

ENERGY MARKETS FORUM  
DAILY BULLETIN

GI Consultancy  
Intelligence  
Publishing

MONDAY /// NOV 29<sup>th</sup> /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL REGAIN SOME GROUND AFTER OMICRON BATTERING

2. OPEC POSTPONES TECHNICAL MEETINGS TO EVALUATE OMICRON

3. IRAN PLANS TO BOOST OIL OUTPUT CAPACITY TO PRE-SANCTIONS LEVELS BY MAR 2022

4. BIDEN SAYS US GAS PRICES WILL DROP SOON BUT IT'LL TAKE TIME

5. IRAQ SAYS YET TO DECIDE POSITION ON OPEC+ POLICY

6. LIBYA'S ELECTION COMMISSION DISQUALIFIED GADDAFI'S SON FOR THE ELECTIONS

7. HALF OF THIS YEAR'S BIG IPOs ARE TRADING BELOW LISTING PRICE

8. US & IRAN SEEK TO BREAK IMPASSE AT TALKS ON REVIVING NUCLEAR DEAL

9. SWISS VOTE TO APPROVE COVID RESTRICTIONS AS INFECTIONS RISE

10. CHINA MINTS ITS LATEST GREEN ENERGY BILLIONAIRE

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**RECOMMENDED VIDEOS & REPORTS**

- SHIPPERS PREPARE FOR ANOTHER PANDEMIC CRUSH OF HOLIDAY GIFTS
- CHINA STUDY WARNS OF 'COLOSSAL' COVID OUTBREAK IF IT OPENS UP LIKE US & FRANCE
- FED'S BOSTIC SAYS HE REMAINS OPEN TO FASTER TAPER AND ONE OR TWO RATE HIKES IN 2022
- ISRAEL, GCC STATES LIMIT ENTRY OVER NEW VARIANT FEARS
- UGANDA'S STRUGGLE TO KEEP ITS ONLY AIRPORT FROM CHINESE TAKEOVER

DAILY ENERGY MARKETS FORUM  
NEW SILK ROAD

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**PODCAST**



**Peter McGuire**  
Chief Executive Officer  
XM Australia



**Omar Najia**  
Global Head, Derivatives  
BB Energy




**Dr. Charles Ellinas**  
CEO, Cyprus Natural Hydrocarbons  
Co. & Senior Fellow, Global Energy  
Center - Atlantic Council

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I hope everyone had a good weekend. Black Friday indeed. More on that to come. Brent is trading this morning up 2.65 at \$75.37/bl and WTI is up 3.06 at \$71.21/bl. Well. What to say? What to say without annoying people? I mean I deal with that every day to be honest but Friday's activity in the oil market was nothing short of a shocker. At one point I was watching my screen and I just thought, you know what I'm going to sit back and get the popcorn. Waves of selling throughout the day took us from an open of \$81.65/bl, down to a low of \$72.14/bl. I remember saying to my colleagues earlier in the day that I thought Brent was in danger of breaking \$77.50/bl, the reaction was clear "What? Matt are you mad?", they may have a point, but it was clear that the fragility in the oil



**BY MATT STANLEY**  
DIRECTOR  
STAR FUELS

market was put to the sword on Friday and stop losses were being triggered and algorithms were going crazy, and the gloves were off. If I'm honest, I think the market was oversold. Sure, the Omicron delta variant as I'm sure you are all reading/

have read about, caused panic in oil markets in terms of what may or may not affect new lockdown measures have on oil demand, but it was a bit of a panic sell off. In terms of the newly found Covid variant, Omicron, the details are still a little unclear as to how effective current vaccines are against said variant. The one thing the sell off highlighted to me was that it showed us who the people were who have been investing in oil over the last twelve months, and that has been the hedge funds. For such a volume sell off that we saw on Friday it could only be the same people that were buying the market only a few days ago. The thing is that the bulls don't really need much of a reason to buy the market and if \$80/bl was a bargain this time last week, then \$73.88/bl at the

open today was definitely a buy. Do I agree with that? No. No I don't, but of course the story will be that OPEC+ will react accordingly and defer the return of already agreed oil production, some 400,000bpd. I am not convinced of this; the group is in a very delicate position right now and will want to maintain integrity so I wouldn't be surprised if the group defer a decision for a day or two whilst the market absorbs news around Omicron. Judging by initial reaction though I think the vast majority of people are not necessarily concerned by Covid and variants thereof, but more by government reactions to Covid variants. This is what will drive markets over the next few days (insert massive disclaimer for all the above). Good day, and week to all.



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

**Peter McGuire**  
Chief Executive Officer  
XM Australia

***“OPEC+ should take a deep breath and pause for a few days”***

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

**Dr. Charles Ellinas**  
CEO, Cyprus Natural Hydrocarbons Co.  
& Senior Fellow, Global Energy  
Center - Atlantic Council

***“Europe reacted to Omicron news, but didn’t panic”***

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# DAILY ENERGY MARKETS FORUM NEW SILK ROAD



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**Mike Muller**  
Head  
Vitol Asia



### How much of a shock was the drop in oil prices last week?

The drop was on the back of the Omicron news combined with a very illiquid market over the US Thanksgiving weekend, that then saw mostly algorithmic systems and stock orders selling off the \$10 a barrel. The new variant is alarming, but we still have incomplete statistical evidence. What spooked people was the KLM flights into Amsterdam that had 10% of the passengers testing positive with the variant. The other alarming signal was the rate at which Omicron became the predominant strain of virus in South Africa, going to 80% plus in a matter of a few days. But we need to bear in mind that it was off an awfully low base. It’s very clear that the confidence of the market was rattled by fear of the unknown, but we still don’t have enough data.

### What is OPEC likely to do now?

Some are speculating that their decision may be very different to what it would have been with an oil price in the mid to high \$80s. They will probably err on the side of caution. They seem a lot more concerned about demand, economic shocks, and question marks over growth in China. In any case, they have until when they start producing January oil to make a final decision.

### How fragile is the demand outlook?

The market for traded crudes into China did make a dramatic drop last week with spot grades in terms of differentials to dated Brent dropping to \$2.5/bl because on the margin, the last few buyers in China were not there. That brings the specter of unsold barrels building up again in the Atlantic Basin, which is something we had not expected. But we also have winter weather setting in and will need to see how that leads demand in non-oil energy markets. Coal prices went up last week and natural gas prices didn’t do anything like follow oil. They only came down a little bit. So that lifting pressure is still there.

### Could we see oversupply in Q1 with the US SPR also coming in?

The range of expectations is all over the show on supply and demand. If Omicron does not impact transportation, and aviation demand in particular, we could see a tightening supply picture. OPEC+ spare capacity is also focused in the hands of a very small number of countries and global inventories are at below pre-pandemic levels. Investment in global upstream - including shale, the fastest to respond sector - has not been at a level to allow a response if global demand were to see a resurgence early next year. I don’t think a supply glut is about to hit us despite the current uncertainties. ■

\*Paraphrased comments

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