

ENERGY MARKETS FORUM DAILY BULLETIN



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TUESDAY /// MAY 4th /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL FIRMS AS US, EU GROWTH PROSPECTS COUNTER INDIA CONCERNS
2. OIL INVESTMENT LAGS JUMP IN CRUDE PRICES
3. IRAQ CONSIDERING BUYING EXXON STAKE IN WEST QURNA 1 OILFIELD
4. EU UNVEILS PLANS FOR OVERSEAS TOURISTS TO RETURN
5. CHINA GAS USE TO RISE 10PC IN 2021: SINOPEC, PETROCHINA
6. SUPPLY CHAIN BOTTLENECKS AMID DEMAND SLOW US MANUFACTURING
7. PHILIPPINES ISSUES EXPLETIVE-LACED TWEET OVER CHINA SEA DISPUTE
8. MANHATTAN'S OFFICE SPACE LEASING FALLS IN APRIL
9. EURO REBOUNDS ON SUPERB GERMAN RETAIL SALES
10. TSA HITS NEW COVID-19 PANDEMIC AIR TRAVEL RECORD

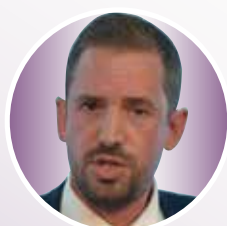
RECOMMENDED VIDEOS & REPORTS

- US FOSSIL FUEL CONSUMPTION BY SOURCE & SECTOR, 2020
- FED HAS BACKED ITSELF INTO A CORNER ON INFLATION
- NEW ZEALAND'S SAYS DIFFERENCES WITH CHINA ARE 'BECOMING HARDER TO RECONCILE'
- CHINA TO RAISE RETIREMENT AGE AS POPULATION GETS OLDER
- INDUSTRY LEADERS WILL INVEST CAUTIOUSLY INTO RECOVERY AS NOT CONVINCED OF LONGEVITY

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DAILY ENERGY MARKETS FORUM NEW SILK ROAD LIVE PODCAST



Matt Stanley
Director
Star Fuels



Rustin Edwards
Head, Fuel Oil Procurement
Euronav NV



Kevin Wright
Lead Analyst APAC
Kpler

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DAILY ENERGY MARKETS FORUM NEW SILK ROAD LIVE

TOP 3

TUESDAY /// MAY 4th

TAKEAWAYS

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DAILY OIL COMMENTARY

Morning all and welcome to Star Wars day. I'm not going to make any ridiculous jokes about the date so don't worry. I won't even joke about the Jedi car of choice being a Toyota. See? None at all. Right, other madness, this oil market, let's go. Brent is trading this morning at \$67.57/bl, up 0.01/bl. WTI is trading flat at \$64.49/bl. As the UK wake up with a sore head after eating burnt sausages and drinking warm beer the oil market wakes up with a bound of optimism. It was interesting yesterday though to see the pattern clearly identify itself of who exactly thinks what about this oil market. Up until Wall Street opened the market



BY MATT STANLEY
DIRECTOR
STAR FUELS

was trading down for the majority of the day by about 50 cents. Then boom, Wall Street opened and Brent was trading at \$66.18/bl, 2 hours later oil followed equities and we were trading

at \$67.82/bl. There was no fundamental headline to provide this 1.70/bl gain, just a general risk on attitude because things in the US are getting back to normal and the vaccine drive continues to be successful. I wonder though, are US markets a reflection any longer on how the global economy is doing? I don't think so, and this is what concerns me. This detachment couldn't be evidenced in any other way than the juxtaposition of what the streets of Manhattan look like versus the streets of Mumbai right now. We were all taken by surprise at the ferocity of the Covid-19 pandemic and as one across the globe, we

all went into lockdown at the same time. Walls were repainted and banana bread was baked. But we are not seeing that same unity coming out the other side of the pandemic. This is what is breaking us apart. Even the term "coming out of the pandemic" couldn't even be whispered in places like India right now, and cases across Thailand, Pakistan, Nepal etc are rising alarmingly. People are somewhat dismissive on the negative impact these waves are having on oil demand. I am not one of those people. Let's hope things start improving though. Keep your eyes on API data later tonight. Good day.

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The US economic recovery is in store for economic turbulence as it faces unstable crosscurrents.

One of these is inflation. Another is employment - although there are jobs available, they are not necessarily being taken up by workers at the rate one would expect in a boom. Government benefits may continue till the end of the summer. When they end, people might be prompted to seek work, but for now many Americans are making more on unemployment than they were making before Covid.

Will the strong Q1 banking earnings results seep into oil capex?

Economists are pointing out that the velocity of money is at an all-time low because banks have not been layering capital into the economy in productive ways. They've been very cautious due to overregulation and recent high-profile losses in the trading sector across major capital markets. So, they have been concentrating on the top part of that K Curve - the investment grade segment. This is reflected in the fact that, even with the recession in Europe, we saw exporters in Germany increasing profits and growth while households reeled back their spending. The liquidity we are seeing is helping banks bolster their balance sheets, but this needs to get out into the real economy to drive the type of demand that would result in an increase of oil consumption. That's what we're not seeing.

Is the positive sentiment around the Iran-US rapprochement surprising?

Reports that we could be close to a resolution so soon is certainly an about face. Hopefully, what's driving it is some type of diplomatic arrangement around Yemen as well as around the big picture nuclear deal. That being said, the Iranian regime is not going to change its DNA overnight. But if and when a deal does materialize, it is bearish for oil as it opens up Iran's options for sales beyond Chinese state-controlled traders. ■

**Paraphrased comments*

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