

ENERGY MARKETS FORUM DAILY BULLETIN



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TUESDAY /// JUNE 22nd /// 2021

TOP 10 DAILY NEWS DIGEST

1. CRUDE OIL IMPORTS AT CHINA'S PRIVATE REFINERS SET TO PLUNGE THIS AUTUMN
2. IRAN STORES MORE OIL ON TANKERS AS IT COUNTS DAYS TO ENTER MARKETS
3. DOLLAR CATCHES BREATH AS TRADERS AWAIT POWELL TESTIMONY
4. CHINA LAUNCHES CRUDE OIL OPTIONS OPEN TO FOREIGN TRADERS
5. IRAN'S RAISI REJECTS IDEA OF FOLLOW-UP TALKS WITH US
6. GLOBAL PASSENGER AVIATION'S UNEVEN RECOVERY FROM THE PANDEMIC
7. THE LONG HAUL TO ZERO EMISSIONS AVIATION
8. LIMETREE BAY REFINERY TO SHUT AFTER JUST A FEW MONTHS OF OPERATING
9. TRADING FIRMS DIVERSIFY INVESTMENTS FOR THE TRANSITION
10. CASH GUSHES FREELY IN SHALE OIL BONANZA

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RECOMMENDED VIDEOS & REPORTS

- DECADE OF CHAOS COULD SEND OIL TO \$130/BL
- IRAN NUCLEAR DEAL: PRESIDENT-ELECT RAISI ISSUES WARNING OVER TALKS
- INNER GAME WITH STEVEN COHEN
- US RESTAURANT SALES CLIMB AS PRE-PANDEMIC LIFE RETURNS
- THE REAL REASON BIG OIL IS GIVING UP ON IRAQ

DAILY ENERGY MARKETS FORUM NEW SILK ROAD LIVE PODCAST



Maleeha Bengali
Founder
MB Commodity Corner



Peter McGuire
Chief Executive Officer
XM Australia



Laury Haytayan
MENA Director
Natural Resource Governance
Institute

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DAILY ENERGY MARKETS FORUM NEW SILK ROAD LIVE

TOP 3

TUESDAY /// JUNE 22nd

TAKEAWAYS

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DAILY OIL COMMENTARY

Morning all and welcome to Amazon Prime day. Actually, it's Amazon Prime Day's'. A bit like how I celebrate my birthday. Over two days, not just one. I'm obviously only referring to people in the oil markets because those people across the pond have their wallets out! Brent is trading this morning at \$75.26/bl, up 0.36/bl. WTI is trading at \$73.28/bl, up 0.16/bl. Yesterday summed up things pretty well right now. Over the course of the day the Brent crude market ground itself down based on the fundamental reality the oil markets are facing, before Wall Street came in like a hyperactive child who'd had two donuts and a big slurpee for breakfast. Boom! Up we went. Literally, at Wall Street open Brent was trading at \$72.99/bl. We closed at



BY MATT STANLEY
DIRECTOR
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\$74.90/bl. WTI fared even better - it traded down to a low of \$71.15/bl, before closing at \$73.66/bl. There was no headline to spark this rally. Just obviously a very much risk on appetite for oil. Especially

some of Texas's finest it seems. What's the reason? Because everything has a reason, right? Well, try explaining that to some very excitable traders on the phone last night ("Ummm, ermmmm, because it can?" (engaged tone). I'm sorry, I don't believe what's being written about demand hopes and Iranian barrels coming back. I mean I do, but I cannot attribute such an investment fund lead rally against those two fairly glaringly obvious reasons. No. And again, to my journalist friends I sympathise (or journo's as I'm reliably informed). I think there's more to this. WTI is trading at levels not seen since October 10th, 2018. In October 2018, US oil production was 11.2mn b/d. Last week US oil production was 11.2mn b/d. Now,

this is just my opinion (insert caveats etc), but I think we are seeing the return of investment into the US oil patch. And I think this for a number of reasons. 1) Many people believe the breakeven price for shale is around \$40/bl. WTI futures are trading \$73/bl. So, before your bank manager gets his check book out he's going to ask you to hedge these bbls. Hence why prices are so high. 2) Over the last couple of years, the threat of shale towards OPEC+ has waned. We don't yet know what OPEC+ plan on doing with production levels further out than July. Is shale oil getting prepared to open those taps again? Maybe not to 2019 levels, but I wouldn't be surprised if we see a steady uptick over the coming weeks. Drill baby drill! Just not too much, eh? Good day.

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

Maleeha Bengali
Founder
MB Commodity Corner

**“Oil markets to remain
tight over summer
travel season”**

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

Laury Haytayan
MENA Director
Natural Resource
Governance Institute

**“OPEC+ will keep
supply cards close to
their chest”**

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Omar Najia
Global Head, Derivatives
BB Energy



Any significance in the latest narrowing of the Brent/WTI spread?

Stronger WTI is an indication of US demand, whereas Brent reflects the rest of the international market. The narrowing is a sign that internal demand in the US is moving up, which is a healthy sign for the market overall. Gasoline demand in the states has already overtaken last year. Also, if all grades are generally moving higher, as they are today, it's a bullish indication, whereas if that spread widens, it's bearish in general.

How is the Fed statement on monetary tightening impacting oil futures?

The real question is if the Fed does increase interest rates, how exactly are they going to finance it? The Fed has no choice but to keep providing liquidity, otherwise everything implodes with the higher interest on debt, both in the US and elsewhere. If it keeps liquidity going, then inflation comes. It's not clear how they resolve this.

Outlook for markets for the remainder of this week?

Basically, no change. Medium term, I still don't see any movement on shale. They can't even benefit from these rising prices until 2022 as they have already hedged or locked into a lower level. The point is that OPEC can control the market because there is nobody outside the alliance that can add substantial amounts of oil. That's what's changed. What's facing oil markets going forward is two things – a negative impact from new Covid variants and an Iran deal happening – and neither seem extremely likely. ■

**Paraphrased comments*

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