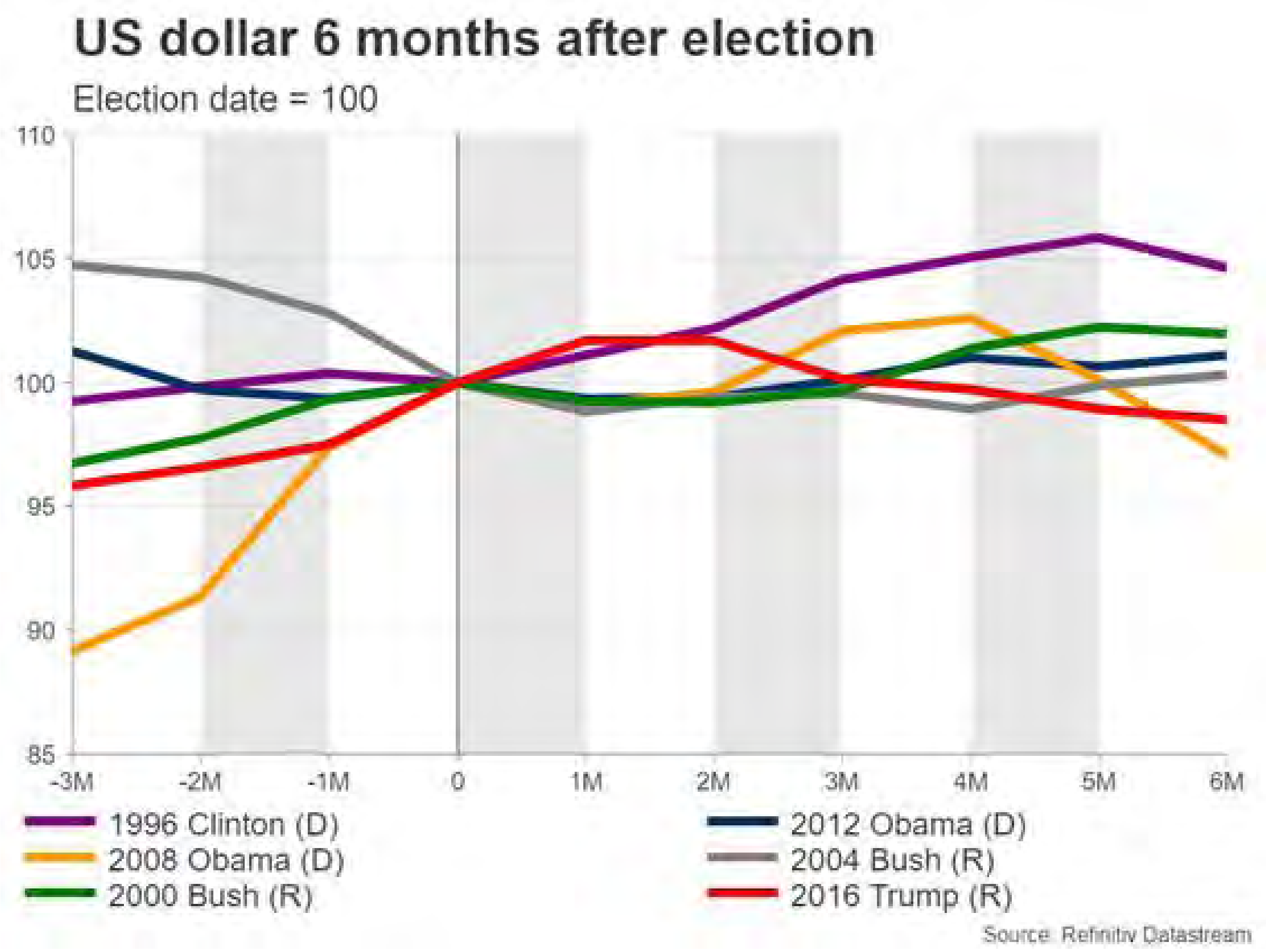
With almost one month to go until the presidential election, investors are increasingly focused on how the outcome will impact financial markets. The short answer is that there is no automatic rule for how the dollar and equity markets will react to a Trump or Biden win – it all depends on whether the victor will also have full control of Congress or not. This piece will examine how markets might respond to a Democratic sweep, a Republican one, a divided government, and an inconclusive outcome.

Heating up

The November 3 election between Donald Trump and Joe Biden could have a dramatic impact across different markets, from equities to commodities to currencies, and investors are scrambling to figure out exactly what that might be. The outcome will determine whether the next round of fiscal stimulus will be mild or powerful, whether the trade war with China will escalate further, and whether corporate and capital gains taxes will be raised or cut.

Opinion polls and betting markets both have Biden ahead quite substantially. But remember, because of how the US electoral system works, national polls don't mean much. Hillary Clinton won the popular vote in 2016 by 3 million votes but still lost the election. What really matters are polls in the so-called battleground states, which are much closer. In Florida for instance, Biden is only ahead by 1 percentage point according to the average of polls tracked by RealClearpolitics.





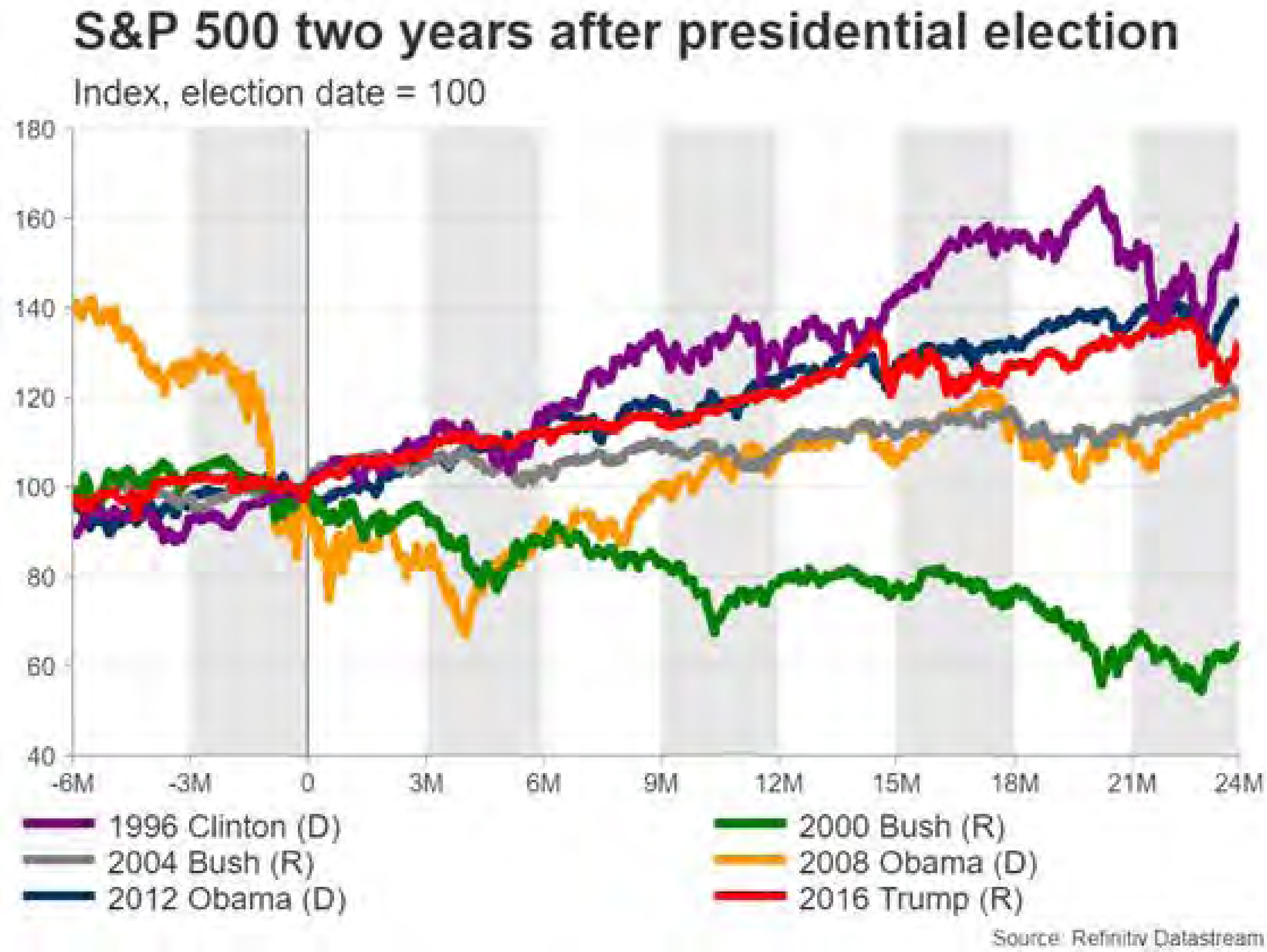
In reality, what will matter most for the economy and markets is whether we get a unified government, where the president's party also controls both chambers of Congress. If not, much of the president's agenda would probably be blocked from the opposing party as each chamber of Congress has 'veto' powers.

At the moment, the Democrats control the House of Representatives and the Republicans control the Senate. Looking at opinion polls for those races, the House will most probably stay in Democratic hands, but the Senate is too close to call. Two thirds of the seats up for reelection in the Senate are held by Republicans, and the Democrats only need to flip a handful of those to gain control.

Democratic sweep

This is the most likely outcome if polls and betting markets are to be trusted. The Democrats keep the House and take the Senate as well as the presidency. In a nutshell, this scenario could spell trouble for the dollar but lift the stock market.

Let's start with the dollar. The Democrats are set to introduce a massive fiscal stimulus package if they take full control, which would blow up the deficit even further, hitting the dollar.

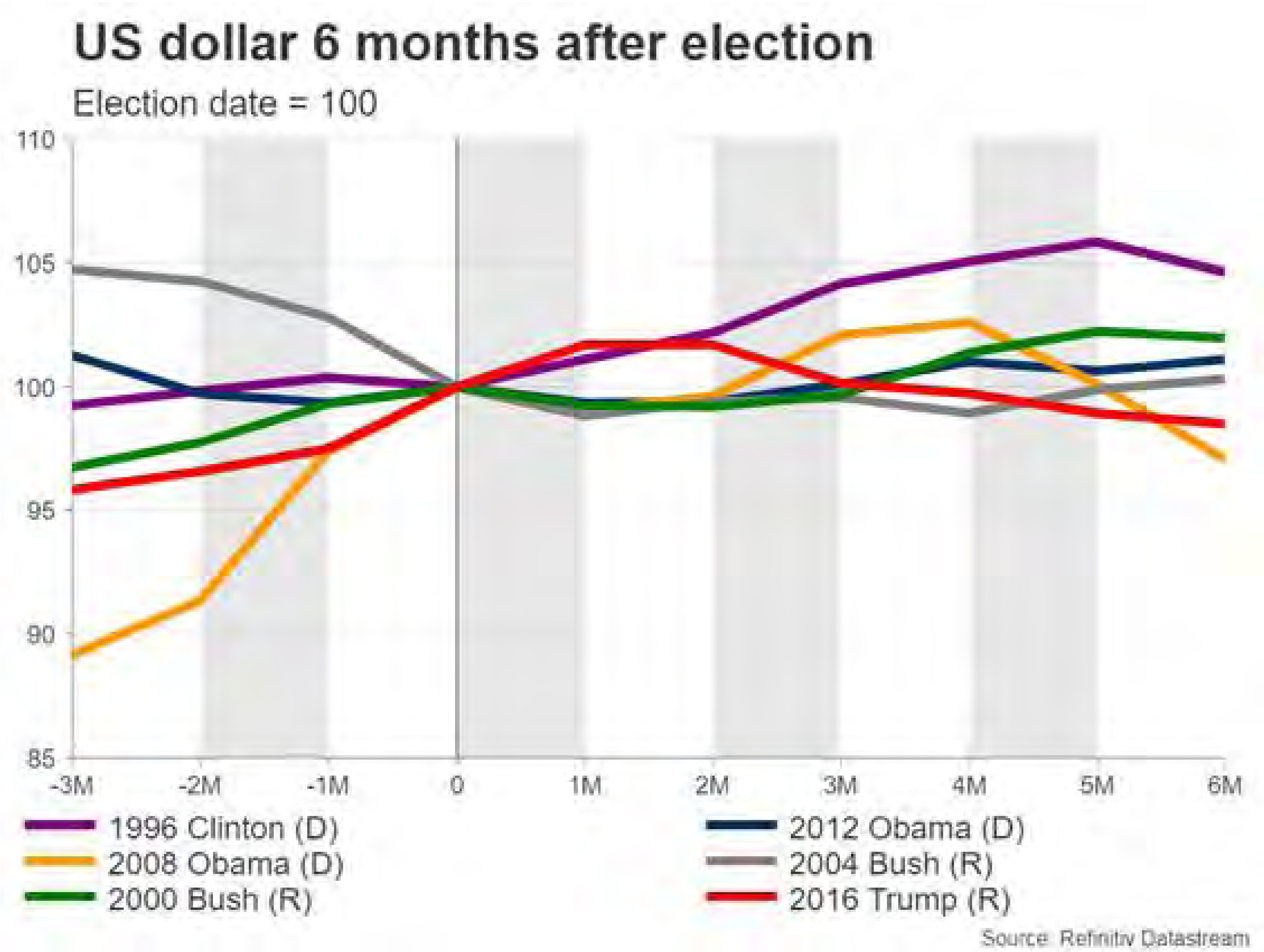


Even though they insist most of that would be financed by raising taxes on the wealthy, corporations, and capital gains, that side of the agenda is rather unlikely to be implemented, at least not in a significant manner. This is simply not how American politics work nowadays, as politicians rely on donations from both companies and wealthy individuals. Plus, raising taxes in the middle of a recession is economically disastrous.

Besides deficit concerns, the dollar could also take a hit from the more stable foreign policy that a Biden administration might bring. While Biden isn't exactly friendly towards China, he is certainly softer than Trump and is unlikely to introduce new tariffs. He would also likely mend trade relations with Europe. This could boost global trade flows and thus increase global dollar liquidity, and reduce the appeal of defensive assets, both of which are negative for the reserve currency.

The Australian dollar could benefit in this scenario because of the close trading relationship Australia has with China, so aussie/dollar is a key pair to watch.

As for stocks, many argue that a Democratic sweep would be a negative outcome because of tax concerns. However, if investors sense that Biden is unlikely to pull the trigger on significant tax hikes because of the fragile economy, yet will still deliver huge spending, that could catapult markets higher.

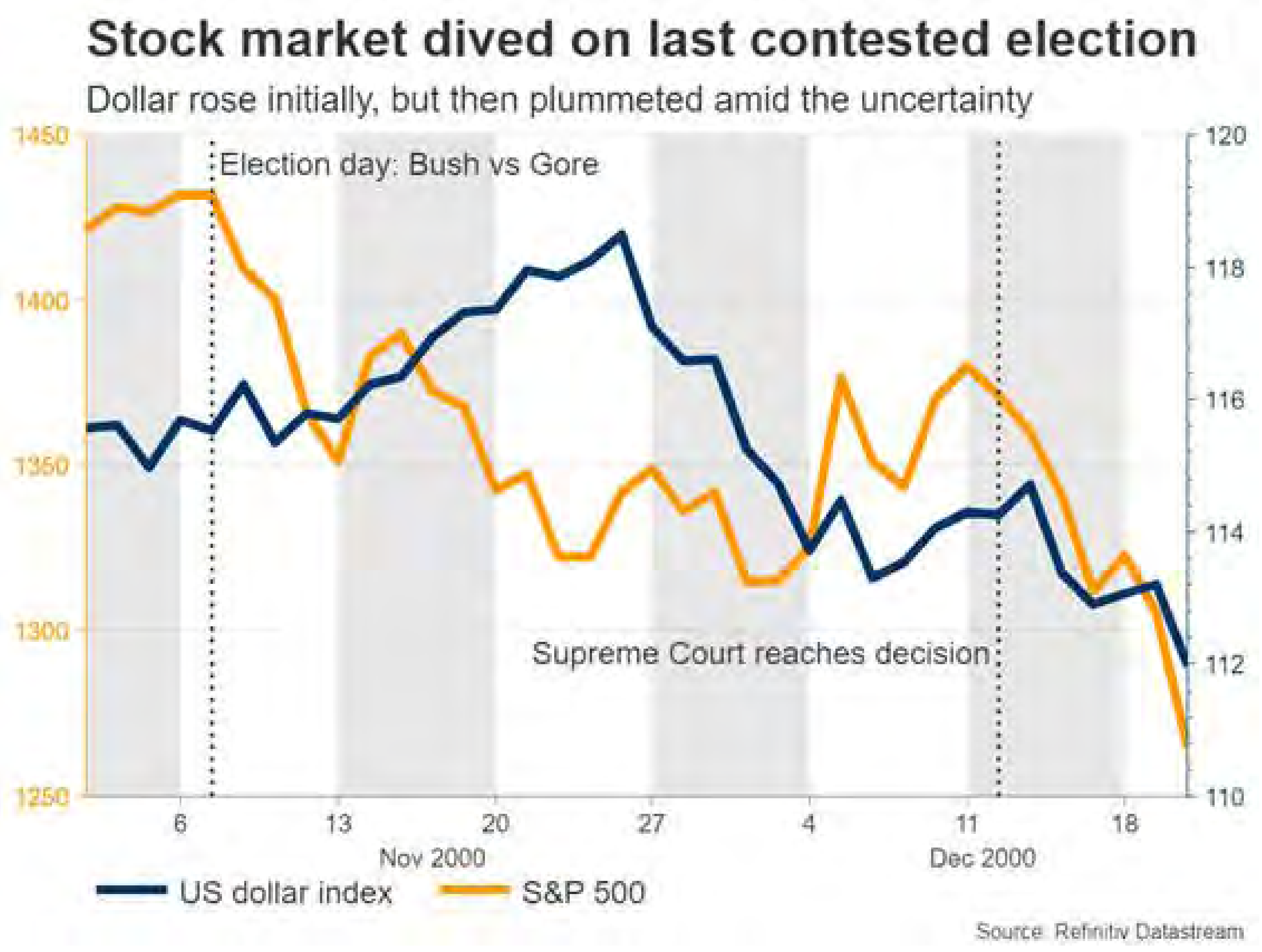


Within the stock market, the sectors that might get the biggest boost are renewable energy companies and perhaps electric vehicle makers, as a Biden administration would likely push hard towards 'green energy'. On the flipside, oil companies might suffer most alongside crude prices.

Republican sweep

This is a very low probability scenario as it would require Republicans to take the House, which seems extremely difficult. If they somehow manage that, the result might be a stronger dollar, and perhaps a higher stock market.

The dollar could spike both on expectations of lower deficits and on fears that Trump might restart the trade war with China or even Europe, sending investors into the reserve currency's safety. Both aussie/dollar and euro/dollar would be particularly vulnerable.



On the equity front, while the Republicans probably won't deliver as much fiscal spending as the Democrats would, they might cut taxes again and push for deregulation, cheering markets up. Indeed, just the fact that there would be a united government may be enough to lift markets. The oil sector could get the biggest boost, alongside financials.

Biden wins but divided Congress

This outcome is quite viable. It would imply less fiscal stimulus, and almost no chances of tax hikes as Senate Republicans would block everything. The deficit would likely increase as a result, though trade policy could become less volatile under Biden overall. Those argue for a weaker dollar.

For equities, this scenario may be slightly negative. The risk of higher taxes would be virtually eliminated, but the chances of a big spending package would also decline amid the political deadlock, which net-net might be bad news.

Trump wins but divided Congress

This would essentially be a continuation of the status quo. The Democrats would block much of Trump's domestic agenda, leading him to focus mostly on deregulation and foreign policy, where the president has more autonomy. The trade war could escalate, supporting the dollar and hurting the likes of the aussie.

It could be slightly positive for equities. Trade tensions might flare up, but there could also be some fiscal stimulus and deregulation.

What happens if the result is contested?

This is the worst of all worlds for equities in the short term, and perhaps for the dollar too. Trump has refused to commit to a peaceful transfer of power if he loses and might challenge the result in the courts.

The last time this happened was back in 2000 with the Bush-Gore debacle. The stock market fell 12% over the next five weeks, though the dollar was more volatile, rising first and then giving back those gains to trade much lower overall.

All told, there are a lot of moving parts to this race and how markets will ultimately react may depend mostly on who controls Congress and whether we have a clear result on election night. While Biden currently looks set to win everything, there is still a month to go and one should never count Donald Trump out, especially in this volatile environment. ■

NFP JOBS REPORT
The last release before the US election
Forex News Preview

The US will welcome the final quarter of 2020 with the release of the famous Nonfarm payrolls report as markets get into the election mode. The consensus is that the US labor market continued to head towards pre-Covid levels in early September, with the unemployment rate further easing and new job positions rising at a softer pace. While this could be considered normal, the numbers arrive at a crucial time and will be the last update before the US election, exposing the dollar to a fresh round of volatility.

Unemployment rate to keep declining

Since the peak at 14.70 in May, the US unemployment rate has been drifting lower as the re-opening plans helped people to return to work. Employment increased vigorously but subsequently, it started to slow down as fewer people remained on the waiting list to be rehired. This motive is expected to have continued in the first two weeks of September, with forecasts suggesting a weaker increase of 850k in new job positions from 1.027mln previously, and a slight decrease of 0.2 points in the unemployment rate, which is projected to arrive at 8.2%.

Dollar exposed to political woes in Q4

If materialized, the above outcome will not provide any new information to the dollar besides the fact that prevention of another full lockdown combined with accommodative policies helps the economy to gradually absorb its lost jobs. Nowadays, however, there is a lot of political noise in the air and relevant data such as the NFP report would matter, especially for President Trump who has been criticized for his virus response plan.

First and foremost, the election countdown has already begun in the US and the polls suggest that it could turn a very competitive battle for Trump as his rival Biden is leading in swing states, though marginally. Markets are largely pricing in that a defeat for President Trump could be a dollar negative given the fact that his political agenda is more friendly to businesses than Biden's, although both candidates may choose to increase taxes if public debt gets out of control next year.

Moreover, after a two-month debate, Republicans and Democrats have yet to find a common ground regarding a new pandemic stimulus package in the Congress, while the six-week extension of the $300 employment benefit by Trump has already expired in several states early in September. Consequently, unless a deal is soon reached, household consumption could plummet in the fourth quarter, especially if a third virus wave hits the global economy during the autumn/winter season, forcing the resumption of lockdown measures and hence resulting in another significant GDP contraction. Note that the Fed pledged to keep monetary policy accommodative for as long as it takes but it is not planning to release any additional liquidity anytime soon, leaving the ball in the government's court.

EUR/USD levels to watch

Currently, the risk-off sentiment seems to be the main support for the dollar as the global economy has adopted a wait-and-see approach and Europe is afraid of repeating the virus scenes from spring. A higher-than-expected or a stable unemployment rate delivered along with a smaller increase in job positions would signal that economic conditions in the US have been deteriorating before the start of the risky Q4, adding some pressure to the dollar. Otherwise, should the data beat forecast, the greenback could receive a temporary relief.

From a technical perspective, the euro is in a disadvantageous position following the break below an ascending channel and the confirmation of a bearish trend reversal below 1.1750 per dollar. Although it has regained some lost ground, it needs to jump back into the channel and the 1.1870 level to eliminate downside risks, and for that to happen in the near-term, the jobs report should strongly disappoint, and political risks should heighten. Otherwise, a drop below 1.1600 would further increase the case of a down-trending market.

Fundamentally, though, the dollar could turn more vulnerable to negative corrections in the face of political uncertainty, which may extend to 2021 if Congress remains divided. Moreover, the gap between the US and EU 10-year government bond yields has narrowed and remained steady since the Fed cut rates in spring, making EU bonds and hence the euro more attractive against the greenback.

Technical Analysis – NZDUSD pauses decline after double top; bears are still in play

NZDUSD got trapped within the 0.6500-0.6600 zone after breaking below a supportive trendline and confirming a double top formation around 0.6796. It is worth noting that the 200 simple moving average (SMA) is also placed around this peaks in the weekly chart.

Although the rebound in the Stochastics favours bullish actions in the short-term, the RSI, having posted a series of lower highs, is still below its 50 neutral mark. Adding to the bearish signals is the MACD which has been trending downwards since May and is currently moving slightly within the negative area.

However, for the bears to retake control, the pair should close below the Ichimoku cloud and the August low of 0.6487, breaching the 23.6% Fibonacci level of the March rally at the same time. Then, the 200-day SMA could immediately come to the rescue around 0.6380, stopping the price from testing the 38.2% Fibonacci of 0.6278. If the latter fails to hold, sellers may gain additional momentum towards the 50% Fibonacci of 0.6120.

On the upside, a decisive step above 0.6600 is required to push the price towards the ascending trendline around 0.6720. If the bulls surpass the 0.6796 top, the way higher could be a rocky one as a cluster of obstacles within the 0.6850-0.6970 area could interrupt.

Meanwhile in the medium-term picture, a drop below 0.6500 would confirm a neutral outlook, while a rebound above recent highs would bring the bulls back into play.

In brief, NZDUSD continues to face downside risks despite pausing its latest negative move. An extension below 0.6487 could generate additional losses, turning the medium-term picture to neutral.

Technical Analysis – GBPJPY pauses near 23.6% Fibo; lacks direction

GBPJPY pauses the downside movement at 23.6% Fibonacci retracement level of the down leg from 142.70 to 133.00 at 135.32 in the very short-term. The MACD oscillator dipped below its trigger line in the positive zone, while the RSI is slipping above the 50 level. However, the 20- and 40-period simple moving averages (SMAs) completed a bullish crossover, acting as strong support for the bulls.

A rebound on the 23.6% Fibo of 135.32 could take the price until the 136.28 resistance ahead of the 38.2% Fibonacci of 136.72. Moving higher, the 200-period SMA, which overlaps with the 50.0% Fibo could be a crucial barrier for traders.

On the other hand, a successful fall beneath the 20-period SMA could open the door for the upper surface of the Ichimoku cloud at 134.80 and the 40-period SMA. If the price fails to hold above these levels, the 133.87 barrier is the next target before heading south to the three-month low of 133.00.

Concluding, GBPJPY is lacking direction in the short-term timeframe after the bounce off the 133.00 psychological mark. A jump above the 200-period SMA could shift the neutral outlook to bullish. Alternatively, a tumble beneath 133.00 could switch the bias back to bearish. ■

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