

ENERGY MARKETS FORUM DAILY BULLETIN



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THURSDAY /// APRIL 8th /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL FALLS AFTER US GASOLINE INVENTORIES UNEXPECTEDLY SURGE
2. US CRUDE STOCKPILES DROP, FUEL INVENTORIES RISE
3. COMMERCIAL OPERATIONS BEGIN AT UAE'S BARAKAH NUCLEAR POWER PLANT
4. US FEBRUARY CRUDE EXPORTS FALL WITH HARSH WEATHER
5. FED EXPECTS TO KEEP SUPPORTING ECONOMY 'FOR SOME TIME'
6. US SENATOR MANCHIN - IN THREAT TO BIDEN AGENDA
7. CHINA HAS THE WORLD'S LARGEST NAVY - MATTERS LESS THAN YOU MIGHT THINK
8. US MALL VACANCIES JUMP AT FASTEST PACE ON RECORD
9. MILLIONS ARE TUMBLING OUT OF THE GLOBAL MIDDLE CLASS IN HISTORIC SETBACK
10. CHINA STARTED MORE COAL PLANTS THAN THE ENTIRE WORLD RETIRED IN 2020

RECOMMENDED VIDEOS & REPORT

- US SIGNALS IT STILL DEPENDS ON CHEAP OIL FROM ABROAD
- MYANMAR'S AMBASSADOR TO UK SAID HE WAS LOCKED OUT OF THE EMBASSY IN LONDON
- BIDEN SAYS INFRASTRUCTURE PLAN IS ESSENTIAL FOR US TO COMPETE WITH CHINA
- ERA OF OPEC+ SAUDI FORWARD GUIDANCE IS OVER

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NEW SILK ROAD **LIVE** **PODCAST**



Dr. Aldo Flores-Quiroga
Former Deputy Secretary of Energy
for Hydrocarbons
Mexico's Ministry of Energy



Dr. Carole Nakhle
Chief Executive Officer
Crystal Energy



Andy Laven
Chief Operating Officer
Sahara Energy Resources

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NEW SILK ROAD **LIVE**

TOP 3

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DAILY OIL COMMENTARY

FX

The US dollar was relatively stable against major pairs overnight with EURUSD slipping just 0.07% to 1.1868 and USDJPY rising 0.09% at 109.85. Most of the movement in FX market took place in cable where GBPUSD fell 0.63% to 1.3737. A potential disruption to Covid-19 vaccinations in the UK owing to concerns over the AstraZeneca vaccine may weigh on confidence that the UK will rebound as sharply as expected in coming months. Commodity currencies were weaker across the board with USDCAD rising 0.3% to 1.2609 and both AUD and NZD off by around 0.65% against the greenback.

Equities

Global equity markets were fairly muted yesterday, with ongoing reassurance from the Fed regarding the reflation debate doing little to boost stocks by the end of the day. The S&P 500 and the Dow Jones did gain, but only modestly at 0.2% and 0.1%, while the NASDAQ closed -0.1% lower. In Europe, the composite STOXX 600 lost -0.2%, while France's CAC closed flat and Germany's DAX lost -0.2%. By contrast, the UK's FTSE 100 closed 0.9% higher yesterday on the back of a positive outlook for reopening. Within the region, the DFM lost -0.6% while the Tadawul gained 0.3%. In Egypt, the EGX 30 lost -0.4%.

Commodities

Oil prices gained overnight, seemingly shrugging off concerns that a constructive outcome to negotiations between Iran and the JCPOA partners could mean Iranian oil returning to markets later this year. Brent futures added 0.67% to settle at \$63.16/bbl, WTI rose 0.74%, at \$59.77/bbl and Murban closed up 0.7%, at \$61.90/bbl. Oil markets also received a boost from a 3.5mn bbl draw in US crude inventories last week, as reported by the EIA. Gasoline stocks though saw a large build with the net result being a modest rise in total petroleum stocks of around 2.5mn bbl. Production fell back by 200k b/d to 10.9mn b/d last week while product supplied was down 1.1mn b/d to 19.24mn b/d.

Source: Emirates NBD

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NEW SILK ROAD



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Vitaly Yermakov
Senior Research Fellow
Oxford Institute for Energy Studies



Was Russia satisfied with the decision taken by OPEC plus last week?

Russia's fiscal breakeven oil price is about \$44/bl this year so any price above that is beneficial and current prices are also sufficient for investments into new oil. Russian oil companies don't really have any other course of action but to work with the official state decisions taken on cooperation with OPEC plus..

Any concern that US shale and other high-cost producers will come back?

U.S. shale will swing back. It happened in 2016, and again in 2018 and this time, there will be some companies that will put volumes over profitability, although to a lesser extent than before. The fact that prices have retreated from \$70 to \$60 is a reminder of how vulnerable the market is. US shale is very sensitive to relatively small incremental price increases. Some can produce sustainably at \$45 WTI while for others, it's higher. For US shale to grow robustly, they would need prices around \$70. We also need to take into account costs of finance and environmental agendas. The whole world is now focusing on the energy transition and shareholders are demanding that companies act responsibly.

How stable is the OPEC plus and Russia Saudi relationship?

Everyone seems to be willing to make small sacrifices for the market to rebalance. Russia would also favor incorporating Iran back into global economic relations and therefore would be supportive for sanctions being lifted. Russia's relationship with Saudi Arabia has had difficult moments but has survived these tests and has good prospects of continuing. Today, the big concern in Russia is not oil but rather geopolitics, with a high probability of the conflict in eastern Ukraine escalating to a full military conflict. ■

**Paraphrased comments*

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