

Daily Energy Markets BULLETIN

MONDAY /// JAN 31st



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TOP 10 DAILY NEWS DIGEST

1. ASIA SHARES IN CAUTIOUS MOOD, OIL KEEPS CLIMBING
2. OIL MAJORS EXPECTED TO POST STRONG EARNINGS NEXT WEEK
3. RUSSIA'S OIL WEAPON MAY BE MORE POTENT THAN GAS BLACKMAIL
4. NORWAY'S SOVEREIGN WEALTH FUND SWELLED IN 2021
5. SOARING ENERGY BILLS WILL RISE BY NEARLY HALF TO £1,900 A YEAR FROM APRIL
6. GERMANY & THE NETHERLANDS AT ODDS OVER HOW TO MOVE AWAY FROM GAS
7. TANESCO ANNOUNCES 10 DAYS OF NATIONWIDE ELECTRICITY RATIONING
8. NEW ENGLAND IS BURNING THE MOST OIL FOR ELECTRICITY SINCE 2018
9. ITALY REJECTS EXTRADITION OF VENEZUELA'S EX-OIL MINISTER
10. UAE INTERCEPTS, DESTROYS MISSILE IN THIRD ATTACK LAUNCHED BY HOUTHIS

RECOMMENDED REPORTS

- IMF: RISING CASELOADS, A DISRUPTED RECOVERY, AND HIGHER INFLATION
- CHINA'S AMBASSADOR TO THE US WARNS OF 'MILITARY CONFLICT' OVER TAIWAN
- FLORIDA IS SO COLD IGUANAS ARE FALLING OUT OF TREES
- CHINA BUILDERS, SUPPLIERS ISSUE OF PROFIT WARNINGS AS EVERGRANDE WOES BITE
- CHINA MANUFACTURING AVOIDS CONTRACTION AS GROWTH RISKS MOUNT
- FOREIGNERS URGE JAPAN TO EASE ENTRY BAN



Daily Energy Markets PODCAST



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TOP 3

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TAKEAWAYS

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FX

The US dollar had its strongest week since June 2021 last week as markets looked to the Fed hiking rates from March onward. The broad DXY index added 1.7% last week, keeping the index up 1.7% since the start of the year. EURUSD provided much of the gains for the dollar with the single currency falling by 1.5% last week to 1.1151. USDJPY rallied by 1.4% to 115.26 as yield differentials look set to widen considerably. GBPUSD managed a more respectable performance against the dollar, only losing 1.1% to 1.3401 even amid expectations that the Bank of England could again raise rates at its February meeting. In commodity currencies USDCAD rose 1.5% to 1.277 as the Bank of Canada failed to take advantage of the room markets gave it to hike rates while AUDUSD fell 2.7% to 0.6988 and NZDUSD was off by 2.5% to 0.6548.

Equities

US equity markets ended the week on a positive note, with all three major benchmark indices paring back the losses seen earlier in the week. The NASDAQ added 3.1% to close flat w/w, the Dow Jones added 1.7% to close up 1.3% w/w and the S&P 500 added 2.4% to end up 0.8% w/w. All remain down since the start of the year, however. European equity markets remained under pressure on Friday amidst mixed GDP results from France and Germany. Further losses on Friday saw the CAC drop -1.5% w/w and the DAX -1.8%. The FTSE 100's losses were a more muted -0.4%. Locally, the DFM added 0.3% w/w and the ADX closed 0.7% higher.

Commodities

Oil prices settled at their highest levels since 2014 last week as markets watch the febrile geopolitical environment in Eastern Europe for indications of supply

disruptions. Brent futures added 2.4% to settle at USD 90.03/bl at the end of last week and are up above USD 91/bl in early trade today. WTI added 2% to close at USD 86.82/bl and have moved above USD 88/bl at the start of trading. Markets will be watching the OPEC+ meeting this week where we expect they will agree to increase production by another 400k b/d for March. However, hitting that target may prove a challenge given that several countries have considerably underperformed their targets recently as lack of investment weighs on their ability to increase production at short notice. In the US, exploration and production companies added another four oil focused rigs last week, taking the total drilling count to 495 last week.

Source: Emirates NBD

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Daily Energy Markets VIEWS YOU CAN USE



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Maleeha Bengali

Founder

MB Commodity Corner



The US Fed has been playing a reactionary role in the market.

But it has now come to terms with the fact that this inflation is not transitory. The bond market and rate market have been talking about this stress in the market for some time, suggesting a Fed policy error – just look at the two-year and ten-year yield spreads. Markets have started this year pricing in inflation to be higher, while growth is plateauing and softening at the same time. The market right now is asking whether the rate increases will happen. The Fed's in a bit of a corner. They cannot print more money because inflation is too high, but if they reach their increased rates too fast, markets will collapse. Although the market has priced in a hawkish scenario, we don't think the year will end up with that many rate rises based on forward-looking data indicators. The Fed will start to taper its \$9 billion balance sheet, but it should not tighten too fast. Still, until the price of commodities, raw materials, goods and services come down, the Fed will have no choice but to raise rates.

The US Fed has been playing a reactionary role in the market.

China started tightening a lot faster and sooner than the Fed. The Winter Olympics in Beijing and related infrastructure projects have also supported demand for copper and other commodities. The big question is what happens at the end of the first quarter? Does the softness elsewhere in the markets also feed into China and Asia? A stronger dollar could certainly impact emerging markets..

Oil is holding up well despite expected interest rate rises?

The physical oil market is very tight through February because of winter in the northern hemisphere although demand is still not back to pre-Covid levels. After March, given the macro inflationary fears, we might have a bit of cause for concern for demand but for now, OPEC+ is not able to produce any more than its planned 400,000 bd increase and there are questions about spare capacity. The bigger picture will be to look at demand on a six month basis and how any global economic slow down will affect that. ■

**Paraphrased comments*

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Mashreq 60-SECOND SOUNDBITE

Amena Bakr

Deputy Bureau Chief &
Chief OPEC Correspondent
Energy Intelligence

**“There are only one or two
members of OPEC+ that
could sustain a further
increase in oil supply”**

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Mashreq 60-SECOND SOUNDBITE

Omar Najia

Global Head, Derivatives
BB Energy

**“The oil market is
trending higher
through Q1”**

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