

ENERGY MARKETS FORUM DAILY BULLETIN



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TUESDAY /// AUG 3rd /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL FALLS OVER 3% ON CONCERNS OVER DEMAND AND OPEC SUPPLY BOOST

2. THE US RETAINS ITS CROWN AS WORLD'S TOP OIL PRODUCER

3. SAUDI ARABIA'S NET FOREIGN ASSETS REBOUND FROM 10-YEAR LOW ON HIGHER OIL SALES

4. INDIAN DIESEL SALES HOLD BELOW PRE-VIRUS LEVELS ON RESTRICTIONS

5. CHINA'S WIDENING COVID OUTBREAK HITS COMMODITY PRICES

6. ASIAN STOCKS SLIP AS DELTA SPREAD SPOOKS INVESTORS

7. 'THE GLOBAL SUPPLY CHAIN WASN'T BUILT FOR THIS': FREIGHT DELAYS HAMMERS US

8. CHINA'S FIRST DEEPWATER OIL PROJECT REACHES FULL CAPACITY

9. US VOWS 'COLLECTIVE RESPONSE' TO IRAN AFTER 'MERCER' TANKER ATTACK

10. A TRUCKING CRISIS HAS THE US LOOKING FOR MORE DRIVERS ABROAD

RECOMMENDED VIDEOS & REPORTS

- COAL REPLACES OIL AS MAIN TARGET FOR ACHIEVING CLIMATE GOALS
- EUROPE JULY AIR TRAFFIC ABOVE EXPECTATIONS: EUROCONTROL
- COVID-19 STATE OF EMERGENCY EXPANSION, EXTENSION TO HIT JAPAN PEAK GASOLINE DEMAND
- IRAN GIVE CRUSHING RESPONSE TO ANY MEASURE AGAINST ITS INTERESTS, NATIONAL SECURITY

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NEW SILK ROAD LIVE

PODCAST



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NEW SILK ROAD LIVE

TOP 3

TUESDAY /// AUG 3rd

TAKEAWAYS

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Eesshh August didn't start off too well now for the oil market, did it? Brent closed down \$2.50/bl per barrel last night. How's this morning fairing so far? Well, I wouldn't take your eyes off your screen for too long because Brent is trading at \$72.65/bl, down 0.24/bl. WTI is trading at \$71.02/bl, down 0.23/bl. Be positive, he said. Trust the forecasts, he said. That lasted long. For those that have met me, (you lucky bunch you), you will know that I am in general a positive person. And this is coming from an Arsenal fan. But seriously, I am, or at least I think I am. But I just can't get positive about



BY MATT STANLEY
DIRECTOR
STAR FUELS

crude oil at the moment. Let me explain why. We're early August, a sixth of the way into the second half of the year that so many forecast was to be when all that demand that has been

lacking would return to "pre-pandemic" levels. The thing is though that we are still some way from a post Covid-19 world. China seems like it is battling a deadly wave and dozens of major cities are locked down and mass testing taking place. Cases in Florida hit a record level yesterday. Today, we will more than likely see the 200mn confirmed case globally. A figure none of us can even comprehend. These oil demand forecasts I have been banging on about didn't really factor in a mutation of the virus as devastating as Delta is proving to be, and with vaccination rates hitting something of a ceiling

there is audible concern being heard from many market participants. PMI's are looking weaker than they have for a long time. They are still good but they are just not as good. This pause in the recovery and the threat the delta variant brings is causing the oil market to look through the forecasts and more at reality. This in a market where more barrels are coming back. Still, it's not all bad. Demand for Aperol, an Italian aperitif, was up by 148% in July compared with this time last year. Other brands are available. So, fret not, it's 5 O'clock somewhere remember. Good day.

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

Kate Dourian, FEI

MEES Contributing Editor &
Non-Resident Fellow
The Arab Gulf States Institute
in Washington

***"OPEC+ seems to have got
it right with supply increase
of 400K b/d"***

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

Robin Mills

Chief Executive Officer
Qamar Energy

***"Asia's strategy to try
eliminate all cases of
Covid may not be tenable"***

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DAILY ENERGY MARKETS FORUM NEW SILK ROAD



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Adi Imsirovic

Senior Research Fellow

The Oxford Institute for Energy Studies



It seems like a tug of war between the bulls and bears at the moment?

There are a number of factors behind this. In China, the manufacturing PMI came down below expectations, at just over 50 and at least eight provinces in the country have reported Covid cases. Pakistan is being badly hit by Covid and so is Florida in the US and parts of Australia, and we see further cases in Southeast Asia – in Vietnam, Malaysia and so on. On the positive side, we've got the \$1 trillion bipartisan infrastructure deal in the US that would certainly support the macro situation, as well as the positive Fed comments on the economy last week. Consumer demand in the US is off the charts and gasoline demand is very likely to exceed pre pandemic levels, though of course jet is still lagging behind. What we also need to get really bullish for the rest of this year would be to see diesel demand pick up, which is always correlated with industrial activity. So, it's a very complex market but overall, fundamentals are tight and if it hadn't been for these new Covid cases, we would be well over \$80 right now.

Is the OPEC Plus agreement too little for what the market needs?

OPEC have been lucky to an extent given the bullish signals, but with the reoccurring Covid situation and certain strict government lockdown measures, we were always going to see demand impacted. OPEC is though still very much in control and compliance is over 100% so that is bullish.

Is the pact at risk with fewer of the group able to benefit from output increases?

If anything, it's going to keep the cohesion of the alliance intact. Even Russia seems to be struggling to bring back their volumes - they're unlikely to be able to increase production by more than 100,000 barrels and so they're within that quota and there's no reason for them to jeopardize this situation of high prices. The key factor though remains demand and if jet kerosene demand was to come back on some positive Covid news by another two or three million barrels, we would see a very tight market and prices well over \$80 a barrel.

How has the most recent tanker attack impacted Iranian crude's return?

Most of the market has discounted this happening any time soon but the recent incident is not making a deal with Iran any easier. As we see this dragging on and on, it's getting more and more complicated so that's certainly a bullish factor and going to complicate things for traders to factor into their prices. ■

**Paraphrased comments*

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