

TOP 10 DAILY NEWS DIGEST

- 1. OIL EDGES HIGHER ON TIGHT SUPPLY AND POST-PANDEMIC RECOVERY**
- 2. OPEC+ FAILS TO REACH PRODUCTION TARGETS IN JANUARY**
- 3. OIL RALLY PUSHES US GASOLINE PRICES UP FOR FIFTH WEEK IN A ROW**
- 4. EIA: US OIL OUTPUT ROSE 2% IN NOV TO HIGHEST SINCE APRIL 2020**
- 5. WALL STREET STARTS TO BET ON FIVE US RATE RISES THIS YEAR**
- 6. RUSSIA WAS NO. 3 OIL SUPPLIER TO US IN NOV AS TENSIONS THREATEN FLOWS**
- 7. CAN QATARI GAS COMPENSATE FOR DISRUPTIONS TO RUSSIAN SUPPLIES TO EU?**
- 8. FED SEES MARCH RATE HIKE, BUT NO ROADMAP AFTER THAT**
- 9. EXXON TO MOVE HQ TO HOUSTON. MERGE REFINING & CHEMICALS**
- 10. IRAN SAYS NUCLEAR TALKS HAVE MADE 'SIGNIFICANT' HEADWAY**

RECOMMENDED REPORTS

- **IEA: GAS MARKET REPORT, Q1 2022**
- **OIL FORWARD CURVES SIGNAL TIGHT MARKET, SUPPORTING PRICE RALLY**
- **OPEC+ MINISTERS TO SET MARCH OIL QUOTAS UNDER THE CLOUD OF POTENTIAL RUSSIA SANCTIONS**
- **NORD STREAM 2: HOW DOES THE PIPELINE FIT INTO UKRAINE-RUSSIA CRISIS?**
- **HOUSE GIRDS FOR BATTLE ON CHINA COMPETITION BILL**
- **S.KOREA EXPORTS GROW AT SLOWEST IN 11 MONTHS, TRADE DEFICIT HITS RECORD**



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TOP 3

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TAKEAWAYS

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FX

A recovery in risk appetite later in the day appears to have weighed against the dollar with the greenback losing ground against peers. The broad DXY index fell by 0.75% overnight, its largest single-day drop since May 2021. EURUSD rallied 0.75% to 1.1235 while USDJPY fell by 0.13% to 115.11. Among the risk-oriented currencies GBPUSD rallied by 0.34%, closing at 1.3447. Political noise will cloud the outlook ahead of the Bank of England meeting later this week but we still expect the bank can follow through with rate hikes. In commodity currencies USDCAD moved in favour of the loonie, falling by 0.49% to 1.2708 while AUDUSD added more than 1% to push back up above 0.70. NZDUSD was the relatively laggard but still managed gains of 0.4% to 0.6576. Commodity currency focus today will be on the RBA and whether they will start to normalize policy.

Equities

US equity markets started the week on the front foot as risk appetite picked up later in the session, and all three major benchmark indices saw strong gains. The S&P 500 added 3.4%, lagged by the Dow Jones (1.2%) and the S&P 500 (1.9%). Nevertheless, all three ended January lower than they started, as US equities endured the worst month since the pandemic began in March 2020. European markets also had a poor January, the worst month since October 2020, although again this was mitigated slightly by a strong start to the week for most. The CAC added 0.5% and the DAX 1.0%, while the FTSE 100 closed flat.

Commodities

Oil markets started the week on a strong footing with Brent futures up 1.3% at USD 91.21/bl and WTI gaining 1.5% to USD 88.15/bl. Market focus will be on the OPEC+ meeting on February 2nd where we expect the group at a minimum to agree to a 400k b/d increase for March production levels. However, there is an outside chance they could agree more to help insulate oil markets from the geopolitical risks fueling higher prices. Gold prices moved higher overnight as yields held stable. Spot gold added 0.3% to USD 1,797/roy oz while silver fell again. Industrial metals generally were softer with copper, aluminium and iron ore all falling overnight.

Source: Emirates NBD

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Daily Energy Markets BULLETIN

TUESDAY /// FEB 1st



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Should OPEC adjust its output because of these high prices?

Prices have touched \$90, and the trend is clearly up. But OPEC+ have said this isn't due to fundamentals or supply shortages, but rather geopolitical tensions and uncertainty about the US Iran nuclear agreement, which are factors beyond the group's control. They also don't feel they can do much at this point as their spare capacity is eroding fast – our assessment is that it's about 2.5 million barrels. Only Saudi Arabia and the UAE could immediately add sustainable production. So, they will keep policy steady at the meeting and continue with the 400,000 bd increments. They're not going to go into a discussion of who can't produce and what other countries would substitute.

Does OPEC lose credibility with this challenge to meet quotas?

They're not delivering the 400,000 bd but they're building their credibility on the fact that during a time where the market is so volatile and has so many moving parts, they're able to keep a steady hand on policy. Consistency is what they're bringing to this environment. Nobody at OPEC+ wants to see \$100 oil as it could lead to demand destruction and a crash in the global economy.

Can the designated OPEC members meet elevated quotas come April?

At that point, they really need to revisit this whole quota situation. Perhaps they need to go back to a system where they have a combined ceiling for the group so that they keep their credibility intact. Saudi, the UAE, and maybe Kuwait will be able to deliver on that front. I'm not sure about Russia or Iraq. One point Gulf producers do want to make is about the switch to and investment in renewables. They are hoping that the current situation of tight capacity and increased prices will highlight that renewable energy is not able to fill the gaps today and it's also getting more expensive with inflation. They're hoping that policymakers will realize the importance of investing more in the upstream sector. ■

**Paraphrased comments*

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Mashreq 60-SECOND SOUNDBITE

Walter Simpson

Managing Director
CC Energy Development

***"It is a time to be
investing in new oil
production"***

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Mashreq 60-SECOND SOUNDBITE

Andy Laven

Chief Operating Officer
Sahara Energy Resources

***"There is an
enormous amount of
upward pressure on
the oil price"***

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