

ENERGY MARKETS FORUM DAILY BULLETIN



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THURSDAY /// JULY 1st /// 2021

TOP 10 DAILY NEWS DIGEST

1. OPEC+ SET TO DISCUSS EXTENSION OF OIL SUPPLY DEAL BEYOND APRIL
2. KEPM: RISING OIL PRICE WILL DRAW RESPONSE FROM CONSUMERS
3. OPEC TO HOLD FIRST IN-PERSON MEETING IN A YEAR IN IRAQ IN SEPT.
4. 40% RALLY PUTS OIL PRICES ON TRACK FOR BEST FIRST HALF SINCE 2009
5. OPEC+ MAY EXTEND OIL SUPPLY CUTS AMID WARNING OF GLUT
6. EIA: US CRUDE STOCKS FALL AGAIN, GASOLINE INVENTORIES UP
7. IRAN'S RELATIONS WITH RUSSIA TO BE TESTED UNDER RAISI
8. CHINA INDUSTRY GRINDS TO A HALT TO CELEBRATE COMMUNIST CENTENARY
9. US PRIVATE PAYROLLS INCREASE SOLIDLY; PENDING HOME SALES REBOUND
10. NOVAK SEES RUSSIAN ENERGY INVESTMENT DIVERSIFYING

RECOMMENDED VIDEOS & REPORTS

- WHY IRAN-IAEA AGREEMENT DID NOT EXTEND FOR THE 3RD TIME
- WEEKLY PETROLEUM STATUS REPORT
- THERE IS ROOM IN THE WORLD FOR MANY MORE CRUDE OIL BENCHMARKS!
- RUSSIA ABLE TO BOOST OIL PRODUCTION QUICKLY IF OPEC+ AGREES
- DELTA VARIANT SPREADS AROUND THE WORLD
- CHINA SIGNALS ANOTHER STRONG YEAR OF IMPORTING US SOY

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DAILY ENERGY MARKETS FORUM NEW SILK ROAD LIVE PODCAST



Dr. Carole Nakhle
Chief Executive Officer
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Amena Bakr
Chief OPEC Correspondent
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Energy Intelligence

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DAILY ENERGY MARKETS FORUM NEW SILK ROAD LIVE

TOP 3

THURSDAY /// JULY 1st

TAKEAWAYS

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Welcome to OPEC day - the 6th of the year. Brent is trading at \$74.80/bl up 0.18/bl and WTI is trading up 0.24/bl at \$73.71/bl. Another OPEC meeting and arguably the most important one for a long time. All eyes are on Zoom later on. Some predict up to 1mn b/d of production comes back, others predict none will come back. Some predict that the historic agreement of 10mn b/d (5.5 of which is still to come back) which was due to expire in April 2022 will be pushed back. Others predict it will stay the same. In the words of the late Donald Rumsfeld, who passed away yesterday, we can use his



BY MATT STANLEY
DIRECTOR
STAR FUELS

most famous quote to sum up what may happen later on: "Reports that say that something hasn't happened are always interesting to me, because as we know, there are known knowns;

there are things we know we know. We also know there are known unknowns; that is to say we know there are some things we do not know. But there are also unknown unknowns—the ones we don't know we don't know". Clear? Thought so. But this is the issue OPEC will have to face. What do they actually know? What evidence is there to support the base case that demand will return to pre-pandemic levels by the end of the year? Well, let's take EIA data. Another draw in crude stocks yesterday but a build in gasoline stocks. Will the very thing that OPEC+ needs to concentrate on

i.e., demand, feature on that call later on or will it purely be about how much supply, if indeed any, can be returned to a market where demand is looking ever more fractured as the world stumbles its way out of a pandemic? One certain thing is that prices at \$75/bl on Brent will cause those importing countries like India, Japan, and South Korea to watch and listen to the rhetoric that will come out of that meeting later on. If we don't see a return of some production, then we will get to \$80/bl and possibly higher. Keep your eyes on the headlines and watch that volatility.

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ENERGY MARKETS FORUM Consultancy Intelligence Publishing **Mashreq 60-SECOND SOUNDBITE**

Dr. Carole Nakhle
Chief Executive Officer
Crystal Energy

**“Oil Market is
Politicized with
Managed Supply”**

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ENERGY MARKETS FORUM Consultancy Intelligence Publishing **Mashreq 60-SECOND SOUNDBITE**

Amena Bakr
Chief OPEC Correspondent
& Deputy Bureau Chief
Energy Intelligence

**“Today we have a
Marathon of OPEC
Meetings”**

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Vandana Hari
Founder & CEO
Vanda Insights



What's the most likely decision OPEC will take at its meeting?

The signals from OPEC this week indicate there's been a bit of a tussle between Saudi Arabia and Russia. The market has interpreted that as somewhat supportive as it probably means that Saudi Arabia is trying to impose an ultra-cautious, hawkish tone on the meeting. My best guess is that they will increase by at least half a million barrels per day.

Will OPEC want inventories to keep drawing down if it means stronger prices?

One can safely say that their five-year average target has already been met. The group has never been as strong as it is today, mostly because US shale is still subdued. The inventory target is of their own making and they could decide to put it aside. The question now is what do they do with this newfound power that they have on the market? Saudi Arabia played that trump card when it surprised everyone by cutting an additional one million barrels per day voluntarily. That move really gave it the upper hand on Russia and the confidence to feel it could impose a more cautious conservative view on the group.

Your takeaway surprise for 1H and what are you looking out for in 2H, 2021?

It was always expected that this would be a year of two halves and demand expectations are certainly showing that, with a steep incline from now through to December. That's going to be quite a challenge for OPEC to navigate. My other surprise has been how Saudi Arabia's hawkish approach has dominated a more dovish Russia. Still, I think Saudi Arabia is aware of the inflationary pressure high oil prices are having so on balance, I do expect them to be opening the taps a little more in the second half of this year. ■

**Paraphrased comments*

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