

Daily Energy Markets BULLETIN

THURSDAY /// JAN 27th



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TOP 10 DAILY NEWS DIGEST

1. OIL FALLS ON PROFIT-TAKING AFTER BRENT SURGES TO \$90 A BARREL
2. OPEC+ SET TO CONTINUE WITH 400,000 BPD PRODUCTION INCREASE
3. NINE WEEKS OF GAS INVENTORY LEFT FOR NINE WEEKS OF EU WINTER
4. SAUDI EXPECTED TO RAISE MARCH OIL PRICES ON ROBUST DEMAND
5. US OIL INVENTORIES SURPRISINGLY RISE AS REFINERY ACTIVITY SLOWS
6. FEDERAL RESERVE POINTS TO INTEREST RATE HIKE COMING IN MARCH
7. RUSSIA-UKRAINE RIFT RISKS 13PC OF GLOBAL GRAIN EXPORTS
8. IRAN AIMS FOR 5.7MN B/D LIQUIDS OUTPUT CAPACITY BY 2030
9. CHINA IS HELPING VENEZUELA RE-ESTABLISH ITSELF AS A MAJOR OIL PRODUCER
10. INVESTMENT IN COLOMBIA OIL AND GAS FORECAST TO SOAR IN 2022 WHILE OUTPUT LAGS

RECOMMENDED REPORTS

- MESSAGE TO US CITIZENS: COMMERCIAL AIR AVAILABILITY FROM UKRAINE
- HOW VLADIMIR PUTIN KEEPS EVERYONE GUESSING
- LA BANS NEW OIL & GAS WELLS & WILL PHASE OUT OLD ONES OVER 5 YEARS
- SIX-MONTH TIMELINE SET FOR RESTRUCTURING PLAN: EVERGRANDE UPDATE
- HOUSING CRACKDOWN WEIGHS DOWN CHINA'S ECONOMY AS THE YEAR STARTS
- JEREMY GRANTHAM HAS AN EVEN SCARIER PREDICTION THAN HIS CRASH CALL



Daily Energy Markets PODCAST



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TOP 3

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TAKEAWAYS

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Brent is trading down 0.67 at \$89.29/bbl this morning and WTI is trading at \$86.70/bbl down 0.65. Define irony. A Wall Street banker being interviewed about financial results stating COVID is in the rear-view mirror whilst working from home. Because of COVID. It is quite an extraordinary world we find ourselves in right now. The oil market now has so many moving parts to it that I feel like I work in a LEGO factory (other children's toys are available). Brent touched \$90/bbl yesterday, a feat not seen since the 13th October 2014. Goldman Sachs yesterday said that "...expectations of a limited disruption to energy flows despite tensions between Russia and Ukraine. Furthermore, an impact from a possible oil or gas pipeline outage in Ukraine should be modest because Russia can reroute flows away from Ukraine and use other pipelines instead". This was always the case to be honest, but as is the way of an oil



BY MATT STANLEY
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bull he or she will ignore any of that realistic nonsense and jolly well buy the fact that it adds to the "supply disruption" argument. Over the pond and we had EIA data out last night which showed builds on crude and gasoline stocks and draws on distillates. Gasoline stocks are now

at the highest since February 2021. Ignore that though. Once again however, the distillate side of the barrel is proving to be performing really rather splendidly, with stocks drawing over 4mn bbls on the back of exports picking up as demand continues to draw in from Latin America. What the market was really focused on yesterday was Jerome Powell and the first FOMC meeting of 2022 - "The committee is of a mind to raise the federal funds rate at the March meeting assuming that the conditions are appropriate for doing so," said Powell. This is the one part that caught my attention though - Powell was explicit on one key point: that with inflation high and for now apparently getting worse, the Fed this year plans to steadily clamp down on credit and end the extraordinary support it has provided to the U.S. economy during the coronavirus pandemic. Basically, that's an "Oi lads! And you ladies too. Get in here! The party is over!"

Let's see how that pans out - doesn't sound like things are particularly "transitory" Mr Powell. Back over the pond again, wow I'm like a water boatman today. To me the real story about Russia/Ukraine tensions centres around wheat, check this out "In the case of an invasion and an extreme retaliatory blanket embargo on Russia and occupied Ukraine, the international market will be deprived from the largest and the third largest wheat exporter in the world (not counting the EU as a block). In a relatively short time, a huge amount of wheat could be removed from the international market. Russia is exporting 35mmt and Ukraine 24mmt in the current season. The combined of 59mmt is equivalent to a massive 29% of global exports." Thanks to Rabo Bank for that. Hmm. Doesn't help the inflationary argument, does it? Like I said, lots of moving parts, try and concentrate on one if you can though. Good day.

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Daily Energy Markets VIEWS YOU CAN USE



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Dr. Charles Ellinas

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



Does Europe have a gas supply contingency if the Russia Ukraine issue escalates?

Europe's imported gas volumes from Russia are huge and cannot just be replaced from one day to the next. But unless there is a full-blown war, the impact on gas imports to Europe from this conflict are small. The gas coming through Ukraine is about a quarter of what it used to be. Germany especially depends on Russian gas, so they don't want to overreact and take a stance and cause problems unnecessarily. In the end, Putin is posturing, and he will get some concessions from the US. The economic consequence to Russia would be devastating if he does anything serious. He has Crimea and Ukraine is not being brought into the NATO fold, so why should he escalate the whole thing and incur huge penalties? I see Nord Stream two being approved by the summer and easing the gas crisis in Europe. Part of the recent energy crisis has been caused by too much reliance on renewables and shutting down coal and nuclear plants. Europe is now introducing gas and nuclear power back into its taxonomy, so it's admitting that gas is part of the equation for now, and that includes supplies from Russia.

Outlook for energy demand this year?

Omicron has proven to be short lived. The UK has removed all restrictions and some other European countries are following suit. That will boost demand faster than many people expected. Another factor is that China is easing its monetary policy, reducing rates, and that is also going to have at least a short-term effect of increasing oil demand, while supply remains tight for the time being. ■

**Paraphrased comments*

Daily Energy Markets



Mashreq 60-SECOND SOUNDBITE

Dr. Carole Nakhle

Chief Executive Officer
Cristol Energy

**"We saw a Drastic
Difference in the FED
tone from last year"**

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Mashreq 60-SECOND SOUNDBITE

Edward Bell

Senior Director, Market Economics
Emirates NBD

**"How may Hawkish
FED impact oil
markets?"**

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