

ENERGY MARKETS FORUM DAILY BULLETIN



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SUNDAY /// DEC 5th /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL STEADIES, PARING GAINS AS RISING COVID CASES SPUR DEMAND WORRIES
2. OIL POSTS LONGEST RUN OF WEEKLY LOSSES SINCE 2018 AMID OMICRON
3. OPEC+ CONFIDENCE & CAVEATS CALM A CRAZED OIL MARKET
4. US-SAUDI DIPLOMACY PAVED WAY FOR OPEC+'S SURPRISE OUTPUT HIKE
5. OIL PIPELINE MONOPOLY TRANSNEFT EYES INCREASE IN CAPEX
6. BIDEN WARNS RUSSIA AGAINST UKRAINE 'RED LINES'
7. SOUTH AFRICA COVID-19 CASES HAVE QUADRUPLED SINCE TUESDAY
8. JEKYLL-AND-HYDE US JOBS REPORT NOT AS UGLY AS IT LOOKS
9. OECD SAYS INFLATION IS MAIN RISK TO ECONOMIC OUTLOOK
10. IT REMAINS TO BE SEEN IF CHINA IS REALLY ON IRAN'S SIDE AT THE NUCLEAR TALKS

RECOMMENDED VIDEOS & REPORTS

- GOLDMAN REMAINS BULLISH ON OIL DESPITE OPEC+ DECISION
- SPECULATORS CUT US CRUDE OIL NET LONGS
- IRAN'S WATER CRISIS COULD BE A POLITICAL EARTHQUAKE
- 'BEGINNING OF THE END' FOR NORTH SEA OIL AS SHELL SHIFTS CAPITAL AWAY FROM CONTROVERSIAL CAMBO

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DAILY ENERGY MARKETS FORUM PODCAST



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Adi Imsirovic
Senior Research Fellow
The Oxford Institute for Energy Studies



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



Sean Evers
Managing Partner
Gulf Intelligence

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Saudi, Egypt November PMIs

Saudi Arabia's headline PMI slipped to 56.9 in November from 57.7 in October, as all the key components showed a slower rate of expansion last month. Output and new orders increased at a sharp rate but slowed slightly from October. Export demand improved with new export orders rising at the fastest rate since May.

As in previous months, the strong demand and growth in new orders has not translated into significantly faster employment growth in the private sector; the employment

index rose slightly to 50.9 last month from 50.3 in October.

Price pressures remain relatively contained, with purchase costs rising at a slightly slower rate than in October and staff costs declining fractionally for the fourth consecutive month. Firms are passing on their modestly higher input costs to buyers, with selling prices rising for the eighth month in a row. Supplier delivery times continued to improve in November.

Firms remained optimistic about their future output in

November, but the degree of optimism was the lowest in three months as firms remained cautious about the strength of the economic recovery and the evolution of the pandemic. Flash estimates for Q3 GDP showed non-oil sector GDP growth slowing to 6.2% y/y in Q3 from 8.4% y/y in Q2, and we expect a further softening in Q4 off last year's high annual base. Overall, we expect the non-oil economy to grow 5.0% in 2021.

Full Report Here:
<https://bit.ly/3GeSEBb>

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Ole Hansen
Head, Commodity Strategy
Saxo Bank



As a minimum, OPEC will pause their output plans at their meeting today.
And they will say they are on standby to do more if the WHO comes out with additional warnings. They also know that economic growth is tapering off and at the same time, need to be careful that they don't get prices so high that it starts to have a negative impact on demand. So, plenty of moving parts that need to add up, to make a decision. But overall, with these prices, it almost looks as if the market wants to force a decision.

Will suspending the monthly increase really twist the direction of the market?
It will at least arrest some of the slide that we've seen. The main thing right now is to get some more data on the new virus strain, but by signaling what they are prepared to do and prepared to be even more aggressive if need be, that should help the market find its balance.

Is the price move more a fragility in the market or threat of the Covid variant?
These prices are as much about trading activity as real fundamentals. All that talk last month of possible \$100 oil by some of the banks had also created a false sense of security, so the market could only go one way once it started to break down. Some of the hedge funds have been net selling all the way since June and so the breakdown would have triggered some additional stop selling. It's a sentiment driven market and that sentiment right now is weak. And quite often, Saudi Arabia's been quite shrewd in sending out a signal that has helped change that. Also let's remember that we have an energy crisis in Europe and to a certain extent, in Asia. Record gas prices, coal prices and coal demand. That is providing some underlying demand for fuel products through the switch and will also help keep demand relatively high during the winter months. Still, additional barrels at this time are probably not what the market needs. ■

**Paraphrased comments*

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Mashreq 60-SECOND SOUNDBITE

Adi Imsirovic
Senior Research Fellow
The Oxford Institute for Energy Studies

"The key piece of the OPEC+ decision is the fact that they never adjourned the meeting"

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Mashreq 60-SECOND SOUNDBITE

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

"OPEC+ is betting Omicron won't be as bad as many expect"

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