

Daily Energy Markets BULLETIN



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WEDNESDAY /// FEB 23rd

TOP 10 DAILY NEWS DIGEST

1. **BANK OF AMERICA: THE UKRAINE CRISIS COULD SEND OIL PRICES \$20 HIGHER**
2. **ALL SIDES SHOULD GIVE RUSSIA, UKRAINE SOME SPACE TO RESOLVE ISSUE - CHINA SAYS**
3. **RUSSIA'S NATURAL GAS WILL BE "ALMOST IMPOSSIBLE" TO REPLACE**
4. **US CONSUMER CONFIDENCE SLIPS, MIGRATION TO THE SOUTH FUELS HOUSE PRICE INFLATION**
5. **SHIPPING FUEL COSTS: THE UNSEEN ENEMY IN THE FIGHT AGAINST INFLATION**
6. **US SANCTIONS ON RUSSIA NOT TARGETING ENERGY MARKETS**
7. **CHINA PLANS BIGGER TAX CUTS IN 2022 TO PROP UP SLOWING GROWTH**
8. **IRAQ ENDS PAYMENTS TO KUWAIT BUT UAE SAYS 'FURTHER PROGRESS' NEEDED**
9. **WEAK US RESPONSE TO RUSSIA'S UKRAINE GAMBIT MAY EMBOLDEN PUTIN**
10. **GERMANY HALTS PIPELINE AS NATIONS SANCTION RUSSIA**



RECOMMENDED REPORTS

- **BIDEN SAYS RUSSIA'S MILITARY MOVES ARE THE BEGINNING OF AN INVASION OF UKRAINE**
- **KENYAN UN AMBASSADOR COMPARES UKRAINE'S PLIGHT TO COLONIAL LEGACY IN AFRICA**
- **HONG KONG: WHAT WENT WRONG WITH ITS COVID PLAN?**
- **BORIS JOHNSON WARNS WORLD NEEDS TO BRACE FOR ATTACK BY 200,000 RUSSIANS ON UKRAINE BORDER**
- **IEA CLOSELY MONITORING RUSSIA SITUATION AND ITS IMPLICATIONS FOR ENERGY MARKETS**

Daily Energy Markets PODCAST



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Emirates NBD

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TOP 3

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TAKEAWAYS

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Brent is trading this morning down \$0.17 at \$96.67 and WTI is trading down \$0.13 at \$91.78. At one point yesterday, I really thought oil prices were going to break through \$100 and not stop. Yesterday at 0900 UAE time Brent was trading at \$96.71. Then someone had a quintuple espresso with an extra shot of condensed red bull for breakfast and at 1330 UAE time Brent was at \$99.50. The caffeine wore off though and without fresh cues, the market ground its way down to a low of \$95.80 before settling at \$96.84. This morning is following the same pattern in how we ended the day, a general wait and see mode.



BY MATT STANLEY
DIRECTOR
STAR FUELS

The market reaction when the rally was taking place was understandable, with the threat of Russian oil and gas supply being choked off front and centre, but as news

regarding sanctions came out it became apparent the threat of any supply actually being cut was somewhat negligible. The problem is though, what is the next move? Nobody is second guessing what anybody is going to do, even if the narrative from the West is still of heightened tensions. This hesitancy is being reflected in oil markets and even though oil is above \$95, we really haven't had a proper run to try and break through \$100 oil. I think it is a matter of time before that happens though, and this will most likely be reflected in market reaction as the next tranche of sanctions roll out and any advancement of troop

movements on the Ukrainian border. Sanctions so far have been largely dismissed. API data is out later owing to the federal holiday this past Monday. There's a fire on a ship carrying some very posh cars. And "Hank the Tank" is running riot in California. But does anything else matter right now apart from watching news develop in Eastern Europe? Arguably only one thing, the JCPOA talks in Vienna which are seemingly progressing well. Again however, those talks have always been fragile so any headline of impasse and oil markets could very well use that as a catalyst to get us back to test \$100 and stay there.

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Daily Energy Markets VIEWS YOU CAN USE



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Clyde Russell

Asia Commodities & Energy Columnist
Thomson Reuters



How will these prices impact Chinese and Asian demand in Q2?

The recovery from the pandemic is sort of locked in and economies are reopening. The amount of physical oil flowing into Asia has recovered and is getting close to pre-pandemic levels, but it's not running away. There are cargoes available and let's remember that oil bought now is only going to be delivered in April. Refiners and traders in Singapore for example are trying to buy as little as they can and we already see an impact in countries like Australia, in India and in some developing economies. Petrol and diesel prices are almost at record highs for consumers, and this will impact emerging economies where fuel is a major cost and also developed markets, where people are already cutting back. So, although no one is talking about demand destruction yet, it is possible. China however only has limited ability to stop importing by using their SPR. They're still going to have to import 10 million bd on average. We did see this number rise to 12 million bd when they were buying cheap oil during the price war and pandemic in 2020. That source of growth is gone, and it will be steady as she goes from now on.

Can \$100 sustain with new capacity coming around the corner?

\$100 oil might be here for some time, especially with the geopolitical risk. If there is an interruption to Russian oil supplies, we could see rationing and \$100 could start looking cheap. Even if Iranian and Venezuelan oil comes back, it doesn't replace what we would lose from Russia. The key is if the conflict does escalate from here. I don't expect it to be a rapid thing. I expect Putin to take little bites and see how far he can go and what reaction he gets. It could drag on for months. Right now, he's still exporting all his gas and oil and other commodities like nickel aluminum and making lots of money on them. Only when the level of pain for him and his inner circle becomes too much, or there is a threat that those very commodities will be sanctioned, might there be a shift in his thinking. The longer Ukraine drags out, the more people will remain nervous, and the more \$100 oil looks like something that's going to persist. There's probably a \$10 geopolitical premium at the moment. If the US and Europeans impose sanctions, it will be more a slap on the wrist annoyance and gas will still flow. So, \$100 a barrel seems about right for the current situation. ■

**Paraphrased comments*

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Mashreq 60-SECOND SOUNDBITE

Daniel Richards

Senior MENA Economist
Emirates NBD

"We do expect a more aggressive move by the Fed in March - 50 basis points!"

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Mashreq 60-SECOND SOUNDBITE

Maleeha Bengali

Founder
MB Commodity Corner

"The market has been caught in buy the rumor, sell the news!"

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THURSDAY /// FEB 24th /// 10:30AM (UAE)

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Non-Executive Director, Petrofac

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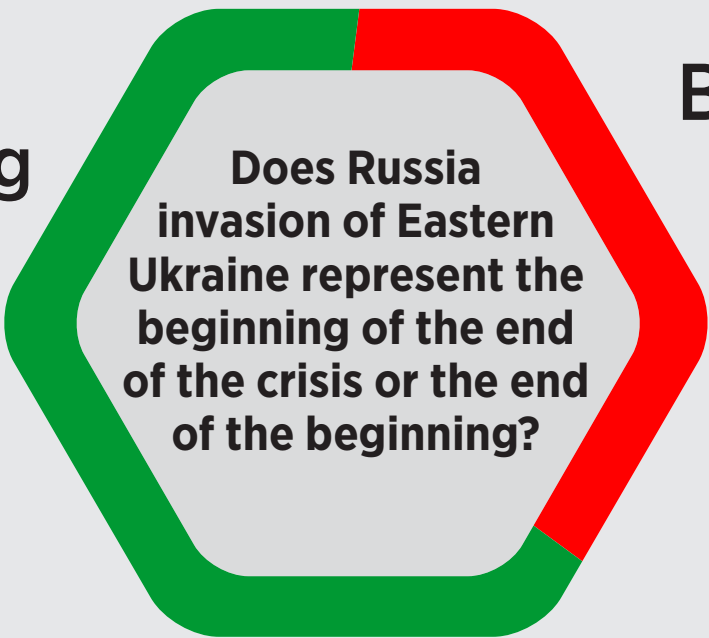
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INDUSTRY SURVEY



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56%
End of
Beginning



44%
Beginning
of End

Does Russia
invasion of Eastern
Ukraine represent the
beginning of the end
of the crisis or the end
of the beginning?

Source: GI Research Feb 2022

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