Daily Energy Markets BULLETIN

Consultancy Intelligence Publishing

WEDNESDAY /// MARCH 16th

TOP 10 DAILY NEWS DIGEST

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1. THE WORLD IS FACING A CRITICAL DIESEL SHORTAGE
2. CHINA'S COVID LOCKDOWNS SET TO FURTHER DISRUPT GLOBAL SUPPLY CHAINS
3. RUSSIA'S EXPORTS OF COAL, CRUDE, LNG SLIPPING AS SELF-SANCTIONING STARTS
4. UKRAINE WILL NOT JOIN NATO, SAYS ZELENSKIY, AS SHELLING OF KYIV CONTINUES
5. SAUDI CONSIDERS ACCEPTING YUAN FOR OIL SALES
6. EU BACKS PLAN TO IMPOSE CARBON EMISSIONS TARIFF ON IMPORTS
7. FEARS RUSSIA WILL NOT BE ABLE TO PAY ITS DEBTS MOUNT
8. US COMMODITY CRISIS TO GIVE RISE TO NEW WORLD ORDER
9. SENATE PASSES BILL THAT WOULD MAKE DAYLIGHT SAVING TIME PERMANENT
10. US CARRIERS LEAN ON 'UNPARALLELED' TRAVEL DEMAND TO COUNTER HIGHER FUEL COSTS

RECOMMENDED VIDEOS & REPORTS

- US STOCK FUTURES ARE FLAT AHEAD OF WEDNESDAY'S FED MEETING
- OMAR AL-UBAYDLI, DERASAT: OPEC MUST SEIZE THE OPPORTUNITY TO MODERNIZE ITS IMAGE
- BIDEN TO JOIN NATO LEADERS IN BRUSSELS & ATTEND EU COUNCIL SUMMIT NEXT WEEK
- CAN NUCLEAR GENERATION HELP REDUCE EUROPEAN RELIANCE ON RUSSIAN GAS?
- RUSSIA SAYS IT HAS WRITTEN GUARANTEES ON IRAN NUCLEAR DEAL

Daily Energy Markets PODCAST

Consultancy Intelligence Publishing


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Bahrain Center for Strategic International & Energy Studies (DERASAT)

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Daily Energy Markets TOP 3 TAKEAWAYS

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TOP 3

WED /// MARCH 16th

TAKEAWAYS

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COMMENTARY

Oil prices remain highly volatile, buffeted and buttressed by developments in the war in Ukraine and fears that China's demand will collapse thanks to large outbreaks of Covid-19 in the country. Brent futures settled at $99.91/bl, down 6.5% overnight, while WTI closed at $96.44/bl, down almost 6.4%. The API reported a build in US crude stocks of almost 4m bls last week, helping to add to the downward pressure. Inventories at the Cushing, OK price point rose by more than 2m bls. On currencies, the dollar showed a modest boost overnight, up 0.1% to near in on the 100 level. EURUSD stands to benefit from any de-escalation of the war in Ukraine and gained overnight by 0.15% to 1.0956 and is extending its move higher in early trade today. USDJPY continues to push higher, closing at 118.30, up a bit less than 0.1% overnight. Sterling was another solid performer with gains of 0.3% to settle at 1.3042. Commodity currencies are in flux thanks to the persistent volatility in commodity markets. USDCAD closed down 0.5% at 1.2765 making up some of the loonie's losses from earlier in the week. AUDUSD rose 0.1% to 0.7196 while NZDUSD added almost 0.4% at 0.6771. On equities, some East Asian markets came under concerted pressure in Tuesday's session, buffeted by concerns over the new lockdowns in China and the potential for geopolitical fallout from the Ukraine conflict. Technology stocks, which are also exposed to tightening by the Federal Reserve, have been particularly affected. The Hang Seng dropped -5.7%, taking it down to levels last seen in early 2016, while the Shanghai Composite dropped -5.0%. By contrast, Japan's Nikkei eked out a 0.2% gain. There has been something of a rebound in early trading this morning, as the Hang Seng is currently up 2.4%. Elsewhere, stocks were buoyed by the fall in oil prices yesterday back to under $100/bl. Major European equity indices closed down just modestly (the DAX, CAC and FTSE 100 dropped -0.1%, -0.2% and -0.3% respectively) while US markets closed higher. The Dow Jones gained 1.8%, the S&P 500 2.1% and the NASDAQ 2.9%. Within the region, stocks were driven lower as oil prices fell, as the ADX and the Tadawul both dropped -0.7% and the DFM -1.4%.

Source: Emirates NBD

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HALF-TIME TALK
INTERVIEW SERIES

"China Shows No Appetite to Replace US as Security Partner for the Gulf"

Dr. Robert Mogielnicki
Senior Resident Scholar
The Arab Gulf Institute in Washington

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INDUSTRY SURVEY

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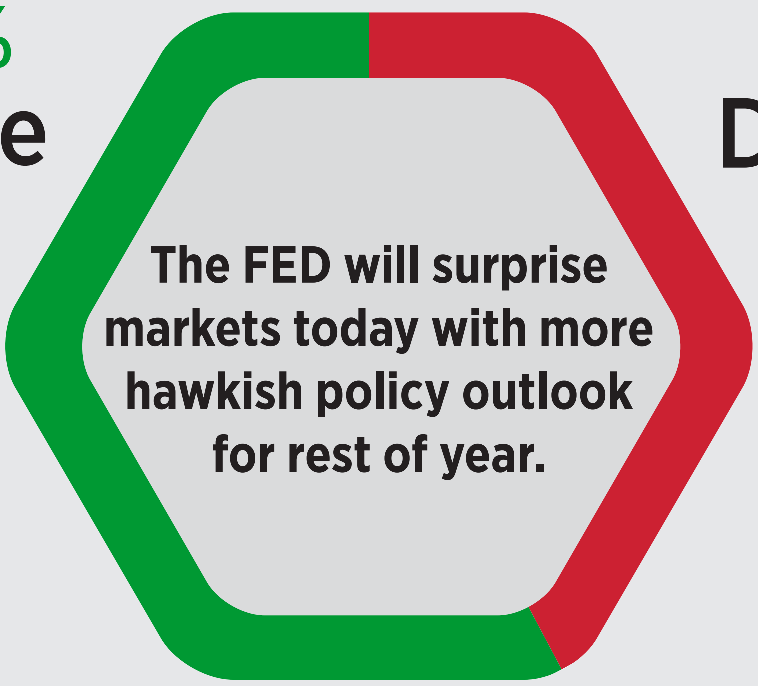
58% Agree

42% Disagree



Source: GI Research March 2022

Series Supported By: FOIZ Fujairah Oil Industry Zone; CC Energy Development; SNOC

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Consultancy Intelligence Publishing

WEDNESDAY /// MARCH 16th

Daily Energy Markets
VIEWS YOU CAN USE

Consultancy Intelligence Publishing

Clyde Russell
Asia Commodities & Energy Columnist
Thomson Reuters

Do we need to be switching our concern from tight supply to demand destruction?
It's too soon to be talking about that. Supply issues are still alive and well. There's been a lot of noise and volatility in the paper markets with people trading the headlines. On the physical side, the $60 million question to answer in the next few weeks is exactly how much Russian supply is coming out of the market, how much demand destruction we're going to see from lockdowns in China, and how high energy prices are deterring travel and economic activity. Those things are not yet set in stone, but they will become more apparent in April once we have more data.

What impact has the war had so far on Russian oil?
I was expecting to see Russian crude cargoes come off from April onwards but we're already seeing quite a lot of them not being loaded or bought. Volumes so far in March are down quite a bit. Russian coal is also collapsing. Exports in March will be about half their exports in February and January. That shows what happens when people self-sanction. The coal market may be the canary in the coal mine for oil.

How is China's Covid policy impacting its oil demand outlook?
The broader trend that we were already seeing in China was that it was only importing what it needed and no longer buying much for storage, as they had been in the last five years to build up strategic reserves. On a daily basis, that's on average 10 million bd of imports from the seaborne market and pipelines, unless and until they commission more refineries and up their exports. But if China continues its zero Covid policy, it's going to result in more lockdowns of major urban centers and that's going to be bearish for demand. I imagine that the leaders in Beijing are looking at Hong Kong and thinking, we can't have that happen here, so they're likely to crack down hard. The broader question is how long they can manage to do that.

Do we expect China to sanction Russia's invasion of Ukraine?
We in the West tend to look at China as facing binary choices – either support us or Putin. The Chinese tend to think of things differently. My guess is that they'll support Putin up to a point. They're going to see how this Ukraine situation pans out in the coming months and not make any fast decisions. And on the economic front, they have a tremendous ability to ramp up spending quite quickly so if things are looking really bad come June, they can turn on the taps massively over the summer and get themselves back on a 5.5% growth track. ■

**Paraphrased comments*

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Daily Energy Markets
LIVE VIDEO PODCAST

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WEDNESDAY /// MARCH 9th /// 10:30AM (UAE)

UAE

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