ENERGY MARKETS FORUM
DAILY BULLETIN

Consultancy Intelligence Publishing

WEDNESDAY /// SEP 29th /// 2021

TOP 10 DAILY NEWS DIGEST

1. OIL FALLS FOR SECOND DAY AS SUPPLY-DRIVEN RALLY PETERS OUT
2. OPEC SEES GLOBAL OIL DEMAND GROWING UNTIL 2035
3. API: OIL INVENTORIES RISE BY 4.1MN BARRELS LAST WEEK
4. WHITE HOUSE SPEAKING WITH OPEC ABOUT OIL PRICES
5. RYSTAD ENERGY: LNG PRICE RALLY COULD BOOST OIL DEMAND
6. THAI JET FUEL DEMAND LOOKS TO REVIVED TOURISM SECTOR
7. OPEC: OIL WILL BE WORLD'S NO. 1 ENERGY SOURCE FOR DECADES
8. IRAN CEMENTS ALLIANCE WITH CHINA, RUSSIA IN CLEAR MESSAGE TO US
9. FORD JUST MADE ITS BIGGEST INVESTMENT EVER
10. SOARING COAL PRICES ARE SQUEEZING ALUMINUM SUPPLY

Series Supported By:

RECOMMENDED VIDEOS & REPORTS

- OPEC PREDICTS A WINNER IN GLOBAL ENERGY TRANSITION
- SEN. WARREN CALLS FED POWELL A 'DANGEROUS MAN,' SAYS SHE WILL OPPOSE HIS RENOMINATION
- US CONSUMER CONFIDENCE HITS 7-MONTH LOW AS NEAR-TERM ECONOMIC OUTLOOK DIMS
- DOW DROPS MORE THAN 550 POINTS AS INFLATION CONCERNS RATTLE INVESTORS
- PORT OF FUJAIRAH EXPECTING RECORD THROUGHPUT FOR LIQUID BULK IN 2021
- CHINA SADDLES BELT & ROAD COUNTRIES WITH $400 BLN DEBT- REPORT

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NEW SILK ROAD LIVE PODCAST

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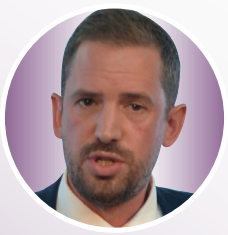

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DAILY ENERGY MARKETS FORUM
NEW SILK ROAD LIVE

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TOP 3
WEDNESDAY /// SEP 29th
TAKEAWAYS

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FX

With markets in mini-meltdown mode the dollar remains well supported. The DXY index added 0.4% overnight to 93.77 even as the US government heads towards funding uncertainty and potential, if low, of a default on US Treasuries. Heavy selling in major pairs eased toward the end of the session but most currencies managed to hold their losses in the evening. EURUSD fell a third day running, down 0.1% to 1.1683, while USDJPY jumped up 0.45% to 111.50, its highest level since July. GBPUSD was the most prominent casualty overnight, falling more than 1.1% to GBPUSD 1.3537, as the economy grapples with high inflation and supply shortages. Commodity currencies weren't spared the sell off with USDCAD off by 0.47% to 1.2687, AUD down 0.69% to 0.7236 and NZD down 0.9% to 0.6957.

Equities

Slowing growth, higher rates, supply shocks and the potential for the US government to stop operating. Equity markets are working through a brutal array of forces and taking the natural path of least resistance lower. European markets were off heavily early in the day with the EuroStoxx 50 down 2.6% while the FTSE managed 'only' a drop of 0.5%. During the US session the S&P gave up more than 2% while the NASDAQ lost 2.8% and the Dow fell 1.6%. In Asia markets in early trade today it's a similar picture. The Nikkei was off by around 2.5% with the Hang Seng and CSI falling around 1% each. Regional markets appear somewhat insulated from the risk off switch, benefitting from interest in large local IPOs. The DFM gained 0.5% while the ADX was flat. The Tadawul managed a gain of 0.1% overnight.

Commodities

Brent futures poked their head above USD 80/bl in trading early yesterday but then surrendered most of those gains over the rest of trading. The contract ended the day at USD 79.09/bl, down 0.55% while it has given back a further 1.4% in trade so far this morning. WTI followed a similar pattern with an early pop faded and the contract ending down 0.2% overnight at USD 75.29/bl and is down by a full USD 1/b/ so far today. The API reported a build in US crude inventories last week of 4m bbl along with decent builds in both gasoline and diesel stocks. Official EIA data will be released this evening. Gold prices are failing to get any risk-off benefit and are suffering the impact of higher UST yields. Gold fell 0.9% overnight to USD 1,734/troy oz while the rest of the precious metals complex also pushed lower

Source: Emirates NBD

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DAILY ENERGY MARKETS FORUM INDUSTRY SURVEY

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74% Yes

26% No

Should OPEC+ states with spare capacity boost oil supply to cover for member countries failing to meet production quotas?

Source: GI Research Sep 2021

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Mashreq 60-SECOND SOUNDBITE

Kevin Wright
Lead Analyst APAC
Kpler

"If Chinese oil demand is declining that doesn't bode well for the whole Asian region"

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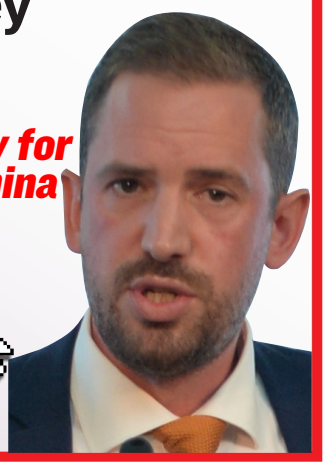
Mashreq 60-SECOND SOUNDBITE

Matt Stanley
Director
Star Fuels



"China is always key for oil markets, and China will be key for Q4 demand"

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Richard Redoglia
Chief Executive Officer
Matrix Global Holdings

Are we in a demand recovery or supply shortage equation?
It's the new world order. We've never seen in the history of this market where year over year, demand is lower, and we have backwardation. It's happened because OPEC wants it to happen and because those on the green argument side believe that they have the best path forward. When you put those two things together and you tell OPEC we don't want your oil in six years and that they're in charge of the marginal barrel, you get a market that is in extreme backwardation which also prevents the marginal producer coming online and hedging forward.

Should OPEC Plus be reassuring the market of guaranteed production?
Why should they? They don't owe anyone anything. Six years ago, the largest equity firms were pouring money into the MLPs in the Permian; now they're touting ESG. The real fear however is, in about a year from now, what happens when demand worldwide is 102 million barrels a day, and OPEC production is at these levels.

Where is the correlation today between record gas prices and $80 oil?
Electricity prices in Britain today are at 7X what they were last year, and global natural gas prices are at record highs. There's going to have to be a substitution and that's going to be fuel oil. What we really have is the culmination of green policies causing less natural gas production and wind power not being able to produce what's needed, so the whole natural gas, fuel oil and crude price complex rises. This is the merry-go-round we are on, and I don't think we're getting off it any time soon.

Has the 30% drop in CapEx investment of 2020 already come home to roost?
It wasn't just the lack of investment. It was the fact that the market collapsed so rapidly in 2020. The Permian players were already getting pushed out and what we then saw was a full-scale washout, similar to that of 1985 and that's again made oil companies pay attention to how these derivatives trade and to hedge risk. ■

**Paraphrased comments*