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Fujairah New Silk Road WEEKLY NEWSLETTER

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"Markets are in a Risk Off Mindset!"

Mike Muller, Head, Vitol Asia

Price action, market talk and money inflows and outflows that we observe show that the market is generally in a risk off mindset because of summer blues and because many companies seem to have made their targets on the year. This is also adding to the potent cocktail of volatility. I would suspect that a lot of people who had length would have gotten rid of it on that price down move $10 ago, and the market is therefore not seeing the sense of open interest. There are a confluence of factors impacting the weak outlook for oil. We have continued weak data coming out of China, be it industrial productivity in the factory space, or COVID related lockdowns; the strong dollar; the easing of concerns over Iraq's crude supply; and the overall weaker macro picture and recessionary concerns, which includes the cost-of-living crisis in Europe in particular. At the same time, there is also a worry about spare capacity and not just because of geopolitical disruptions, but also weather disruptions and the entire sanctions picture. If we look at the gas market, that has had a very clear demonstration of what happens to price when there's concern about capacity and effectively a rationing mindset. The explosive move in TTF, up to €343 per megawatt hour, is something we haven't seen in oil, but we have to also bear in mind that there is less oil now in the US Strategic Petroleum Reserve, which is at 20 to 30 year lows. Also, the period of post COVID price stabilisation by OPEC+ is over, and there's a big question mark over what next. Expressing a willingness to take oil off the markets in response to either oil coming from Iranian sanctions being dropped, or a lack of demand in China, just serves as a reminder that we're not going to see everybody producing flat out and so there needs to be a risk premium for the lack of spare capacity.

CONTINUED ON P 3

Fujairah Weekly Oil Inventory Data

7,070,000 bbl	2,672,000 bbl	11,997,000 bbl
Light Distillates	Middle Distillates	Heavy Distillates & Residues



Source: FEDCom & S&P Global Platts

Fujairah Average Oil Tank Storage Leasing Rates*

BLACK OIL PRODUCTS

Average Range
$3.62 - 4.38/m³

↑ Highest: $4.50/m³
↓ Lowest: $3.40/m³

THE WEEK In Numbers

Weekly Average Oil Prices

Brent Crude:	$91.60/bl
WTI Crude:	$82.20/bl
DME Oman:	$93.10/bl
Murban:	$93.52/bl

*Time Period: Week 2, Sept 2022
Source: IEA, OilPrice.com, GI Research

Fujairah Weekly Bunker Prices

VLSFO

High = $ 814.00/mt

Low = $710.50/mt

Average = $747.00/mt

Spread = $103.50/mt

MGO

High = $1,375.50/mt

Low = $1,307.50/mt

Average = $1,331.50/mt

Spread = $0.00/mt

IFO380

High = $507.00/mt

Low = $456.50/mt

Average = $473.50/mt

Spread = $50.50/mt

*Source: Ship and Bunker, *Time Period: Aug. 31 – Sept. 7, 2022*

Fujairah Bunker Sales Volume (m^3)

262 180cst Low Sulfur Fuel Oil	518,374 380cst Low Sulfur Fuel Oil	112,223 380cst Marine Fuel Oil
1,032 Marine Gasoil	33,237 Low Sulfur Marine Gasoil	4,864 Lubricants

Source: FEDCom & S&P Global Platts

GI Consultancy Intelligence Publishing

CONTINUED FROM PAGE 1

Mike Muller, Head, Vitol Asia

How likely is it that we will see Iranian oil flowing anytime soon?

The range of expectations by the experts out there on how this will play out has never been broader, but it will matter and particularly as we come into the peak demand period for Asia where the large NOCs tend to sign up term contracts for the next calendar year. So, the whole mindset around whether Iranian oil will come back to the market is extremely important for OPEC + to consider.

Is the oil price cap signed up to by the G7 market relevant yet?

It's probably the most discussed topic in the last 24 hours on specialist online media and it's awfully hard to say. The industry has obviously been aware of this desire to put in place such a cap for the last month and a bit and has largely dismissed the possibility of doing so in a way that actually works. We have to bear in mind that Russia's production is a much larger number than Iran's production so one can't draw parallels about sanctions taking effect in Russia in the same way as Iran. Russia has the capability to produce 11mbd, or 11%, of global supply, and export 7mbd plus of crude oil. And its products combined are an even greater percentage of the global supply picture. It is impossible for the world to get by without all of that so a way must be found to allow Russian oil to continue to flow into markets, because unlike the inventory build of gas in Europe, that does not apply to oil. What a price cap might seek to accomplish is that the Russian oil goes to a larger number of markets under a framework that is more fungible and in so doing, and once the sanctions take further effect later this year, the discounts we're currently seeing will possibly diminish at the same time that more participants are brought into the fold.

Outlook for the Chinese economy as we approach Q4?

The biggest narrative is that China is heading for an annual total for 2022 of importing 18-19% less LNG than it did in the prior year. That has come as a surprise and is just symptomatic of what's happening across Asia, which is demand destruction and fuel switching. LNG has been at the equivalent of a notional $80 per MMBtu, which to most Asian economies is unaffordable so they either switch or abstain. In the case of those that can switch, they're burning a lot more coal. But the demand destruction in some South Asian economies also must not be underestimated as they simply don't want to buy and that will affect high energy intensive industries. In China, things will get better, and demand will improve but right now, the headlines are going the other way.

WATCH FULL INTERVIEW HERE

ENERGY FOR LIFE

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Energy Markets Views You can Use

Maleeha Bengali
Founder
MB Commodity Corner

How bad is the liquidity in the market?

On the physical market side, every commodity trader is looking at the oil market tightness and is wondering why the oil price is dropping. We think this is bigger than the 2018-2019 liquidity unwind. This is more like 2008. What's happening is that when we see inventories tight today, it does not tell you what inventories will be in three months from now. The massive economic slowdown that we see across all our models in the next three to six months across the US, Europe, China, is going to filter into the oil market. This is all about demand and in the near-term, given the cyclical slowdown, inventories are building very fast. We've seen chaos in the macro markets because demand is being repriced lower across all assets, and oil prices are just a synonymous indicator of that as well.

How will the markets continue to absorb interest rate rises?

The US CPI will be released next week, and the markets are talking about a 7.5% year-on-year increase so the numbers are still very high from the Fed's 2% target. The Fed still has a lot of work to do. Meanwhile, Europe and the UK are printing money to save this energy problem for consumers and businesses. If you look at the relative purchasing power of currencies, the euro is dropping and that's driving the dollar even higher, making it much harder for risk assets going forward. The dollar is a big problem right now for a lot of countries and currencies, and for all asset classes and the Fed rate tightening stance is a determining factor. But they can't pivot yet because inflation is just too high and that's the catch-22 situation in markets.

What price could OPEC look to defend going forward?

Prices are still above the pre-COVID highs of $75 a barrel so it's interesting that OPEC is talking about cuts today, particularly because it's politically contentious when the whole world is battling an energy crisis. Inflation is also a problem - if OPEC cut too soon, prices will spike higher. Right now, no one can put a finger on exactly how much demand will be but we have seen the four-week average data point down every single week. We think OPEC will start getting worried if prices fall below $75.

Kieran Gallagher
Managing Director
Vitol Bahrain E.C

Impact of the OPEC cut announcement?

It looks like the market may have easily absorbed the 100,000 barrels cut, but the main fact remains that it's a demand concern out there right now, with rising inflation and interest rates. I think the trade is looking at a potential slowdown of demand and that's why the sell-off is coming a little bit easier, but I think there's a risk-on going into the final quarter of the year.

Where is the Iran deal at and what impact could it have on the market?

It doesn't feel like a deal is as imminent as it was maybe even a week ago, but it would have an impact, particularly with condensate stocks. Then the question becomes would OPEC try and counter that? But even if a deal is reached, there's not going to be an immediate deluge of oil and there's follow on obstacles such as banking and finance, insurance and shipping, that all need to be overcome to bring that oil to market.

How much demand could come from fuel switching in Q4?

East of Suez, we're already seeing very visible switches in the likes of Egypt, Kuwait, Pakistan, and Bangladesh, and that's principally a shift away from gas-burning at this price set. However, it isn't winter there yet, so there is potential for an increase. In terms of Northern Europe and Western Europe, there may be some infrastructure constraints in terms of how much switching can happen. There is potential for a further increase in demand, but we also need to ask if the market has the oil to give. We have seen diesel builds over the summer and there's probably more that market can lend to the sector. There are also diesel machines coming online in Saudi Arabia and Kuwait in new refinery capacity, albeit gradually. On the other hand, there are Indian export taxes, which will curb diesel supply and some maintenance in North Asia. But if that incremental demand comes from Europe, which we would expect, it does feel that there may be the diesel to give going into Q4.

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Fujairah Spotlight

Oil products stockpiles drop to 10-week low in week to Sep 5

Oil products stockpiles at the UAE's Port of Fujairah dropped to a 10-week low in the week to Sept. 5, led by declines in light and middle distillates, according to Fujairah Oil Industry Zone data published Sept. 7. Total inventories were at 21.739 million barrels as of Sept. 5, down 1.1% from a week earlier and the lowest since June 27, the FOIZ data showed. At this time last year, stockpiles were at a two-year low, erasing all of the buildup as demand recovered from COVID-19. Stockpiles were now 22.9% higher than a year earlier.

Source: S&P Global Commodity Insights

H.H. Sheikh Mohammed Al Sharqi witnesses the annual closing ceremony of Fujairah Martial Arts Club

His Highness Sheikh Mohammed bin Hamad Al Sharqi, Crown Prince of Fujairah, stressed the role of sports clubs and institutions in activating the sports movement in the country, and the importance of holding competitions and sports inside or outside the country in order to gain experience and achieve honorable results, pointing to the support of His Highness Sheikh Hamad bin Mohammed Al Sharqi, Supreme Council Member and Ruler of Fujairah, for sports activity in the Emirate, which contributes to enhancing the presence of the State in the sports sector globally. This came during the presence of His Highness the Crown Prince of Fujairah, the fourth annual closing ceremony of the Fujairah Martial Arts Club, at the Novotel Hotel in Fujairah.

Source: fujairahobserver

UAE wildlife, marine ecosystem to benefit from Dh440,000 conservation fund

Atlantis, The Palm, in Dubai has announced a selection of nine local conservation and sustainability projects set to receive funding from the '$1' contribution initiative the resort launched in June 2021. Atlantis' very own dive teams will assist Freestyle Divers as they plunge underwater to place artificial reefs into the shallow coastal region of Fujairah. This will support the rehabilitation of reef ecosystems in the area, protecting population levels and the biodiversity of natural marine life. Funding will also be provided to New York University Abu Dhabi to support their investigations into the impact of climate change on coral reef ecosystems in the Gulf.

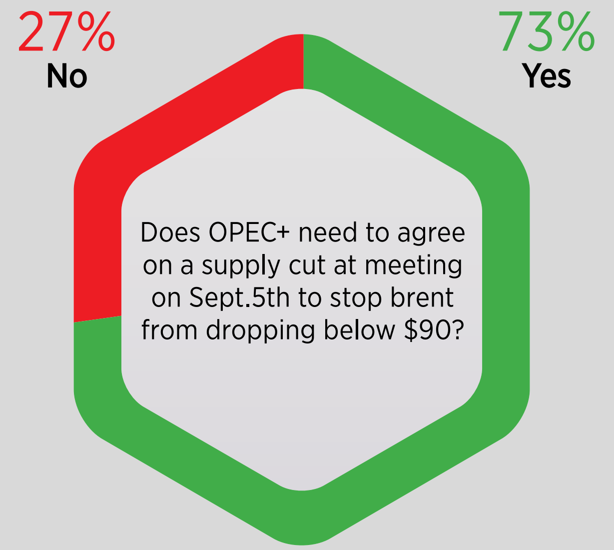
Source: gulfnews

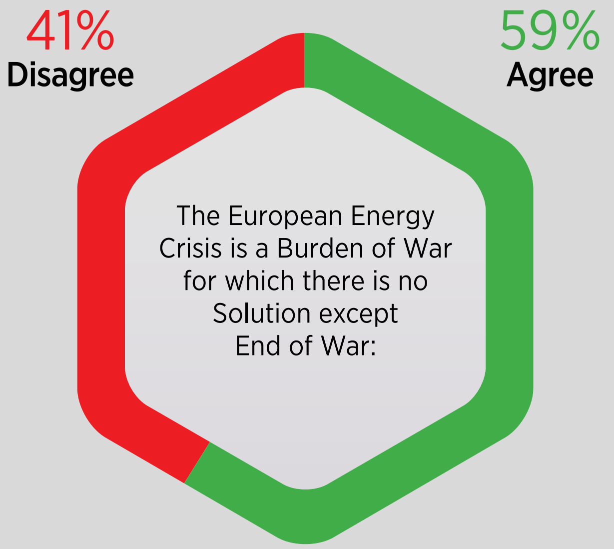
Does digital banking give SMEs what they need?

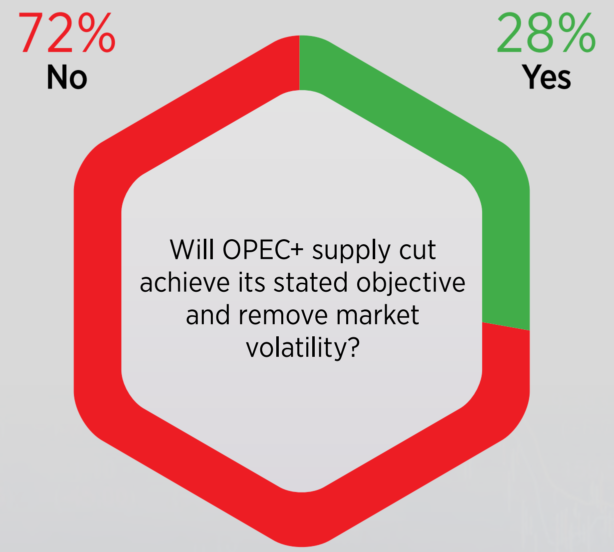
In the UAE, there are approximately 350,000 businesses with a headcount of less than 250 and turnover of less than AED 250 million, making up over 90 percent of the total number of registered companies in the country. When it comes to finance, SMEs face their own set of challenges and risks. In this piece, Rehan Ali, Head of Business Banking at National Bank of Fujairah, shares what SMEs typically look for in their digital banking and how banks can meet these needs. In conclusion then, the digital transformation of banking is, on balance, beneficial for SMEs. It not only enables banks to offer the quick, convenient banking that SMEs are looking for, but also for them to provide support and guide on more than just financial matters, but also HR, legal and other areas. To do this to best effect though, banks must maintain the human touch where relevant, and continue their vigilance on and technological innovation to improve cybersecurity.

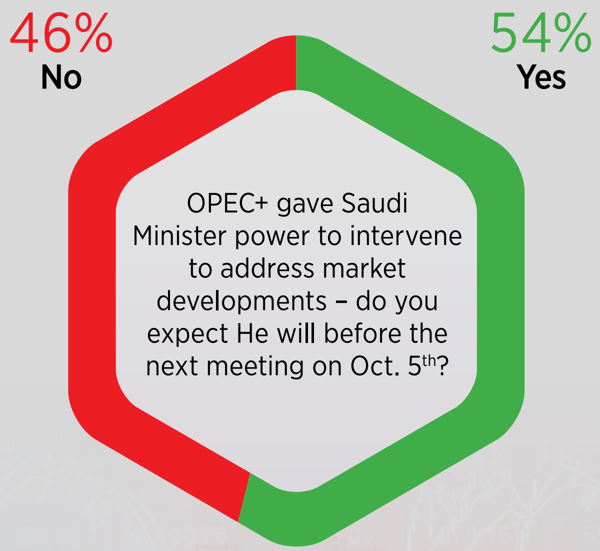
Source: sme10x.com

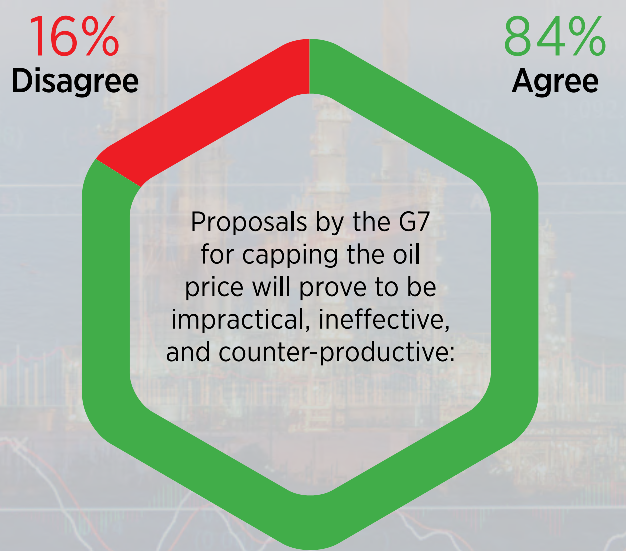
GI Weekly Surveys











Source: GI Research March 2022

Energy Markets Views You can Use

Bora Bariman
Managing Partner
Hormuz Straits Partnership

What's your take on the OPEC decision this week?
The demand outlook is tempered and OPEC reacted to that. OPEC is also calibrating and fine-tuning its messages as they realize that monetary policies are going to be tighter and they gave the signal that they will react quite nimbly to demand side signals, which today are bearish.

Can the UK resolve its energy crisis with price caps?
Price caps were not the cure to inflation in the 1970s, and I'm skeptical that they will result in anything but rationing and shortages in the 2020s. There are stresses following borrow and spend through the energy transition, which itself is inflationary - it's a type of fiscal stimulus. I don't find the UK's Liz Truss out of line with the governing policies of the Western bloc - the US and the EU in general. We're going to see expansionary policies continuing with the energy transition being financed on a credit card. There are slight nuances. Liz Truss is giving warmer words toward the upstream industry, the North Sea, and the fracking industry and emphasizing alternative energy, such as nuclear power. She's ahead of the curve compared to her colleagues in Germany who still look a bit ambivalent about bringing nuclear power back online.

Will the Bank of England follow in the Feds footsteps?
I would err on the side of hawkishness because these central bankers move in herds - risk on, risk off – and the message from Jackson Hole was to be hawkish. It's a matter of credibility right now and that's having ramifications in many areas. One is that the euro is at its lowest point since its inception so although Brent may have come off its recent highs, in euro terms, it's still near historic peaks. The same would apply for many of the emerging market currencies, and that's also placing pressure on manufacturing industries.

Andrei Belyi, PhD
Professor, Founder & CEO
Balesene OÜ

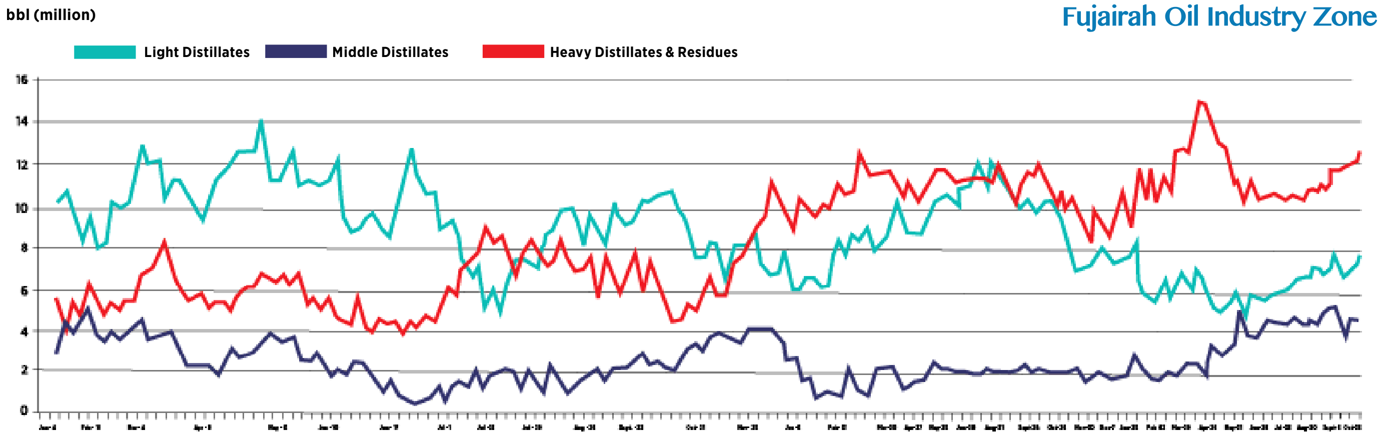
Russia's move on gas exports was predictable.
There is a gas crisis in Europe and even Russian gas flows to Europe via Ukraine might be interrupted at some point. Also, gas storage only ensures a third of European consumption in winter – it's a backup solution to flowing piped gas and LNG supply. In terms of policy, the attempts to increase LNG supplies in many areas have been successful so far but the availability of product does not reduce the price risks. The price for natural gas and LNG remains excessively high, and that also stimulates electricity price hikes that directly affect the population and industry. It remains difficult to see whether EU member states will proceed with a fuel switch by increasing consumption of coal and oil products where possible, or whether they will be forced to put industries on vacation, particularly chemicals industries that require natural gas as feedstock.

Impact of sanctions so far on Russian oil and gas production?
The loss in Russian production by the end of this year is estimated at around 12%-15%. Also, while the oil may be exported from the ports, it is often not purchased thereafter and stays in storage somewhere offshore. We also don't yet know the full effects of the sanctions on access to equipment and technology – a number of projects involving deep water drilling are being revised and canceled. So, the situation is difficult.

Iran and Russia seem to be strengthening their economic ties?
Perhaps by default in the context of their growing economic isolation, but they have a divergent interest when it comes to the nuclear deal. If Iran officially reenters oil markets, then the pressure on the oil deficit will decrease and Iran will be able to supplement oil supplies where Russia is present and where it is not wanted by buyers. Iran could be a major threat to Russia in that regard.

Fujairah Weekly Oil Inventory Data

FOIZ
منطقة الفجيرة للصناعة البترولية
Fujairah Oil Industry Zone



TOP TAKEAWAYS

- Total oil product stocks in Fujairah were reported at 21.739 million barrels, with a drop of 233,000 barrels, or 1.1% week-on-week. The stocks movement saw a draw in light and middle distillates, and partially offset by a build in heavy residues.
- Stocks of light distillates, including gasoline and naphtha, fell by 203,000 barrels or 2.8% on the week to 7.070 million barrels as they fell to their lowest level since the end of July. The Asian gasoline complex softened as concerns of an economic slowdown weighed on Asian demand. China's demand could be further weakened in September as COVID-19 cases have again risen with scattered lockdowns. In tenders, Sri Lanka's Ceypetco sought 297,500 barrels of gasoline for delivery over Sept. 20-21 in a tender that closes Sept. 6. Egypt's EGPC was seeking two cargoes of gasoline in a tender that closes Sept. 12. The first cargo is for 30,000-33,000 mt of 95 RON gasoline for delivery to the Alex port over Oct. 10-12 and the second is for 33,000 mt-35,000 mt of 95 RON gasoline for delivery to the Suez port over Oct. 10-12.
- Stocks of middle distillates, including diesel and jet fuel, fell by 352,000 barrels or 11.6% on the week to 2.672 million barrels. The gasoil complex in Asia sought fresh cues early September with largely steady near-term demand and supply fundamentals keeping the market on an even keel, though dampened by concerns over China's renewed lockdown measures. In tenders, South Africa's Engen Petroleum was seeking a 10 ppm sulfur summer-specification gasoil cargo of 40,000 mt for loading from Singapore/Malaysia Sept. 18-20, or from India or the Persian Gulf Sept. 22-24. Egyptian General Petroleum Corp. has also issued a tender seeking 0.05% sulfur gasoil, four cargoes of 60,000-65,000 mt each, for delivery in early-to-mid-October to Ain Sukha, Sonker/Sumed terminals. Sri Lanka's Ceypetco has issued a tender seeking a combined cargo of 0.05% sulfur gasoil, 150,000 barrels, and jet A-1 fuel/kerosene, 160,000 barrels, for delivery Oct. 24-25 to Colombo.
- Stocks of heavy residues rose by 322,000 barrels or 2.8% on the week to 11.997 million barrels, marginally below the 12-million-barrel level. Sluggish demand at both the bunker hubs of Singapore and Fujairah weighs on downstream markets. Platts benchmark FOB Singapore Marine Fuel 0.5% sulfur cargo assessments rose 73 cents/mt on the day to $679.11/mt, while the front-month ICE Brent futures contract slipped $1.72/b, or $12.61/mt, during the Platts bunker Market on Close assessment process on Sept. 6. Fujairah-delivered marine fuel 0.5%S was heard offered at $710-$728/mt, with the lower range of offers for product deliverable from Sept. 12-15 onward.

Source: S&P Global Platts

Commodities

Oil prices are showing signs of a disorderly sell-off with moves exaggerated given the scale of news and data flow. Brent futures fell by 5.2% to USD 88/b, their lowest level since January this year while WTI dropped to USD 81.94/b, down 5.7%. The scale of moves will likely be making OPEC+ officials anxious and prompt more intervention to support markets.

FX

Currency markets were relatively quiet in the early session before EURUSD pulled higher later in the session ahead of today's ECB meeting. Markets are still split whether the ECB will hike by 75bps followed up by smaller moves or use a series of several 50bps hikes. EURUSD settled at 1.0006, up 1%.

Equities

US equity markets enjoyed some positive sentiment yesterday as all three major benchmarks closed higher. The Dow Jones, the S&P 500 and the NASDAQ gained 1.4%, 1.8% and 2.1% respectively, although all three still remain down w/w.

Source: Emirates NBD Report

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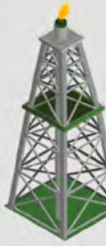

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Today, we continue to look for new and innovative ways to maximize the value of our resources, pioneering those approaches and technologies that will ensure we are able to meet the demands of an ever-changing energy market, and continue to have a positive impact on the Sharjah economy for future generations.

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Energy Markets Views You can Use

Richard Redoglia
Chief Executive Officer
Matrix Global Holdings

Did OPEC+ surprise the markets this week with their decision to cut output?
OPEC, with Russia, have decided to draw a line in the sand and say that they are going to control supply. They're responding to the policies of almost every western government, and others, who have said that they don't want oil in ten years, and so OPEC+ is saying, fine, then you're going to pay for it for the next nine. Meanwhile, politicians are coming up with ideas that run counter to simple economic reality. They're talking about price caps. In California, they want to get rid of all gasoline-powered cars. These green policies are causing private equity and large financial institutions to steer away from hydrocarbons and that's created a price reaction.

Are sanctions working on Russia?
Putin continues to have a war and make money by selling his oil and gas. Sanctions are a politician's sword. Politicians, if they were oil traders, would all be fired, and their companies bankrupt. What happens when people start freezing? What are politicians going to say? I think the real problem is that we have made this bed based on the belief that we are going to transition to this other green future. The people who have made that decision did not know what they were doing.

Outlook for the US economy?
We still have a printing press here that runs at full speed. I've given up trying to figure out how this works. The US is close to recession, the housing market is starting to fall apart, interest rates have to rise further, but the US also has a lot of good things going for it. We should be producing LNG export plants and drilling as much as we can because I think we're headed towards a commodity-based world where fiat currencies struggle, and Russia knows that.

Rustin Edwards
Head of Fuel Oil procurement
Euronav NV

Is there any way out of a gas crisis for Europe this winter?
We'll see Europe get through this winter one way or another. Natural gas storage is above 80% across the EU bloc, which gets them well ahead of their November deadline, and if they can get the waterborne transport moving down the Rhine and the help to facilitate nuclear power plants back online in France, they will be ok, assuming it's a moderate winter. We will still have recessionary issues hitting energy demand with prices impacting utilities and industrial production. That has already started.

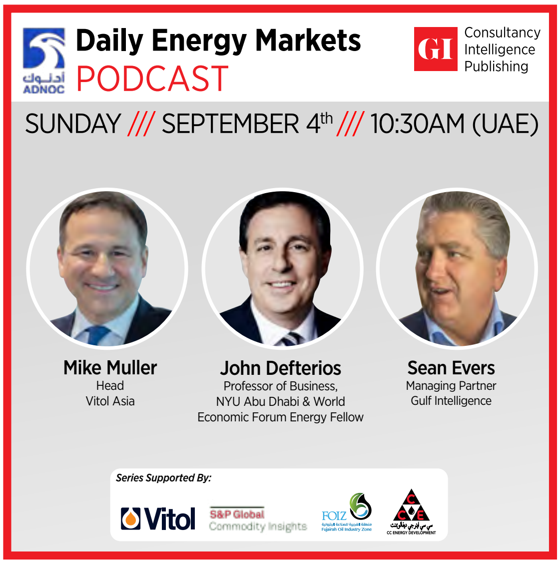
Outlook for Q4 shipping rates given the demand outlook?
The market has done a flip from where it was about a year ago. Container rates are dropping, and forecasts continue to go lower because forward demand for consumer goods is dropping. Rates between Europe and Asia and the US and Asia have come off around 10% so far and they continue to project lower because of poor Q4 buying in the US. Tanker rates have had a nice resurgence mainly because of a lot more oil moving around the world and with delays in getting things discharged because demand is not as high, we end up with tanker rates and ton-miles going up. VLCC rates are in the $40,000-$50,000 per day rate, and fuel prices have also come off, which helps the earnings on ships in general.

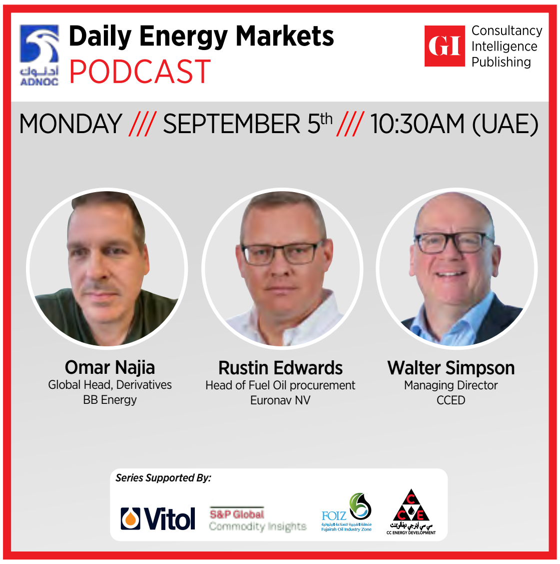
Crude oil shipments into China have dropped. How has that impacted tanker rates?
China and India are countries that can readily trade in the dark fleet markets, which is excluded from a lot of controls. There is good demand for Russian oil into China and India because it is heavily discounted. The ships that move that oil are not part of the commercial fleet anymore - they're using different insurance routes and different insurance rates.

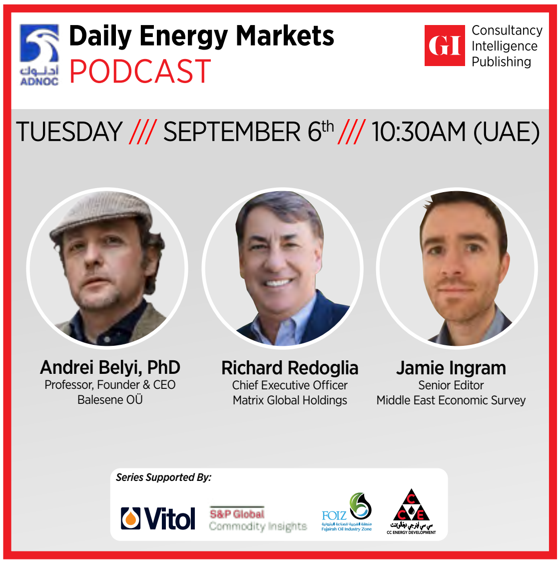
Outlook for product margins in Q4?
Gasoline margins have collapsed in last few days and industrial fuels are at negative crack values on the back of weak demand. In the US, we saw a lack of gasoline demand over the summer because of higher prices. It was down 8% compared to the same period in the pre-Covid years of 2017-2019 and 5% lower than this time last year.

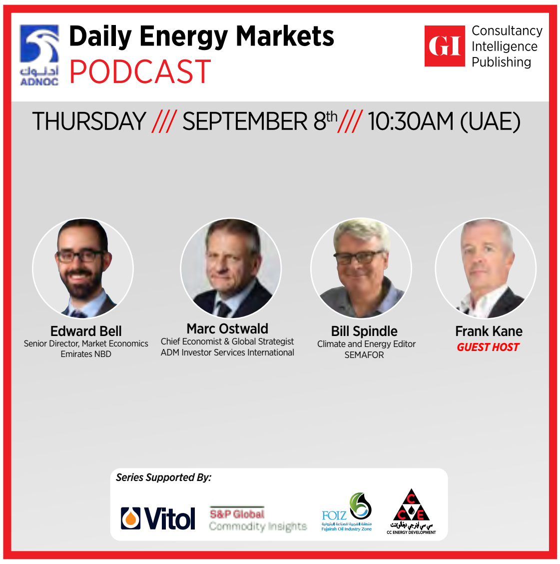
Energy Markets COMMENTARY

WEEK IN REVIEW









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Energy Markets Views You can Use

John Defterios
Professor of Business, NYU Abu Dhabi
& World Economic Forum Energy Fellow

What will be the top consideration for OPEC+ at their meeting this week?
The Saudis specialize in looking at the data. They're worried about China's industrial activity dropping for the first time in a quarter. At the same time, we saw pretty strong US jobs figures last Friday, even though wage rises are easing. We're also going to have a division of the OECD countries, where Europe is slowing down heavily because of the Russia gas crisis and the shutting down of Nord Stream 1 and we have the G-7 saying they're going to try to enforce a price cap. If you're not buying the oil in the open market, can you enforce a price cap? No. Does it make it a better purchasing price for the developing world in places like India? Yes. So that equilibrium is playing out right now. OPEC+ has said that there's oversupply of about 400,000 barrels a day. Demand might be holding up at this stage, but they're fast forwarding to 2023 and don't want to see a price collapse.

Could we see OPEC+ make an output cut?
My view is that coming into the OPEC+ meeting, they want to defend $90 to $95 a barrel. Do they make a move to cut at this stage? I would say it would be surprising and partially because of geopolitical reasons. They don't want to overreact to a slowdown that hasn't appeared just yet, but their message is that they want to monitor the situation and if they need to pull oil off the market, then they will but not yet - it doesn't work geopolitically or economically. It's uncertain how growth is going to hold up, particularly in Europe, where the mood right now is very dire, with high inflation, very high energy prices and food prices that have gone up 30 to 40% since the start of the Russia-Ukraine conflict.

How much of an issue is spare capacity?
It is the giant elephant in the room. That's why the US, with the Europeans, are working aggressively behind the scenes to see if they can work out a deal with Iran. Iran is playing hardball trying to get the best deal possible and trying to counterbalance the influences of Russia. And then there are players like India that are just looking for the best price in both Iranian and Russian crudes. So, it's a huge challenge for OPEC+ but they always come out with an agreement that sticks.

Energy Markets Views You can Use

Walter Simpson
Managing Director
CC Energy Development

Given the weakening economic outlook for Q4, why does OPEC not cut output?
They're not meeting their current quotas so my gut feeling is that the option of cuts will stay on the table because it keeps prices supported, but things will stay where they are because it will be very difficult to reach agreement on the details of any cut. The volatility of the market is what concerns OPEC more than the actual price, which as it stands above $85, is a good level.

OPEC could consider doing something to output if and when a deal is reached between the US and Iran, but everything that's coming out of those negotiations at the moment suggests that it's not going to be imminent. OPEC+ will work hard to keep the current deal going because it's clearly helping revenues in the region. It might not be easy to do because of the geopolitics around the US, Iran, Russia etc. but at the end of the day, it's the money that matters.

What impact is weak Asian demand having on Gulf producers' planning?
I think the rhetoric will be we that they will manage the market and if they need to make cuts for the sake of price, then they'll find a way of doing that. There is a concern, but a lot of it is seen as short-term driven and they wouldn't be able to react quickly enough anyway.

Does the spare capacity issue weigh on OPEC decision-making?
I think that's part of the reason they're looking for stability in the price and wanting to get rid of this volatility because they want investment into oil and gas projects. That's hard to get when you don't know if the price is going to be $10 above or below where it is today, tomorrow. There's no spare capacity - I think everybody's pumping flat out at the moment, no matter what they say.

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4. EU IS BUYING ALL THE RUSSIAN OIL IT CAN BEFORE BANNING IT
5. CHINA'S TRADE FALTERS AS DEMAND WANES AT HOME & ABROAD
6. INDIA'S AUGUST FUEL DEMAND STEADY M-O-M, DIESEL CONSUMPTION DROPS
7. IRAN HAS ENOUGH URANIUM NEAR WEAPONS-GRADE FOR A BOMB, IAEA REPORT
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GI Soundings Week in Review

"No Respite in Sight For Europe Gas Crisis Despite Builds in Storage Levels!"

Over the last week, Gulf Intelligence has held high-level interviews with energy experts in the MiddleEast, Asia, Europe, and the US. This intel is harvested from the exclusive briefings.

- **Omar Najia, Global Head, Derivatives, BB Energy**
- **Jamie Ingram, Senior Editor, Middle East Economic Survey**
- **Edward Bell, Senior Director, Market Economics, Emirates NBD**
- **Marc Ostwald, Chief Economist & Global Strategist, ADM Investor Services International**
- **Bill Spindle, Climate and Energy Editor, SEMAFOR**

Omar Najia, Global Head, Derivatives, BB Energy **CURRENCIES:** "The biggest markets in the world are the currency markets, and they're nosediving, indicating that things are going to be desperately bad in the UK and the EU. We're seeing people demonstrating because of inflation and the reason we have inflation is because people need to buy bare essentials and their currency is collapsing."

Jamie Ingram, Senior Editor, Middle East Economic Survey **OPEC+:** "The OPEC+ move this week was symbolic. When they agreed one month ago to add 100,000 bd, everybody was saying that this was a symbolic gesture and that it would materialize into 40,000 bd maximum, and it is the same on the reverse. It barely scratches the sides of oil supply and demand issues, but it does show that OPEC+ is concerned about market management."

Edward Bell, Senior Director, Market Economics, Emirates NBD **GULF BUDGETS:** "At $90 oil, Gulf oil producers still have lots of cash. It's less enormous than the $120/bl plus levels that we had before but if prices are at $80 and above, it's still very good. We're looking at an expected budget surplus of 10% of GDP for Saudi Arabia this year."

Marc Ostwald, Chief Economist & Global Strategist, ADM Investor Services International **EU ENERGY:** "France, with 70% of its power generated by nuclear, is in absolutely dire straits because of drought, lack of maintenance during COVID period etc. It's finding itself with half of its nuclear industry not producing the energy levels that it needs and given it's a large EU energy exporter, this will prove difficult for the rest of Europe."

Bill Spindle, Climate and Energy Editor, SEMAFOR **US FED:** "The Fed is becoming more determined and has said it's going to push interest rates higher until it starts to see some real traction on inflation. Chairman Powell has made it pretty clear that may mean the job market will unravel. In terms of how long that will take and whether that will involve a recession, it's hard to tell."

Daily Energy Markets

TOP TAKEAWAYS
MARKET OBSERVATIONS FOR THE WEEK
September 4th - 8th

1. Oil markets are generally in a risk-off mindset at the moment because many firms are remaining on the sidelines as they have already made their targets for the year but we could see risk-on again in Q4.
2. Asian term buyers need to know if Iranian oil is coming back into the market anytime soon as they go into the peak oil demand season ahead of signing contracts for the next calendar year.
3. Storage levels of 80% for Europe gas ahead of winter is not normal. Normal would be 100% storage, with 100% Russian gas still flowing.
4. Global gasoline margins down on weaker demand, including in the US because of high prices. US demand down 8% on pre-Covid levels and 5% lower than a year ago.
5. OPEC 100k bls cut seen as warning shot at those looking to short prices and as a message that it is willing to adjust output if and when Iranian oil comes back.
6. Europe gas diversification efforts do not reduce price risks, which also stimulate electricity price spikes for consumers and industry. It remains to be seen whether fuel switch measures or stopping industrial activity will work best to manage Europe gas crisis.
7. Iran and Russia might be getting more friendly by default, but they will diverge on the nuclear deal as Iran could supplement Russian supply within OPEC+ if sanctions are removed.
8. We are seeing very visible fuel switching away from gas burning in East of Suez markets, which could grow further as winter arrives.
9. The expected massive economic slowdown will filter into oil markets as it destroys demand.
10. The strong US dollar is a big problem for a lot of economies right now as they try to bailout households and companies from the energy crisis.

ITINERARY

10th Anniversary EMF22 WEEK

ENERGY MARKETS FORUM

October 4th - 6th, 2022 | Novotel, Fujairah

Gulf Intelligence: Consultancy, Intelligence, Publishing

DAY 1 - OCT. 4th

What: Port of Fujairah Executive Boat Tour
Where: Port of Fujairah
Time: 2:00pm

What: FOIZ Oil Storage Terminals Industry Tour
Where: Port of Fujairah
Time: 2:00pm

What: The Aramco Trading New Silk Road CEO of the Year Awards 2022
Where: Novotel, Fujairah
Time: 7:00pm

DAY 2 - OCT. 5th

What: Industry Forum - East of Suez Outlook
Where: Novotel, Fujairah
Time: 8:00am - 3:00pm

What: International Energy Journalism Awards Dinner
Where: Novotel, Fujairah
Time: 7:00pm

DAY 3 - OCT. 6th

What: Energy Markets Workshop - Benchmarks
Where: Novotel, Fujairah
Time: 8:00am - 2:00pm

Consultancy
Intelligence
Publishing