

# ENERGY MARKETS FORUM DAILY BULLETIN



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MONDAY /// JUNE 14<sup>th</sup> /// 2021

## TOP 10 DAILY NEWS DIGEST

1. OIL HOLDS NEAR MULTI-YEAR HIGHS AMID DEMAND RECOVERY
2. IRAQI OIL MINISTER EXPECTS OIL PRICES AT \$68-\$75 IN H2
3. SHELL WEIGHS BLOCKBUSTER SALE OF TEXAS SHALE ASSETS
4. OUT-OF-CONTROL SHIPPING COSTS FIRE UP PRICES FROM COFFEE TO TOYS
5. IRAN NUCLEAR TALKS WILL SURVIVE PRESIDENTIAL VOTE
6. NAFTALI BENNETT SWORN IN AS ISRAEL'S NEW PRIME MINISTER
7. IRON ORE PRICE CORRECTION DELAYED AS GLOBAL STEEL DEMAND TOPS 2BN TONS
8. WORLD LEADERS PROMISE 1BN COVID-19 VACCINE FOR POORER NATIONS
9. CHINA'S SOYBEAN IMPORTS 'EXCEPTIONALLY LARGE' AS PIG POPULATION BOOMS
10. EXCLUSIVE ENERGY MAJORS BID FOR QATAR LNG PROJECT DESPITE LOWER RETURNS

### RECOMMENDED VIDEOS & REPORTS

- WORLD'S TOP OIL FIRMS BOOSTED Q1 COMBINED PROFITS TO \$46BN
- SENATE PASSES \$250BN BIPARTISAN TECH & MANUFACTURING BILL AIMED AT COUNTERING CHINA
- BIDEN SUGGESTS 'AUTOCRAT' PUTIN'S RUSSIA MIGHT BE WEAKER THAN IT SEEMS
- REAL-TIME FLIGHT TRACKER MAP
- TWO THIRDS OF DUBAI RESIDENTS HAVE RECEIVED BOTH COVID-19 VACCINE DOSES
- VANDA INSIGHTS: BULLS & BEARS SENTIMENT ON OIL

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## NEW SILK ROAD LIVE PODCAST



**Omar Najia**  
Global Head, Derivatives  
BB Energy



**Vandana Hari**  
Founder & CEO  
Vanda Insights



**David Rundell**  
Author  
Vision or Mirage, Saudi Arabia at  
the Crossroads

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## NEW SILK ROAD LIVE

# TOP 3

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# TAKEAWAYS

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## DAILY OIL COMMENTARY

### FX

The broad dollar index had its best week since late April despite the drop in UST yields. Currency markets may be adjusting some of their short dollar positions, helping to put a floor under selling that occurred earlier in Q2. Net length in EURUSD futures and options fell back slightly last week and is well off its elevated level hit earlier in 2021. The Euro accounted for most of the move higher in the dollar as the single currency fell 0.48% to 1.2109 at the close. The persistently dovish stance from the ECB, even if there is reportedly some dissent on the pace of asset purchases over the coming months, will act as a headwind to the euro even though the underlying economic conditions in the eurozone are improving. The move in USDJPY was far more muted with the pair rising by just 0.13% over the week. The yen seems anchored either side of 109.50 in the near term with levels around the 109 figure providing some resistance. However, to push substantially higher to fully retrace to the 110.97 high in the past year would likely require a considerable push higher in the dollar, perhaps from a hawkish turn at the FOMC which we think is unlikely. Sterling also sank last week, declining by 0.35% to 1.4107. The pair has been relatively steady around current levels but the risk of the end to all lockdown measures being delayed has increased recently with a potential drag effect on activity in the summer months.

### Equities

Global equity markets shrugged off the spike in May inflation reported last week to hit fresh record highs as investors start to accept the central bankers' argument that this is transitory and won't prompt a rapid tightening of policy. In the US, the S&P 500 gained 0.4% over the week to its highest ever close, while the NASDAQ gained 1.9% but remained off its April peak. The Dow Jones slipped -0.8% w/w however. In Europe, the composite STOXX 600 also hit a new record high with a 1.1% w/w gain. The outlook in Europe continues to improve as vaccination programmes are rolled out, and France's CAC gained 1.3% w/w. In the UK the FTSE 100 hit its highest close since February 2020 with a 0.9% gain over the week, despite the increasing likelihood that the June 21 relaxation of restrictions will be pushed back. Asian equities were more mixed last week. In India, the benchmark indices continue to benefit from an improving outlook there, and the SENSEX (0.7%) and the NIFTY (0.8%) both closed higher w/w. The Nikkei closed flat on the previous Friday, but the Hang Seng (-0.3%) and the Shanghai Composite (-0.1%) both lost ground over the week.

### Commodities

Oil prices extended gains last week, rising for a third week running. Brent futures added 1.1% to close at \$72.69/bbl while WTI settled the week just shy of \$71/bbl, a gain of 1.9%. The IEA's oil market report was in play with the agency suggesting that oil markets will tighten considerably in H2 2021 and into next year if OPEC+ maintains its existing production quotas in place. Negotiations on Iran's nuclear programme will kick off again this week although officials from the country seemed to downplay the prospect of a deal being reached ahead of presidential elections in Iran later this month. The prospect of Iranian crude returning unfettered by sanctions is being pushed further into H2 2021, helping to provide a floor under prices in the near term.

Source: Emirates NBD

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

**Vandana Hari**  
Founder & CEO  
Vanda Insights



**“Oil Market Bulls still  
have a few blind spots”**

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

**David Rundell**  
Author  
Vision or Mirage, Saudi  
Arabia at the Crossroads



**“Biden is committed to Iran  
returning to Community of  
Nations”**

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# DAILY ENERGY MARKETS FORUM NEW SILK ROAD



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## EXCLUSIVE SERIES VIEWS YOU CAN USE

**Jorge Montepeque**  
President  
General Index



### Expectations for the week ahead in oil markets?

We're heading to \$80 and will pass that. Gasoline demand is booming in the US and there's continued monetary easing by central governments everywhere. Prices will continue to go up until such a time as customers say enough and we are still below where that pain happens. There's been some noise out of China, but it has limited options, with a booming economy and a growing need for energy. The market today is extremely fundamental and rational, following an economic trend. We have a demand surge and supply contraction, with inventories continuing to be destroyed week on week. The outcome of that is that prices need to go up. The speed at which they have done so is what is perhaps surprising.

### Are shale companies missing an opportunity today by not producing?

They're not constraining production on purpose - they're doing so because it's not profitable. They can't get truck drivers, pipes, field workers - the whole cost structure is rising alongside the price of oil. They cannot go beyond the constraints of economics.

### Has OPEC moved beyond its target of \$65 and 5-year average inventories?

OPEC countries need cash. We are now at \$70 and they should be relaxed with prices going up. However, Saudi Arabia is raising additional money from the sale of bonds and although Qatar had its best year ever in 2020 for LNG, that wasn't enough.

### What do you expect from the Saudi oil minister's Wall Street visit?

The message will be, invest in Saudi Arabia, and he has a good pitch. This is the best time for Saudi Arabia to sell whatever it wants to raise funds and one reason is that the independent oil companies are under pressure. Saudi Arabia made a commitment to control supply to meet demand and to drive down the overhang in inventories to support prices. And it delivered. Prince Abdul Aziz's message to Wall Street will be the same. Bet on us.

### Have Biden's first 6 months in office been a success?

I have been surprised by his strident position globally, against China and Russia and anyone who stands against the US. The world has changed. Russia is in a much stronger position than it was 10 years ago and so discussion will be much harder when the world is not unipolar anymore. Other challenges facing Biden will be the impact of expected inflation and the prospect of military friction increasing over the next three years. ■

\*Paraphrased comments

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