Daily Energy Markets BULLETIN

Consultancy Intelligence Publishing

TUESDAY /// MARCH 29th

TOP 10 DAILY NEWS DIGEST

1. OIL FALLS ON UKRAINE PEACE TALK HOPES, CHINA DEMAND FEARS
2. WHAT IS HOLDING US OIL PRODUCTION BACK?
3. RUSSIA WILL 'ALWAYS' BE A PART OF OPEC+, UAE ENERGY MINISTER SAYS
4. EU STEPS BACK FROM IMPRACTICAL RUSSIA OIL EMBARGO
5. US DIESEL EXPORTS INCREASE
6. CHIP SHORTAGE COULD FURTHER TRIM US AUTO OUTPUT
7. EU'S SOLUTION TO ENERGY DEPENDENCE LIES IN A REBUILT FOURTH CORRIDOR
8. UAE BLASTS IEA'S FINGER-WAGGING OVER OPEC'S RESPONSIBILITY TO TIGHT OIL MARKET
9. SHANGHAI STARTS CHINA'S BIGGEST COVID-19 LOCKDOWN IN 2 YEARS
10. WILL OMICRON FINALLY OVERPOWER CHINA'S COVID DEFENCES?

RECOMMENDED REPORTS

- ENERGY MARKETS AND THE DESIGN OF SANCTIONS ON RUSSIA
- WHY RUSSIA AND CHINA'S MOVE TO DE-DOLLARISE THE WORLD WILL FAIL
- RUSSIAN CRUDE CONTINUES TO FLOW DESPITE HARSH SANCTIONS
- SAUDI HIKES OIL PRICES DESPITE RECORD DISCOUNTS FOR RUSSIAN CRUDE
- EU NEVER THOUGHT ABOUT AN ENERGY SECURITY STRATEGY, ENI CEO SAYS
- HEDGE FUND OIL POSITIONS CAUGHT BETWEEN RISKS FROM SANCTIONS AND RECESSION
- CENTRAL TRANSFERS EASE CHINA'S LOCAL GOVERNMENT FISCAL STRAINS

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Daily Energy Markets PODCAST

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Mike McGlone
Senior Commodity Strategist
Bloomberg Intelligence

Laury Haytayan
MENA Director
Natural Resource
Governance Institute

Edward Bell
Senior Director, Market
Economics
Emirates NBD

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Daily Energy Markets TOP 3 TAKEAWAYS

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TOP 3

TUESDAY /// MARCH 29th

TAKEAWAYS

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COMMENTARY

FX

The dollar remained supported overnight though the gains are now coming much more strongly from the yen than from Euro. After some choppy trading with an initial early dive, EURUSD stabilized later in the session and closed flat at 1.0985. USDJPY rose 1.4% overnight to 123.86, fading surge to as much as 125 at one point. GBPUSD also dropped sharply at the start of the week, down 0.7% to 1.3088 on dovish commentary from Bank of England governor Andrew Bailey. Commodity currencies were weaker to start the week with USDCAD up by 0.33% to 1.2518 while AUDUSD fell 0.35 to 0.7489 and NZDUSD fell more than 1% to 0.6895.

Equities

Key China and Hong Kong equity indices ended the day in positive territory yesterday, despite the news that Shanghai is entering a major lockdown as the authorities there continue to pursue a zero-Covid strategy. While consumer stocks fell this was offset by a rally in recently beleaguered tech stocks, and the Shanghai Composite (0.1%) and the Hang Seng (0.5%) both closed higher. In Japan, the Nikkei lost -0.7%. Later in the day equity markets were boosted by a slump in the oil price. In the US, all three major indices gained, as the Dow Jones, the S&P 500 and the NASDAQ added 0.3%, 0.7% and 1.3% respectively. Most European markets also closed up. The CAC gained 0.5% and the DAX 0.8%, but the FTSE pared earlier gains on the comments from Andrew Bailey, and closed down -0.1%. Locally, the DFM added 2.1% and the ADX 0.6%. In Saudi Arabia the Tadawul closed 0.5% higher.

Commodities

Oil prices dropped substantially overnight with both contracts down nearly 7% as China imposes more lockdowns related to Covid outbreaks in major centres of its economy. Brent settled at USD 112.48/bl and WTI closed at USD 105.96/bl. OPEC+ meets later this week with no apparent sign of accelerating their production increases ahead of agreed terms. The UAE's energy minister, Suhail al Mazrouei, noted yesterday that OPEC+ wouldn't "add resources if the market is balanced" even as flows of crude out of Russia are impacted by sanctions and firms avoiding deals.

Source: Emirates NBD

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Daily Energy Markets VIEWS YOU CAN USE

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Adi Imsirovic
Senior Research Fellow
The Oxford Institute for Energy Studies

Europe Backed Away from Sanctions Because they Can't Live Without Russian Gas

I think the most important thing about the US President's visit to Europe last week was the fact that Biden went very, very close to the Ukrainian border to talk to his European allies. He is clearly building an alliance, and I think he is preparing Europe for the long run. I think Europe and NATO have never been more united. I think, just the fact that Europe was talking about sanctions in terms of banning oil imports from Russia is a very serious sign of how serious the situation is.

There has been a lot of talk about the EU considering sanctions on Russian oil and gas. Most of the talk has been built around the idea that Europe would struggle without Russian oil. I disagree with that analysis. I think the real reason why Europe backed off from sanctions -- of course it would be hard to replace three million barrels of oil a day, you do not substitute that with a snap of a finger -- but the real reason why Europe backed off from sanctions was because of natural Gas. The Russians have clearly said that if Europe sanction their oil or ban their oil imports, then Moscow would stop gas exports to Europe. Oil revenue is the cash-cow for the Russian economy, in normal times it was about 80% of their income, as opposed to 20% from gas. So, the real money is coming for oil and not gas. Now, it is somewhat different because of the relative price changes around gas. Europe realized that Europe cannot do without Russian gas. That is the problem. They Simply cannot. Lights would have to go off!

Sure, it will be tough for oil. It will be very, very hard for Europe. For oil refineries, especially inland refineries that have very little storage, they are actually feeding hand-to-mouth on Russian supplies, but some of them do have alternatives. I think the main problem will be coming to terms with the madness of logistics from the current situation. I can tell you one thing I am very glad I'm no longer on the trading floor because it must be absolutely mad at the moment. Not so much in terms of prices and fluctuations of $20 a barrel, it is tough, but traders can handle that. I think the real challenge is the physical rearrangements of oil supplies, particularly on the product side, because Europe is now losing about half of the products that's supposed to be coming from Russia. It is going to be absolute madness. ■

**Paraphrased comments*

Daily Energy Markets Mashreq 60-SECOND SOUNDBITE

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Laury Haytayan
MENA Director
Natural Resource
Governance Institute

"Most Middle East states are very upset with Washington on concessions being made to Iran on Nuclear Talks"

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Daily Energy Markets Mashreq 60-SECOND SOUNDBITE

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Edward Bell
Senior Director, Market Economics
Emirates NBD

"OPEC+ meeting this week will deliver a quick endorsement of existing plan!"

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TUESDAY /// MARCH 29th

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

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Star Fuels

ITALY

Reem Shamseddine
Journalist

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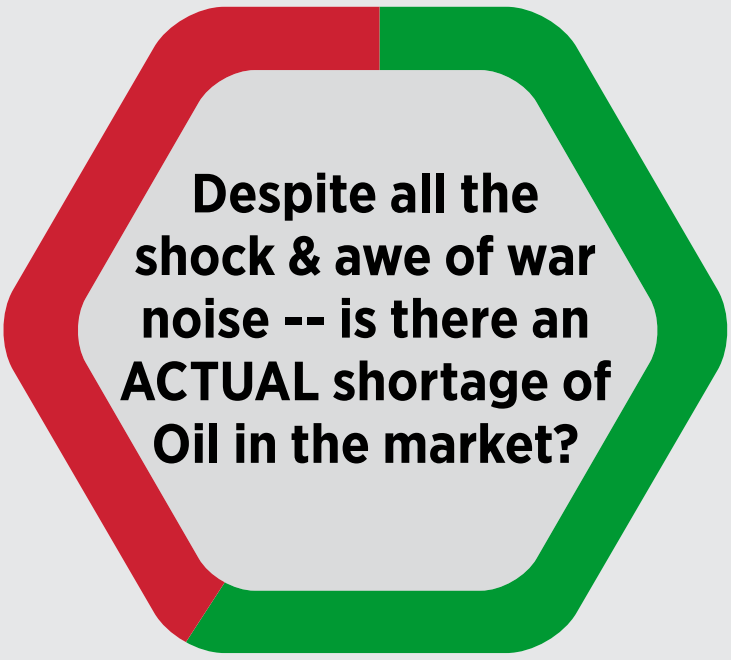

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Source: GI Research March 2022

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