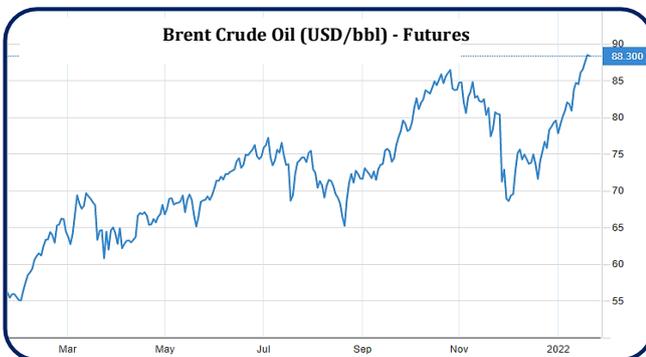
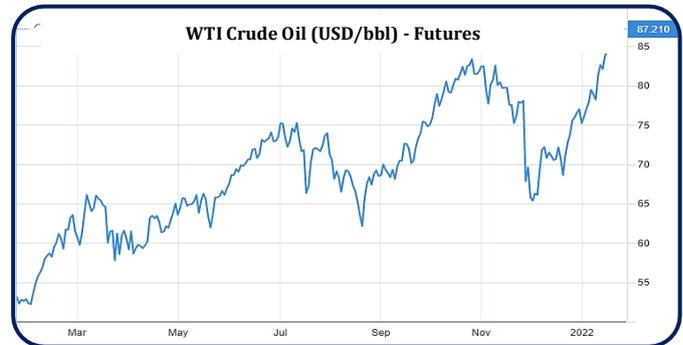


OIL PRICE SHOCKS, EXPECTING THE UNEXPECTED!

Russia is world's one of the largest oil producers, contributes 11% of Global oil production & UAE is OPEC's 5th largest producer, contributes 8.2% in OPEC proven crude oil reserves. According to OPEC, "79.4% of the world's proven oil reserves are located in OPEC Member Countries, with the bulk of OPEC oil reserves in the Middle East, amounting to 64.5% of the OPEC total". Both regions are under 'fire' which is critical for oil markets & adding to the supply concerns. Conflict between Ukraine & Russia resurfacing on one hand while Houthi drone attacks have exposed UAE's oil fields vulnerabilities on the other. This has raised serious concerns over supply disruptions. This is also happening in the background of when a) OPEC+ (including Russia) facing difficulties hitting agreed target of 400,000 barrels oil supplies every month, and b) Omicron is spreading with alarming levels & creating outages. Therefore, if any point in time, OPEC+ either failed in meeting its production target, or geopolitical tension to heat up further.



The Bull Run in International oil price is continued & trending higher. The Brent crude futures rebounded strongly, trading 7 years high levels of around \$88 per barrel. Brent & WTI crude appreciated significantly in the January 2022 so far. Brent crude future has been touching new highs after tight supply concerns in recent days. This is largely due to geopolitical tension as mentioned above. This has fueled fears about potential supply disruptions, which could further inflate the prices.



Brent crude future consolidating its levels. However, appreciated by 19.39% since the start of new calendar year. It has appreciated by around 57% on-year-on-year basis. WTI crude oil on the other hand is up by 0.3% so far. It has appreciated by around 22% since the start of new calendar year & around 63% on-year-on-year basis.

As the tension escalates in either Middle East or in Russia-Ukraine, oil markets to keep on shocking & price to trend higher. If ongoing regional tension is

continued & no intervention is being done by the global forces, geopolitical risk premium will keep on elevating the fears of Russia invading Ukraine & Houthi group & UAE tension to deepen further, if UAE strikes back. If Crises deepen further, oil prices could hit \$100 per barrel. This will lead to deterioration in CAD, Reserves and Exchange Rate significantly, which would consequently shoot-up Import bill and Inflation in the country.

	Price		Day	Month	Year
Crude Oil	86.9900	▲	0.03	0.03%	22.41%
Brent	88.2500	▼	0.19	-0.21%	19.39%

Therefore, stability in the oil markets will largely depends on a) recent geo political tensions if persists, b) Omicron infection if continued to rise & cause supply-chain disruptions, c) OPEC+ if failed in meeting production targets d) Chinese plans for additional build-up in strategic reserves, & e) Fiscal slippages of varying economies. However, we expect over supply situation could emerge, if supply surpasses demand, this could ease off oil prices, going forward.

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