

SUNDAY /// MAR 20th



The \$140 oil price that we saw last week was not sustainable. During the first two weeks of the Russian invasion of Ukraine, the market was looking for some foundation on which to rest where prices should be. I

“Russian Crude Oil with Big Discount will be Picked up by Asian Buyers”

Dr. Raad Alkadiri, Managing Director, Energy, Climate & Resources, Eurasia Group

think it found that towards the end of last week and the volatility then started to seep out. Furthermore, oil markets are fungible. It's not sanctions that are getting in the way of calming oil and gas prices – it's self-sanctioning by Western buyers. The notion that you've got 1.5 million bd of crude and a million bd or more of product, necessarily being taken out of the market by sanctions, is too absolute a view. Russian Urals crude, which was trading at \$65 a barrel this week, is going to be picked up. There are traders who, once they get through the compliance risk and who don't have the

same sense of reputation risk – particularly buyers from the East – will take these cargoes. And that's where OPEC's head is – it's looking at the market fundamentals that were outlined prior to the war, which was an anticipation of stock builds from the second quarter all the way through to the end of 2023. That suggests weak fundamentals, a bearish outlook and downward pressure on prices. Another aspect which gives the market pause is anticipation of a deal with Iran that could bring back one million bd or more, very quickly, and probably volumes far higher than in 2015 and

2016. The Iranians have been placing barrels close to market for a few months. Demand is the other factor – the IEA has revised demand growth forecasts from 3.3 million bd to almost two million bd. Add to that worries about Covid in China, high commodity prices, and interest rates rising, and the spillover effect on growth globally will be a further drag. Under those circumstances, it's more difficult to paint a picture of bullishness with absolute certainty, and we now have a market hedging around \$100, as it waits to see what unfolds next.

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TOP 3

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TAKEAWAYS

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TOP 10 DAILY NEWS DIGEST

- 1. RUSSIA: NO REASON TO BELIEVE THAT OPEC+ MECHANISM WILL BE DISMANTLED**
- 2. OPEC+ SUPPLY GAP WIDENS FURTHER AS FEB COMPLIANCE JUMPS**
- 3. EU OIL AND GAS EMBARGO ON RUSSIA COULD HIT UK HARD**
- 4. INDIA'S OIL IMPORTS FROM US TO RISE BY 11%**
- 5. IRAN NUCLEAR DEAL 'COULD BE AGREED WITHIN 48 HOURS'**
- 6. HALLIBURTON AND SCHLUMBERGER SUSPEND OPERATIONS IN RUSSIA**
- 7. WHY INDIA ISN'T DENOUNCING RUSSIA'S UKRAINE WAR**
- 8. GERMANY, SEEKING TO PARE RUSSIA ENERGY, COURTS QATAR & UAE FOR DEALS**
- 9. AGGRESSIVE RATE HIKES RISK CRACKING US ECONOMY**
- 10. GAS PRICES DECLINE AROUND US AMID FALLING OIL PRICES**

RECOMMENDED VIDEOS & REPORTS

- **GREAT POWER PROJECTION IN THE MIDEAST: THE CHINA-RUSSIA RELATIONSHIP AS A FORCE MULTIPLIER**
- **HOW BIDEN LOST SAUDI ARABIA**
- **ST. LOUIS FED'S BULLARD SAYS THE CENTRAL BANK SHOULD RAISE RATES ABOVE 3% THIS YEAR**
- **US CONTINUES TO PUSH HARSH NARRATIVE TO PRESSURE CHINA OVER UKRAINE CRISIS**
- **"IT'S VERY DIFFICULT TO SEE HOW PUTIN COULD BE REHABILITATED IN WESTERN SECURITY EYES"**

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Daily Energy Markets VIEWS YOU CAN USE



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Dr. Carole Nakhle

Chief Executive Officer
Cristol Energy



The spectrum of sentiment in the oil market today implies further volatility.

There's uncertainty on energy markets and on the macro level across the board. The market welcomed the Fed decision this week to increase rates by 0.25% and was reassured by comments that the US economy can sustain further rate rises this year without falling into recession. But at the same time, we saw the IEA warning of dire consequences for the oil market because of a potential loss of almost three million barrels a day of Russian oil exports. And a day earlier, OPEC reiterated its view that everything is fine, despite uncertainties on Chinese demand and geopolitical risks. It will be interesting to see what the IMF publishes in April on its outlook for global economic growth. It had already downgraded its forecasts for the major economies back in January before the Russia invasion. So, while there's a lot of uncertainty in the oil market, the real wild card is the macroeconomic outlook and how that will spillover into oil demand.

Russia Ukraine war repercussions hitting critical food security

It's very unusual that wars at this scale can end with a switch of a button or a handshake. Even if a peace agreement is reached today, there will always be pockets of resistance. The longer the war drags on, the more the negative implications will be on the global economy, on geopolitics and on energy markets. And this conflict is happening between two important producers, the repercussions of which stretch beyond oil and gas exports. They touch an even more important aspect, that is food security. The longer these important supplies are disrupted, the more we're going to see spillovers into countries and economies that are, at the moment, not on the map in terms of being directly affected by the conflict. ■

**Paraphrased comments*

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Mashreq 60-SECOND SOUNDBITE

Dr. Aldo Flores-Quiroga

Former Deputy Secretary of
Energy for Hydrocarbons
Mexico's Ministry of Energy

**"South American states
are showing some division
in reaction to Russia's
invasion of Ukraine"**

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Mashreq 60-SECOND SOUNDBITE

Christof Rühl

Senior Research Scholar
Center on Global Energy Policy
Columbia University

**"Russia's war in Ukraine
has all the hallmarks
of a longterm frozen
conflict"**

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MONDAY /// MARCH 21st /// 10:30AM (UAE)



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BB Energy

UK



Marc Ostwald

Chief Economist & Global Strategist
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Professor, Founder & CEO
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Daily Energy Markets INDUSTRY SURVEY



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