

ENERGY MARKETS FORUM DAILY BULLETIN



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MONDAY /// MAY 17th /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL MIXED IN TIGHT RANGE, ASIA'S COVID-19 RESTRICTIONS WEIGH ON SENTIMENT
2. GOLD HITS 3-MONTH HIGH AS DOLLAR YIELDS EASE ON US RETAIL SALES DATA
3. CHINA APRIL CRUDE THROUGHPUT SURGES 7.5% ON YEAR
4. US FUEL CRISIS EASES AS PIPELINE RETURNS TO NORMAL AFTER HACK
5. VALERO RECEIVES WAIVER TO SHIP OIL & FUELS TO US EAST COAST
6. BUILDING CRISIS LOOMS AS DWINDLING SUPPLIES BRING SITES GRINDING TO A HALT
7. CANADA'S MINING SECTOR TOP TARGET MARKET FOR FDI DEALS FROM ASIA
8. LATVIAN AIRLINE LEASES A330 JETS, REMOVES SEATS FOR CARGO
9. INDIA'S CAPITAL TO KEEP COVID-19 LOCKDOWN FOR OVER 1 MONTH
10. CHINA'S INDUSTRIAL OUTPUT GROWTH SLOWS IN APRIL

RECOMMENDED VIDEOS & REPORTS

- GAS FACES EXISTENTIAL CRISIS IN CLIMATE WARY EUROPE
- UK URGES CAUTION AS INDIA VARIANT THREATENS LOCKDOWN EASING
- INDIA'S COVID CRISIS HITS COVAX VACCINE-SHARING SCHEME
- CORPORATE BOND DOWNGRADES BY CHINA RATING AGENCIES TRIPLE
- AFRICAN COPPER SUPPLIERS TRYING TO CASH IN ON RECORD PRICE STRUGGLE

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DAILY ENERGY MARKETS FORUM NEW SILK ROAD LIVE PODCAST



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DAILY ENERGY MARKETS FORUM NEW SILK ROAD LIVE

TOP 3

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TAKEAWAYS

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DAILY OIL COMMENTARY

Morning all. I hope everyone had a nice weekend. Brent is trading this morning down 0.14/bl, at \$68.57/bl. WTI is trading at \$65.35/bl, down 0.02/bl. I make no apologies for this but I'm going to get patriotic for a moment. It was the FA Cup final on Saturday in the UK and Leicester beat Chelsea. Excellent it was too. There were crowds, and there was a magic moment when the owner of Leicester City FC came on the pitch and was presented with the trophy in honour of his Father who sadly perished in an accident a few years ago. Then yesterday we had an English golfer called Richard Bland claim his first



BY MATT STANLEY
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win at his 478th attempt. 478 attempts? If that doesn't show grit and determination, I don't know what does. Talking about determination, let's talk crude oil, shall we?

Well, we're here, maybe we shouldn't be, but we are, at nearly \$70/bl and surely to break through it regardless of any fundamental bearish news whatsoever. As the UK eases restrictions, Singapore reimposes them. As does Taiwan. Oh, and Japan. Delhi extends curfews until the end of the month as well. Oh sorry, as does Turkey. Borders continue to be shut yet markets continue to ignore any bearish sentiment this may bring. The WHO this weekend said that the second year of Covid-19 was set to be "far more deadly than the

first." Again, I insert the caveat that I'm not being negative here but a realist. We're in the middle of May and all hope is pinned on the second half of this year providing that stella return to "pre pandemic" levels of demand. Is that realistic? No, it's not. The market is running on fumes in my opinion, and weak US economic data is evidencing the same and Chinese retail sales rose 17.7% in April on a year ago, short of forecasts for a rise of 24.8%. Does the market care? Not a bit of it. MORE FREE MONEYYYYY! Good day, and week to all.

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What's the macroeconomic outlook mid-Q2?

The economic picture will continue to be driven by the US and China. Supply chain bottlenecks continue but we should distinguish between those that the system is equipped to handle (such as delivery of white goods) and problems which arise from sudden excess demand (microchips and lumber). The latter can escalate into other sectors of the economy and potentially cause problems such as wage inflation. Inflation data will be released in several countries this coming week, including the UK. It will be interesting to compare that with what has happened in the US. In the US itself, we also have end of season retailer reports - if they are not very positive, we could see them raising prices. And perhaps most importantly, we have April US housing market data being released which will give further guidance on where inflation might be headed.

Has the global oil glut from last year finally been removed?

Inventories have drawn down and are coming back to normal. But that's not where the music plays anymore. The focus now needs to be on spare capacity and that's in the hands of OPEC. Saudi Arabia is probably happy today to have the flexibility of its additional 1mn bd. It will watch demand and make the call on when to get into the market without draining the system.

Should OPEC Plus be concerned about more Iranian oil hitting the market?

Iran has the capacity to ramp up exports, not production, by 600,000 bd within three months and 1.2mn bd within six months, of a deal being struck. It will then become harder for OPEC to calculate its impact. The other interesting component which plays into market calculations today is on product spreads between various destinations. The heavy end of the barrel, such as Bitumen, seems to be collapsing first so we are starting to see this imbalance within refining systems. ■

**Paraphrased comments*

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