

TOP 10 DAILY NEWS DIGEST

1. OIL RISES ON OPTIMISM OMICRON IMPACT WILL BE LIMITED ON FUEL DEMAND
2. RUSSIA SAYS OPEC+ DEAL BRINGS INVESTMENT BACK TO OIL INDUSTRY
3. SAUDI NEEDS \$75 OIL PRICE TO ACHIEVE 2022 SURPLUS
4. HOW THE WEST INVITED CHINA TO EAT ITS LUNCH
5. IRAN BASES NEXT YEAR'S BUDGET ON \$60-A-BARREL OIL
6. CHINA, RUSSIA DOMINATE G7 DISCUSSIONS
7. KENTUCKY TORNADOES: DESPERATE SEARCH FOR SURVIVORS AS DEATH TOLL RISES
8. ARAB STATES THAT OPPOSED THE IRAN NUCLEAR DEAL ARE NOW COURTING TEHRAN
9. IRAN'S DRAFT FISCAL BUDGET TARGETS 8% GROWTH
10. WALL ST WEEK AHEAD INVESTORS AWAIT FASTER TAPER, INFLATION VIEW AT FED MEETING

RECOMMENDED VIDEOS & REPORTS

- SAUDI ARABIA PREDICTS \$24BN BUDGET SURPLUS IN 2022
- EVERGRANDE BONDHOLDERS SETTLE IN FOR LENGTHY RESTRUCTURING PROCESS
- DOE TO NOTICE SALE FROM STRATEGIC PETROLEUM RESERVE AND ETC
- INVESTORS SEE PEAK DEMAND HAPPENING MUCH FURTHER IN THE FUTURE
- NORD STREAM 2 UNLIKELY TO BE OPERATIONAL IN CASE OF RUSSIAN AGGRESSION

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PODCAST

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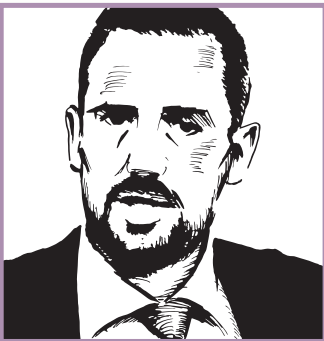


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Brent is trading this morning at \$76.28/bl up 1.13 and WTI is trading up 1.19 at \$72.86/bl. Monday 13th December and judging by traffic on the road I would say holiday mode is fully activated. On that note, shall we keep the good mood up with today's cracker? And I have to say, this made me laugh out loud. Yes, that is something I do, laugh at my own jokes. I say "my joke", it's not, is it? ANYWAYYY, here goes - I hate my job - all I do is crush cans all day. It's soda pressing. Sometimes, word fails me. Rarely. Right! Other nonsense - oil markets. In fact, markets in general. Am I missing something? Apart from most of my Christmas shopping, of course, but is my news filter on a "negative only" setting and there are many, many positive stories



BY MATT STANLEY
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out there as to why most markets are rallying? Nope, I don't see it. The only thing that I see is people saying, "Market sentiment has improved as the threat of the Omicron variant has receded,".

OK, let's talk about that, shall we? And again, for the 178th time this year, I'll insert the "I'm not being negative" caveat here. It was warned by UK scientists at the weekend that "Omicron wave could be worse than last winter without new lockdowns". UK Covid alert level has been raised to level 4. US Covid deaths now exceeds the entire population of North Dakota. It took 111 days for U.S. deaths to jump from 600,000 to 700,000. The next 100,000 deaths took just 73 days. US hospitalisations owing to Covid have increased 20% since Thanksgiving weekend. 64.3% globally of the High-Income population have received two doses of a Covid vaccine, this compares to just 1.9% of Low Income. African vaccination progress is just 8.6% for one dose. I

don't think I need to go on, and you know what? I don't want to. These headwinds are very much real for all markets and oil is no exception. In fact, oil has other problems, not least OPEC+ bringing back production meaning many are forecasting a supply surplus come Q1, US oil production at an eighteen month high, US oil rig count up 70% compared to this time last year and 5 million barrels of a US SPR release. Yet here we are, Brent at \$76.28/bl, seemingly only reading the headline that the Omicron variant is nothing to worry about. I hate to be negative, but the facts do not lie, markets are in danger of a hangover to end all hangovers come the New Year. Let's see what the week brings. Good day, and week to all.

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ENERGY MARKETS FORUM DAILY BULLETIN



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DAILY ENERGY MARKETS FORUM



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EXCLUSIVE SERIES VIEWS YOU CAN USE

Maleeha Bengali
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US inflation numbers are not impacting markets that negatively?

The market's more concerned about the rate of change of inflation rather than the inflation number itself. Having said that, the market in the last month has been very worried about the macro picture. Inflation and what the Fed does with its balance sheet is a concern. The Fed is still adding liquidity and that is what is driving the S&P. The markets are strong right now, but if the Fed tapers more aggressively and inflation is a huge concern, then the market can drop again. That is going to be the key answer we get this week when the Fed meets on the 15th of December.

Omicron not turning out to be so bad for oil markets after all?

Omicron is not the main reason why the oil market fell. It was the trigger. There's a shoulder period between October and December when oil demand drops off and we see a correction. And at \$86, oil had been massively bullish, so when Omicron hit a very long market, it fell. There's also distress in the rates market and in the bond markets. It's all one big macro trade.

Chinese economy impact on oil demand going into the end of the year?

China won't let the property market collapse be a financial armageddon. They will try to get rid of all the excess and allow the bigger players to deleverage and support the underlying market. The key thing is what China does going into the Beijing Olympics and whether they start reaccelerating demand into that. We saw a small uptick back in November, and we think demand will be strong into January.

Surprises from 2021, what to watch for in 2022?

The relationship between the US administration and OPEC has been a surprise as they are usually more in sync with each other. The blatantly ignorant central bank policy and their management of debt has been a concern this year. Looking ahead to 2022, we will be watching liquidity, the dollar and the bond market and how that plays out in terms of Fed policy. We think global GDP growth is at the risk of probably plateauing. There are lots of moving parts. It's very uncertain. If oil prices and gas prices and supply chains do not ease, the bond market may force the Fed's hand to taper more. ■

**Paraphrased comments*

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Mashreq 60-SECOND SOUNDBITE

Ahmed Mehdi
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**"Outlook for
ExxonMobil
in Iraq?"**

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Mashreq 60-SECOND SOUNDBITE

Omar Najia
Global Head, Derivatives
BB Energy

**"Oil markets are
likely to surprise
on the downside in
2022"**

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