

ENERGY MARKETS FORUM DAILY BULLETIN



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THURSDAY /// APRIL 28th /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL FALLS AS INDIA, US STOCKS BUILD DAMPEN CONFIDENCE IN FUEL DEMAND RECOVERY

2. OPEC+ STICKS TO OUTPUT INCREASE PLAN DESPITE INDIA VIRUS FEARS

3. OIL MARKETS ON EDGE AS IRANIAN ELECTIONS LOOM

4. MEXICO CLAIMS COMPLIANCE WITH OPEC+ DEAL

5. OIL INVENTORIES RISE BY 4.3MN B/D LAST WEEK

6. SAUDI SAYS DIFFERENCES WITH US MINIMAL, SUGGESTS PEACE WITH HOUTHIS

7. US CONSUMER CONFIDENCE SOARS TO 14-MONTH HIGH

8. CHINA RAMPS UP TIN EXPORTS AS REST OF THE WORLD RUNS DRY

9. LUMBER PRICES ARE UP 232% & COULD SPIRAL OUT OF CONTROL

10. BIDEN 100 DAYS IN: LITTLE DIFFERENCE IN ATTITUDE TOWARDS CHINA

RECOMMENDED VIDEOS & REPORTS

- CHINA MAKES BIG MOVE ON BATTERY METALS IN AFRICA
- IS THERE A WAR COMING BETWEEN CHINA AND THE US?
- CHINA REPORTEDLY SET TO ANNOUNCE FIRST POPULATION DECLINE IN 60 YEARS
- VANDA INSIGHTS: CRUDE DIPS ON INDIA COVID WORRIES BUT SUMMER OPTIMISM SUSTAINS
- FED'S TAKING A BIG GAMBLE RIGHT NOW!

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DAILY ENERGY MARKETS FORUM NEW SILK ROAD LIVE PODCAST

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TOP 3

THURSDAY /// APRIL 28th

TAKEAWAYS

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DAILY OIL COMMENTARY

Morning all, and welcome to OPEC day. Wait, that was yesterday, wasn't it? No hang on, sorry it's tomorrow, or has it already been? Let's get on to that in a minute. Brent is trading this morning at \$66.69/bbl, up 0.27/bbl. WTI is trading up 0.24/bbl, at \$63.18/bbl. OK, back to that OPEC meeting yesterday, that wasn't a meeting, they ditched it. Confused.com? Basically, when oil traded down to \$64.57/bbl on Monday, on the back of the devastating second Covid-19 wave in India could have on oil demand, there was an OPEC minister or three that came out and said "We will adjust our production returns accordingly, if we



BY MATT STANLEY
DIRECTOR
STAR FUELS

have to." The market reacted well to this news and up we went to \$66.26/bbl. Then yesterday OPEC+ announced that they would continue to bring production back into the market as planned,

and for May that is a total of 700,000 b/d of production. So, you would expect the market to react to this accordingly, no? Not a bit of it. And at the close last night Brent rallied 40cents in a minute and closed up 0.66/bbl on the day. Hmm. Then we woke up this morning and saw that API had stated there will be a 4mn barrel build on US crude stocks. That Libyan force majeure has been lifted. Then India announced this morning 360,969 new cases of Covid-19 and that cases have increased by 2mn in less than a week. Yet, here we are, with Brent trading up on the day. Now, perhaps one could argue that the

US crude build is offset by a supposed 1.29 draw on gasoline inventories and a 2.42 draw on distillates. The thing is though, and it's taken quite a few café au laits to get there, but does this consistent policy that OPEC+ showed us yesterday by sticking with production increases, add an underlying boost of confidence to what is a fragile market? If they had pulled back from adding barrels, would that have sent a shockwave that perhaps demand isn't going to be as good as they say it will? Hmm. One day, when I grow up, I want to be as confident as that. And I used to want to be a sheriff. Progress. EIA Stats later. Good day.

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DAILY ENERGY MARKETS FORUM
INDUSTRY SURVEY



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35%
No

65%
Yes

Have we already
seen the 2021 high
for Brent at \$70/bl?

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Robin Mills
Chief Executive Officer
Qamar Energy



Expectations for the OPEC meeting this week?

The guidance has been that they plan to stick to the agreed phased increases in production. But the situation in India will make people think very carefully and I wouldn't rule out a surprise, which may end up being a delay in raising output. This could come in the form of unilateral action from the Saudis retaining some of their production cuts.

Does OPEC need to revisit its 2021 demand outlook of 6 million bd growth?

The demand picture is patchy. If you look at it over the space of a year, OPECs' current projections are probably fine, but the shorter term holds big negative risks. India could be losing 600,000 bd of road fuel demand and up to 100,000 bd of jet demand. Japan is perhaps seeing its first serious wave of cases and gasoline usage there could drop 100,000 bd. That brings us close to one million bd of lost demand across just those two countries.

Will the strong backwardation deter upstream oil and gas investment?

OPEC wants this backwardation and wants to draw down the excess stocks. They're now close to the five-year average. The reason why the curve is where it is – at \$60 two years out – is because shale producers are happy to hedge at that price. It allows them to lock in a significant amount of future supply. If the forward curve was around \$40 or below, then they're in a dilemma. The more prices continue above \$60, the stronger the US supply response will be. We do see some slow recovery in the US already – the rig count is rising steadily and the production outlook, including NGLs, is still well below record highs.

Can gasoline make up for any of the shortfall in aviation fuel recovery?

Domestically in the US and China yes, but not internationally. That's a longer path to recovery. Until we have effective and widespread vaccination, nobody is going to take non-essential long distance international travel. Aviation demand is very significant – there's 2.5 to 3 million bd that's been lost. ■

**Paraphrased comments*

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