

ENERGY MARKETS FORUM DAILY BULLETIN



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TUESDAY /// OCT 26th /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL PRICES SOAR, BULLISH HEDGE FUNDS HOLD THEIR NERVE
2. WTI CRUDE HITS HIGHEST LEVEL IN 7 YEARS
3. RUSSIA DISCUSSES DECARBONIZATION, OIL COOPERATION WITH SAUDI
4. SUDAN'S OIL TRADE HAS YET TO FLOW AFTER MILITARY COUP
5. TESLA RECEIVES WORLD'S SINGLE LARGEST EV ORDER OF 100,000 CARS
6. WHAT TO EXPECT FROM THE COP26 CLIMATE SUMMIT
7. CHINA LOOKS TO SIGNIFICANTLY REDUCE FOSSIL FUEL CONSUMPTION BY 2060
8. IRAN NUCLEAR TALKS ARE IN 'CRITICAL PHASE,' SAYS TOP US ENVOY
9. LA NINA THREATENS TO WORSEN ENERGY CRISIS WITH COLDER WINTER
10. IRAQ'S OIL PRODUCTION AVERAGED 4.15MN BPD IN OCT, OIL MINISTER SAYS

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RECOMMENDED VIDEOS & REPORTS

- DEMOCRATS LIKELY TO DITCH US METHANE FEE AMID OPPOSITION
- INDONESIA BECOMES CHINA'S BIGGEST COAL SUPPLIER AMID POWER CRISIS
- XM REPORT: STOCKS DEFY GRAVITY, OIL STORMS HIGHER, DOLLAR RETREATS
- VANDA INSIGHTS OIL VIEWSLETTER: PROLONGED ENERGY CRISIS MAY SUSTAIN CRUDE'S BULLISH JUGGERNAUT
- "IRAN-SAUDI TALKS ARE JUST WINDOW DRESSING"

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NEW SILK ROAD

PODCAST



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NEW SILK ROAD

TOP 3

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TAKEAWAYS

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Brent is trading this morning at \$85.70/bbl down 0.29 and WTI is trading at \$83.36/bbl down 0.40. I don't know about you, but I'm confused. I know I know I know, it doesn't take much, but this oil market seems very confused. I mean if you look at where flat price is trading then things seem very simple. However, if we scratch at the surface, how simple are things really? On one hand, can we argue that \$85/bbl oil is expensive? Or good value? All that seems to be in the press these days are stories about climate change, sea levels rising, and that Johnny Polar Bear will soon start needing to invest in Piz Buin rather than hunt fish. These are all very important matters, and I am not dismissing them. But they are adding fuel (literally) to the



BY MATT STANLEY
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bullish oil fire and that is simply because of a lack of investment in fossil fuels, because fossil fuels are bad, but we all still need them. So yes, whilst it's nice to sit in the back of a taxi which is burning hydrocarbons

whilst one charges their latest smart phone from a USB charger made of plastic, which incidentally also is made from oil derivatives, sending a tweet about "Oh goddd, there are definitely less Canadian Geese in the air than this time last year #savethegeese #goelectric" can we all just stand back and think hmm, hang on, we are moaning about high oil prices but what are people actually doing in the meantime between moaning about the geese and actually moving from one place to another? fear not my oily friends, Glasgow is going to be full of Greta's this weekend, and they will all say, "Yeah nah yeah, don't worry, zero carbon emissions by 2050". So that's good. That solves it. I'll leave you with these statements which set off my morning confusion/

rant. This is from an interview this morning - ARAMCO CEO: FALL IN OIL SUPPLY SPARE CAPACITY IS 'HUGE CONCERN' ARAMCO CEO: IT'S GETTING TO A SITUATION WHERE SUPPLY'S LIMITED. ARAMCO CEO: OIL DEMAND'S RISING AND SPARE CAPACITY IS FALLING. Then last week Saudi energy minister Prince Abdulaziz bin Salman - "Unfortunately, for the first time, we see our role extremely limited... because the issue is not availability of crude," he said. "Even if we made the crude available in tons and tons, who is going to burn it? Where are the refineries that will convert it? And who is in need? Are they in need of crude? Or gas?". Insert caveat here that I'm not moaning, just reporting on the facts. Because I'd never moan, would I? Good day.

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

Albert Stromquist
Principal
Lanstrom Advisors

***“China’s real-estate
and energy crises could
be seen as own-goals!”***

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

Edward Bell
Senior Director, Market Economics
Emirates NBD

***“How long can financial
markets soar while GDP
growth flattens out?”***

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EXCLUSIVE SERIES VIEWS YOU CAN USE

Vandana Hari
Founder & CEO
Vanda Insights



Prolonged Energy Crisis May Sustain Crude Oil’s Bullish Juggernaut!

The relentless surge in crude prices for more than a month on the back of an “energy crisis” stemming from severe natural gas shortages in Europe and a coal crunch in China has so far seen a cumulative 20% spike in Brent and in WTI approximately. The rally has paused a few times and given way to marginal pullbacks, only to regain strength in short order.

Crude’s runaway bullish bandwagon initially sparked growing incredulity, but not anymore. Was the pause last week a mere speed-breaker or is crude finally topping out? In the very short term, we would err on the side of saying it is the former, although we expect prices to grind higher hereafter rather than continue a steep upward slope, with perhaps more frequent interruptions, setting the stage for big knee-jerk swings and high volatility.

Looking out beyond the next week or two, the northern hemisphere winter could become a major influence, with cold snaps or forecasts of a colder weather sending more funds flowing into crude. On the other side of the coin, warmer weather or forecasts thereof may interrupt the upward momentum of prices, but we don’t envisage crude bulls rushing to unwind length as long as the winter is still stretching ahead.

Weather forecasts, as we all know, are far from perfect. To assess the downside risks to crude, one needs to look at the major props that have supported the rally and their staying power. Though it remains uncertain how many hundreds of thousands of barrels per day of incremental oil demand will be generated by the gas and coal shortages in the coming months, there is now a fair degree of certainty that the crunch is unlikely to abate any time soon. ■

(Source: Vanda Insights)

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