

ENERGY MARKETS FORUM DAILY BULLETIN



Consultancy
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TUESDAY /// MAY 18th /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL EXTENDS GAINS ON OPTIMISM OVER US, EUROPEAN REOPENINGS
2. OIL PRICES CAPPED BY HEDGE FUND PROFIT-TAKING
3. US TIPTOES THROUGH SANCTIONS MINEFIELD TOWARD IRAN NUCLEAR DEAL
4. CRISES COMPLICATE BIDEN'S MIDDLE EAST STRATEGY
5. JAPAN REFINERS TO SELL ASSETS, RUSH REFORM AS PANDEMIC DENTS DEMAND
6. ISRAEL-GAZA VIOLENCE SHOWS FEW SIGNS OF SLOWING
7. INDIA OIL DEMAND SLUMPS BY 20% IN MAY AMID COVID CRISIS
8. JAPAN ECONOMY CONTRACTS FOR FIRST TIME IN 3 QUARTERS
9. INDIA'S SECOND COVID WAVE SEES 20% TEST POSITIVE RATE
10. CHIP SHORTAGE FORCING FARMERS TO PLAN AHEAD

RECOMMENDED VIDEOS & REPORTS

- CHINA'S APRIL HOME INDEX SOARS, PRESSURING AUTHORITIES TO CAP PRICES
- SPAIN TO END FOSSIL FUEL PRODUCTION BY 2042 UNDER NEW CLIMATE LAW
- TSA CHECKPOINT TRAVEL NUMBERS (CURRENT YEAR(S) VERSUS PRIOR YEAR/SAME WEEKDAY)
- AFTERNOONS ARE THE NEW RUSH HOUR IN THE SUBURBS
- IS A BELL RINGING FOR AN END TO THE COMMODITY RALLY?

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DAILY ENERGY MARKETS FORUM NEW SILK ROAD LIVE PODCAST



Narendra Taneja
India's Leading Energy Expert



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DAILY ENERGY MARKETS FORUM NEW SILK ROAD LIVE

TOP 3

TUESDAY /// MAY 18th

TAKEAWAYS

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DAILY OIL COMMENTARY

Morning all and welcome to UK hangover day volume two. Restrictions were eased there yesterday and if you listen very carefully, you can hear the collective engaged tone of people trying to rebook tables today for a hair of the dog. Right, oil. Brent is trading this morning up 0.65/bbl, at \$70.11/bbl. WTI is trading up 0.62/bbl, at \$66.89/bbl. Sometimes, children really are the very best critics and soundboards to bring you down to earth. There I am early this morning, usual 6:30am moodiness, radio on, Cheerios in a bowl, iPad on. My daughter hears on the radio "Dubai lifts Covid-19 restrictions and brunch is back on." She's 5. She looks



BY MATT STANLEY
DIRECTOR
STAR FUELS

at me with a joyous face - "Dad, did you hear that! Coronavirus is over!" Sorry darling, it's not but we can go to brunch at the weekend. "Oh, OK. Maybe soon it will be over?". Now this was both

funny and sad at the same time. And this is where we are, in a world surrounded by oxymorons. Again, I don't want to sound negative but in certain areas everything is reopening and in other areas I have colleagues furiously cleaning the dining table, so they have somewhere to sit and work. I am not sure the world has ever been more fractured if I'm honest, certainly not in my lifetime at least. What does this mean for the oil markets though? Ahh, now this is a good question. You know I heard yesterday someone say, "Once the world economy starts to recover, we will see unemployment soar." Just digest that for a moment as it took a while for me

to really understand what that means. So, what we're saying is that the longer stimulus and furlough schemes stay in place the longer people will sit at home buying stocks, oil, bitcoin etc and the longer those asset values remain elevated. What happens when things in the US and the UK get back to normal, which they are, and governments start to ask for money back and moody landlords knock on doors? That's right, helllllooooo unemployment. For the time being though, and as long as Fed members say interest rates will stay lower for longer, the party is very much on. Socially distanced, of course. Good day.

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Marc Ostwald
Chief Economist & Global Strategist
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Outlook for Chinese industrial growth following this week's released data?

We were hoping for more pickup in private consumption, but industrial production continued to be much more robust, at 19.9, paced above all by the steel and aluminum sectors, which both saw record levels of output. Steel is a concern because its strength came despite restrictions on output from the local authorities. Meanwhile, smaller downstream manufacturers in China are struggling with rising import prices across the board, in energy and industrial metals. The government has said it may intervene and it is this regulatory intervention which remains the greatest threat to Chinese growth, particularly with so much uncertainty about demand in Southeast Asia.

Are the positive revisions on economic growth at threat?

Forecasts are going to be constantly revised because there isn't that much visibility. We've got a lot of supply chain disruptions. We are going to be coming out of this recovery with many companies having had huge revenue hits and having scaled back. What they won't want to do is scale up and still be paying for all the debt. There are big risks over the next couple of months, with countries starting to remove unemployment benefits and rolling back company furlough schemes etc. This will make for a big stop start scenario and will be hugely uneven. The global economy is not going to rebuild in the same way as before. Except for the manufacturing sector, we really don't know what demand is going to look like so people will err on the side of caution, which will create price pressures.

Any notes of interest in the week ahead?

We won't see bond yields hit any levels which would start to drag away from riskier assets. The inflation story, central bank policy and pickup in commodity prices are all driving greater volatility but not necessarily a bigger downtrend. PMIs coming out at the end of the week will be anecdotal evidence in terms of footfall in leisure activities in Europe. Overall, the recovery is going to be increasingly a balancing act between two sides - Europe, the UK and North America on one, and Asia on the other. ■

**Paraphrased comments*

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