ENERGY MARKETS FORUM DAILY BULLETIN

Consultancy Intelligence Publishing

THURSDAY /// SEP 16th /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL SURGE GIVES PRIVATE EQUITY A WINDOW TO EXIT STRANDED CAN ENERGY FIRMS
2. EIA: MORE THAN 6MN BARREL WEEKLY DROP IN US CRUDE SUPPLIES
3. US GULF HAS 30% OF OIL PRODUCTION STILL SHUT AFTER HURRICANE IDA
4. COVID, CHIPS SHORTAGES & GOVERNMENT POLICIES HIT CHINA'S ECONOMY
5. IN GERMANY'S ELECTION, THE FATE OF THE EU IS AT STAKE
6. UK, US & AUSTRALIA ANNOUNCE NEW DEFENCE PACT
7. CHINA TESTS OIL CLOUT, BATTLES INFLATION WITH FIRST OIL RESERVE AUCTION
8. LIBYA'S HARIGA PORT TO RETURN TO NORMAL OPERATIONS, NOC SAYS
9. SAUDI ARABIA CALLS ON IRAN TO FULLY COMPLY WITH IAEA
10. SENSEX CLOSES AT NEW HIGH, CLIMBS 476 PTS, NIFTY CONQUERS 17,500

RECOMMENDED VIDEOS & REPORTS

- EMIRATES NBD REPORT: OUTLOOK FOR OIL MARKETS IN 2022
- BIDEN DIRECTS TSA TO DOUBLE THE FINES WHO REFUSES TO WEAR MASK
- ABU DHABI CROWN PRINCE & FRANCE'S MACRON MEET IN PARIS
- DELTA VARIANT HAS HIT CHINA'S ECONOMY HARD
- "OIL MARKETS OVER-ESTIMATING SCALE OF OPEC+ IDLE SUPPLY"

DAILY ENERGY MARKETS FORUM — NEW SILK ROAD LIVE PODCAST

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DAILY ENERGY MARKETS FORUM — NEW SILK ROAD LIVE

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TOP 3

WEDNESDAY /// SEP 16th

TAKEAWAYS

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FX

The dollar managed to eke out another A risk-off tone took the dollar lower overnight, albeit marginally. The DXY index fell a second day running but by less than 0.1% to 92.548. The dollar's short-term moves still appear motivated by risk on/risk off sentiment more than fundamentals like expected yield differentials. EURUSD added 0.12% to settle at 1.1817 while JPY was the largest gainer among G3 currencies with USDJPY falling 0.28% to 109.38. Sterling added 0.22% to push up to 1.3840. Commodity currencies benefitted from the change in risk appetite with CAD leading the way. USDCAD fell 0.5% to settle at 1.2630 while AUD and NZD gained 0.18% and 0.11% respectively. Inflation in Canada rose to 4.1% y/y in August, well above the Bank of Canada's upper target of 3% and the highest gains since Q1 2003.

Equities

US equities recouped some recent losses yesterday, with all three major indices closing higher as the latest inflation print made a September taper less likely. The S&P 500 was the biggest gainer, adding 0.9%, followed by the NASDAQ with 0.8% and the Dow Jones with 0.7%. All three are lower than they were a week previous however, and only the NASDAQ is higher than it was a month ago, as growth concerns have come to the fore.Things were less positive in Europe where there were losses across the board. The FTSE 100 lost -0.3%, the DAX -0.7% and the CAC -1.0%. All major European equity indices are down m/m and compared to three months ago. There were gains in local markets. The DFM added 0.2%, the Tadawul 0.3% and the ADX 0.8%. The EGX 30 lost -0.3%.

Commodities

Oil prices rallied strongly as the market remains supported by disruptions caused by hurricanes in the US. Brent futures added 2.5% to $75.46/bl while WTI added more than 3% to settle at $72.61/bl, its highest level since the end of July. US oil inventories fell sharply last week with a drop of nearly 7mn bbl while gasoline stocks fell almost 1.9mn bbl. Total commercial petroleum stocks fell 8.8mn bbl as hurricanes Ida and Nicholas disrupted production and pipeline infrastructure. Production managed to edge up slightly by 100k b/d to 10.1mn b/d, still well below average levels for the year. Industrial commodities were well supported with gains across aluminium and copper prices despite disappointing data coming out of China. Iron ore, however, extended its slump and has fallen six days in a row. Gold prices edged lower overnight, falling by 0.6% and settling below $1,800/troy oz.

Source: Emirates NBD

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NEW SILK ROAD

EXCLUSIVE SERIES

VIEWS YOU CAN USE

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Are we moving from demand weakness concern to that of tight supply?
There's 39% of US Gulf Coast offshore production offline, coupled with about 820,000 bd of refining capacity. Net-net from a macro supply perspective, you've got more refining production offline than crude so you could see crude stocks not draw as hard as the API shows, but the product stocks could still drop.

The Baltic Index appears to still be on an upward trajectory?
It shows that container rates are going to continue to remain strong but they're probably hitting the top end of the curve after a meteoric rise. Major shipping companies are announcing that they're not going to increase rates further. They're going to try to put a cap on it because they're making so much money and have no idea what to do with all the cash. You can only build so many new ships. So, we're coming to the end of the container freight bubbles although they will still be elevated in relation to calendar 2020 prices and going into Q2 2022. We will probably then start to see them flatten out again.

Is the heat coming out of the US economy?
It still looks hot. Food prices are all up – beef 18% quarter on quarter. And why? Because LNG is so expensive, which is increasing the price of the grain used to feed these animals. Inflation is not transitory. It is getting further embedded into the day to day goods and services that people need to buy to survive and to keep moving. There's also still a tremendous amount of slack on the employment side. Companies are increasing wages to get people back. If we put that rate over all the goods that are bought and sold throughout the system, that's an increase in cost for the consumer. So as wages start to come up, that whole supply chain cost structure goes up. ■

**Paraphrased comments*