

ENERGY MARKETS FORUM DAILY BULLETIN



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MONDAY /// JUNE 7th /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL EASES AS INVESTORS AWAIT IRAN NUCLEAR TALKS THIS WEEK
2. US SHALE RESTRAINT PUSHES OIL PRICES TO MULTI-YEAR HIGH
3. YELLEN SAYS HIGHER INTEREST RATES WOULD BE 'PLUS' FOR US, FED
4. OMAN'S COMPLEX YIBAL KHUFF PROJECT TO COME ONLINE IN Q3
5. RUSSIA'S SECHIN WARNS OF OIL SHORTAGE AMID DRIVE FOR GREEN ENERGY
6. IRAQ: QAYARAH FIELD RESUMES PRODUCTION
7. ASIA SHARES TURN CAUTIOUS AHEAD OF US INFLATION
8. US ADMINISTERS 301.6MN DOSES OF COVID-19 VACCINES
9. UGANDA RE-IMPOSES LOCKDOWN TO BEAT BACK COVID-19 CASE SURGE
10. FOMO WILL DRIVE RETURN OF BUSINESS TRAVEL

RECOMMENDED VIDEOS & REPORTS

- ASIA'S SUPPLY CHAINS ARE SHIFTING, NOT SHRIVELLING
- THE MOMENT FIRE STARTED AT TEHRAN'S TONGUYAN REFINERY A FEW DAYS AGO
- GASBUDDY DATA: US GASOLINE DEMAND ROSE 6.2%
- HOW RUSSIAN MERCENARIES LEFT LIBYA LETHALLY BOOBY-TRAPPED
- FUJAIRAH CP OPENS AED 1 BN FUJAIRAH TERMINALS TRANSFORMATION

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DAILY ENERGY MARKETS FORUM NEW SILK ROAD LIVE PODCAST



Omar Najia
Global Head, Derivatives
BB Energy



Richard Redoglia
Chief Executive Officer
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DAILY ENERGY MARKETS FORUM NEW SILK ROAD LIVE

TOP 3

MONDAY /// JUNE 7th

TAKEAWAYS

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DAILY OIL COMMENTARY

Morning all. I hope everyone had a nice weekend. Brent is trading down 0.66/bl, this morning at \$71.22/bl. WTI is trading at \$69.08/bl, down 0.52/bl. Like an England cricket test match run chase, this market seems to have bottled it. Crossing over the vital \$72/bl level on Brent just seems to be a bridge too far for many to absorb right now. And I say right now because I think it is only the very short term will this level fail to be breached. Friday was an interesting day, the much-watched monthly Non-Farm payroll numbers from the US were out and one could argue that either way they were reported the only reaction was to hit the buy button.



BY MATT STANLEY
DIRECTOR
STAR FUELS

If they came in as forecast (+650k) then great, that supports the general bullish rhetoric most markets are in right now. If they came in lower than forecast (which they did, +550k vs 650k

forecast), then great, more stimulus and more free money! And this is the current state markets are in right now. If we look at oil, then I would say as much as Janet Yellen has her hand on the checkbook and pen for the US economy then OPEC, and especially de-facto OPEC ruler Saudi Arabia, H.H. Prince Abdulaziz has his hand on, it's not a checkbook and pen - it's very much one of those big dials that you can turn up to 11, should the mood take you. And this is really what got me thinking. When you review how OPEC has adapted over the last year it really is quite an extraordinary turnaround. From meeting twice a year and in the headlines

every now and then in order to prop up dramatic movements in prices, to new members, monthly meetings and the courage to shore up oil prices by cutting production to the level where the world is nearly at a choking point. Is this a good thing? Hmmm, I don't know if that's important, really but it certainly has helped producers globally and thus oil income reliant economies to stabilise in what has been the most turbulent 18 months. What will this week bring us? Well, it seems that \$70/bl is the new floor but where's the ceiling? Keep your eyes on pending inflation data until we can discuss that. Good day, and week to all.

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Chief Executive Officer
Matrix Global Holdings

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Mike Muller
Head
Vitol Asia



Brent has finally closed above \$70 Brent – How Do You Assess Current Market Conditions?

There is a buzz. There is froth in this market. It does look like the bulls currently have it. Oil is being subsumed into a wider hype, because if you look at certain indicators out there, oil is the laggard. If you just look at the energy complex itself, gas has not been slouchy either – the LNG benchmark JKM has been sitting at or around \$11 per MBTU, which is a hefty winter type price and monthly demand into China for LNG is at winter levels. So that is going very strong, and even the old commodity coal is trading at around \$125 in Newcastle. There are some political reasons for that as well, but there were outages and there is demand. So much so that we are hearing of potential edicts to do power rationing in certain parts of China, which only a few months ago saw power outages because of extreme cold weather.

Do you expect OPEC+ to reach their target for global oil inventories?

The global stock draw is continuing unabated despite the demand setbacks that we are seeing from places such as the terrible situation in India. Consequently, the market expects OPEC to have done their job and return inventories to a baseline – moving global inventories exactly as OPEC intended back to that 2019 average sometime later this year. This means that all the spare capacity will sit with those who want to control the price. And therefore, the market has confidence that the Saudis will stick to their successful formula in leading by example and return their extra one million barrels a day back into the market in a responsible way. The OSPs that were published in the last few days were designed in my opinion to be consistent with that message -- they want to continue managing the market.

What is your outlook for the return of Shale oil at these prices above \$70?

US production is still nearly two million barrels a day off the pre-pandemic high, and I see no way that the US is going to catch up in the next 6 to 9 months, because it is just not possible to mobilize the shale sector that quickly. Shale oil in the Permian basin is not going to get motoring towards pre-pandemic levels until the US gets above 600 rigs, and if we are still in the high 300s, that is just confirming what I said. I think the investment attitude has changed massively, because we have seen a migration of Permian assets from independent private equity funded type companies to the oil majors, who are resetting their priorities. For example, Shell has shed four refineries in the USA in the space of a year, and you are seeing everywhere that the energy transition is taking hold and those people are thinking twice before sinking money into projects. ■

**Paraphrased comments*

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