

ENERGY MARKETS FORUM DAILY BULLETIN



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WEDNESDAY /// JUNE 30th /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL INVENTORIES FELL BY 8.2MN BL LAST WEEK: API
2. OPEC BULLISH ON OIL MARKET RECOVERY; VIRUS VARIANTS POSE RISK
3. PUTIN NO PLANS FOR PHONE CONTACTS WITH SAUDI LEADERSHIP BEFORE OPEC+ MEETING
4. INDIA SEES FUEL DEMAND RECOVERY TO PRE-PANDEMIC LEVEL BY END-2021
5. OPEC+ COUNTRIES OIL OUTPUT DOWN 114% OF PLAN - BY 7.5MN BPD IN MAY
6. DOES IRAN ACTUALLY WANT TO REJOIN THE NUCLEAR DEAL?
7. OPEC JTC REVIEWS OIL MARKET DEVELOPMENTS
8. DOLLAR DRIVES HIGHER AS TRADERS LOOK TO FED CLUES FROM US JOBS DATA
9. CHINA'S FACTORY ACTIVITY EXPANDS AT A SLIGHTLY SLOWER PACE IN JUNE
10. CREDIT CARD GIANT SAYS NO ONE SHOULD WORK FROM OFFICE 5 DAYS A WEEK

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RECOMMENDED VIDEOS & REPORTS

- IRON ORE QUALITY PREMIUM WIDENS TO RECORD AMID CHINA DEMAND, LOWER INVENTORIES
- BUILDING A GULF NATIONAL OIL WORKFORCE OF THE FUTURE?
- VANDA INSIGHTS: CONSERVATIVE OPEC+ MAY SUSTAIN CRUDE AT CURRENT HIGHS
- THE CHINA FACTOR: WHY RUSSIA IS STILL BETTING BIG ON OIL
- EMIRATES NBD: CHINESE PMI SLIPS IN JUNE

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NEW SILK ROAD LIVE PODCAST



Chris Wood
Chief Executive Officer
Savanara DMCC



Vandana Hari
Founder & CEO
Vanda Insights



Ahmed Mehdi
Research Associate
The Oxford Institute for Energy
Studies

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NEW SILK ROAD LIVE

TOP 3

WEDNESDAY /// JUNE 30th

TAKEAWAYS

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Brent is trading this morning at \$74.90/bl up 0.14/bl and WTI is trading at \$73.33/bl up 0.35/bl. We are a day away from yet another OPEC meeting and the market waits with bated breath. I have to say I am not sure what they will do. Goldman's predict about 0.5mn b/d of supply will come back. I think a little more. But what does get me is the final sentence of the GS note, and I quote "...we expect OPEC+ to remain



BY MATT STANLEY
DIRECTOR
STAR FUELS

tactical in its output hikes with downside risks to global supply elsewhere, pointing to a more robust outlook for

crude than petroleum products". Now, I don't confess to having the biggest brain, especially this morning, but what exactly is the point of crude oil unless you put it in a refinery, heat it up and extract products which are then consumed by the general public? I don't remember going to a petrol station and saying, "fill it with Qua lboe please". Take EIA data this week - crude oil draws 8.1mn barrels but product stocks build. Is

this bullish? Or has the market now believed the hype that it does not matter about the demand picture, if supply is restricted then this is a good thing and hence the price will go up? I don't know. OPEC+ have some big decisions to make tomorrow and they need to think very carefully if a 50% increase in flat price since the start of the year is justified in a world that is still in the midst of a pandemic.

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HALF-TIME TALK
INTERVIEW SERIES

Adi Imsirovic

Author

*“Trading and Price Discovery
for Crude Oils”*



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INDUSTRY SURVEY



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72%
Agree

28%
Disagree



Source: GI Research June 2021

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Vitol



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

Vandana Hari
Founder & CEO
Vanda Insights

***“Outlook for Global Oil
Inventories Dropping
Below 5-Year Average?”***

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

Chris Wood
Chief Executive Officer
Savanara DMCC

***“OPEC+ still Face an
Uncertain Oil Demand
Recovery in H2”***

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Edward Bell
Senior Director, Market Economics
Emirates NBD



Is there much downside risk for OPEC if it adds more oil to the market?

The improvement in US demand, the inventory draw down and the delay in the return of Iranian oil, all offer OPEC Plus an opportunity to increase production incrementally. But they are still erring on the side of caution so we should expect an increase in the order of 500,000 bd -750,000 bd for the three months from August onwards, and perhaps a reassessment after that. We're still going to be running a considerable deficit in the second half of the year but there are too many unknown variables that don't respond to economic signals. One is a further flare up of the Delta variant so from OPEC's point of view, it's in their interest to try and keep more oil offline for now and high oil prices for longer.

Is there agreement within the group on this approach?

It could be a potentially contentious meeting this time. Russia's energy minister has said they don't want to go much higher than \$70, and we would expect similar pressure coming from the UAE, which has been reticent to endorse this extended period of prolonged production cuts. They want to take advantage not just of prices, but also the opportunity to capture more market share.

How important is this price level to regional fiscal budgets?

It's still fundamentally crucial for all governments to secure financial and fiscal stability. Saudi Arabia's foreign currency reserves have been flat or stable at around \$435 billion since May last year. There is scope and interest among the Gulf countries to really take advantage to rebuild their fiscal buffers. The question we're asking is at what point does that translate into a positive impulse for the rest of the economy. We're not seeing that yet.

Are we witnessing the collapse of US-Iran talks on a nuclear agreement?

The outlook for Iranian oil coming back in a meaningful way has been pushed back significantly to the second half of the year, if at all. We've hit a bit of a crucible, with the Biden administration sort of issuing a warning this week to the President elect in Iran that the US is not going to tolerate alleged Iranian militia activity in the region. This was always an inherent fallibility of the negotiations in Vienna - the Iranians taking a wholesale approach that all sanctions be removed full stop, while the US position was seemingly very focused on nuclear sanctions first. ■

**Paraphrased comments*

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