

ENERGY MARKETS FORUM DAILY BULLETIN



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THURSDAY /// APRIL 22nd /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL FALLS 3RD DAY ON US STOCK BUILD, SURGING COVID-19 CASES
2. OPEC+ UNLIKELY TO DRASTICALLY CHANGE OIL PACT NEXT WEEK
3. UAE MULLS MOVEMENT RESTRICTIONS ON RESIDENTS WITHOUT VACCINES
4. INCREASED US AIR TRAVEL IS BEGINNING TO INCREASE JET FUEL DEMAND
5. EXXON SETS DEADLINE TO EXIT WEST QURNA 1 IN IRAQ
6. SHARP RISE IN GASOIL MOVING EAST TO WEST
7. IRAN NUCLEAR DEAL TALKS ADVANCE AS US OFFERS SANCTIONS RELIEF
8. DOMESTIC CRUDE INVENTORIES CLIMB, ENDING STREAK OF DECLINES
9. OILFIELD SERVICES GIANTS OPTIMISTIC ABOUT DRILLING RECOVERY
10. GERMAN LAWMAKERS APPROVE 'EMERGENCY BRAKE' VIRUS RULES

RECOMMENDED VIDEOS & REPORTS

- SLOWING DOWN AS ELECTRIC VEHICLES ACCELERATE
- NO ROOM FOR COMPLACENCY IN FIGHT AGAINST COVID-19
- US ECONOMY ON A SOLID FOOTING, CORONAVIRUS STILL TOP THREAT
- ICE ANNOUNCES 18,848 MURBAN CRUDE OIL FUTURES CONTRACTS TRADED ON APRIL 20
- IRAN NEEDS THREE-PLUS MONTHS TO RETURN OIL TO 2015 JCPOA-LEVEL MARKET LEVEL
- AUSTRALIA CANCELS BELT & ROAD DEALS; CHINA WARNS OF FURTHER DAMAGE TO TIES
- FED'S TAKING A BIG GAMBLE RIGHT NOW!

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NEW SILK ROAD LIVE PODCAST



David Rundell
Author
Vision or Mirage, Saudi Arabia at the Crossroads



Kate Dourian, FEI
MEES Contributing Editor &
Non-Resident Fellow
The Arab Gulf States Institute in Washington



Marc Ostwald
Chief Economist & Global Strategist
ADM Investor Services International

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NEW SILK ROAD LIVE

TOP 3

THURSDAY /// APRIL 22nd

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DAILY OIL COMMENTARY

FX

FX markets showed fairly muted moves overnight with dips in the Euro mid-day unwound later in the session with that pattern generally replicated across most peers. The notable standout though was USDCAD which fell almost 0.9% in favour of the loonie to 1.2497. That followed the Bank of Canada saying it would cut their level of asset purchases and look toward an eventual rate rise. The hawkishness comes as Canada's economy has managed to recover strongly out of the Covid-19 pandemic, even if some provinces are forced to endure stringent lockdown measures.

Equities

Global equity markets had a better day yesterday, clawing back some of the losses seen almost across the board on Tuesday. The European composite STOXX 600 closed up 0.7%, with the DAX, the FTSE 100 and the CAC gaining 0.4%, 0.5% and 0.7% respectively. In Japan, the Nikkei lost a further -2.0% as resurgent Covid-19 cases are weighing heavily on sentiment there. There has been a 2.1% gain in trading so far today, but the benchmark index remains down -1.8% w/w. Similarly in India, the SENSEX is now down -1.7% w/w as cases surge there too. In the US, all three benchmark indices recouped their earlier losses, with the NASDAQ the biggest gainer at 1.2%, followed by the S&P 500 and the Dow Jones which both closed up 0.9% yesterday.

Commodities

Oil prices were lower overnight. Brent futures fell 1.9%, to \$65.32/bl. WTI was down 1.8%, to \$61.35/bl while Murban gave up 2.7% to close at \$63.29/bl. Anxiety over how badly demand could be affected by India returning much of its economy to lockdown conditions is weighing on oil even as demand in markets like the US remains robust. US crude inventories showed a modest build in commercial stocks of around 600k b/d. Production held at around 11m b/d while product supplied slipped back to less than 19m b/d.

Source: Emirates NBD

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Matt Stanley
Director
Star Fuels



Oil markets continue to ignore macroeconomic data on demand.

The Brent structure is backwardated until the end of December but it's not fundamentals that are keeping prices where they are - it's money flows and stimulus and that has been relentless and is skewing reality. When we wake up, we may see a correction down to \$60. It was only a year ago that we saw minus \$40 for WTI and we've rallied \$100 since then. That rally has been based on supply curtailment and this year has also leveraged off demand coming back. But if we look at the outlook for jet fuel, airlines across the world are once again cutting flights and domestic travel in India could come to a halt for the foreseeable future. There's so much negative energy around the energy markets themselves, but the funds don't care - investing in oil today gives good returns.

How does OPEC manage the India demand equation?

OPEC will need to address the potential drop in Indian demand. The market situation is very ambiguous and fluid, but as they're meeting monthly, they can react to market conditions. We are a sixth of the way into Q2 and everyone's locked down again and demand looks like it's faltering. Second quarter demand could wipe out any gains made in Q1.

Consequences of the US travel warning on 2H 2021 expected economic recovery?

That can has already being kicked down the road. The five million barrels of demand that has been forecast to come back this year is 50% jet fuel. We aren't going to see any definite decisions from countries on travel till at least June and even then, there will be so many conditions. And yet, refining margins are getting stronger. Some people are still assuming that jet fuel will make a comeback, but I don't see any semblance of order or normality until Q1 2022. ■

**Paraphrased comments*

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