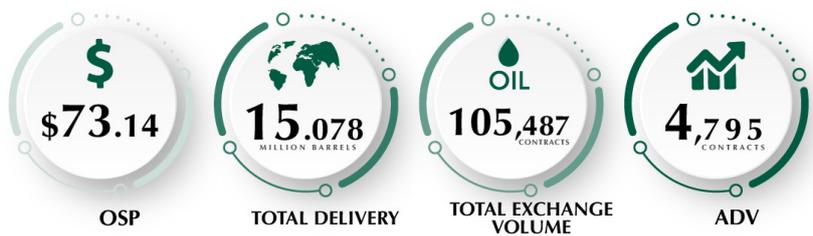




# FUTURES INSIGHTS

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## DME Oman pricing trends 2021



While 2020 marked the onset of the Covid-19 pandemic and a huge retreat in oil prices, 2021 was the year of price recovery as returning demand and the OPEC+ producer group overseeing a delicate balancing act in managing the supply side lifted markets.

On a yearly basis DME Oman averaged \$69.40/b in 2021 compared to the 2020 average of \$43.16/b. The 2021 average also topped the 2019 average price of \$63.96/b.

### January

Having finished the year strongly in 2020 after the initial rollout of Covid vaccinations, oil prices continued the upwards trajectory during January as front-month DME Oman futures reached \$55/b by month end on growing demand optimism.

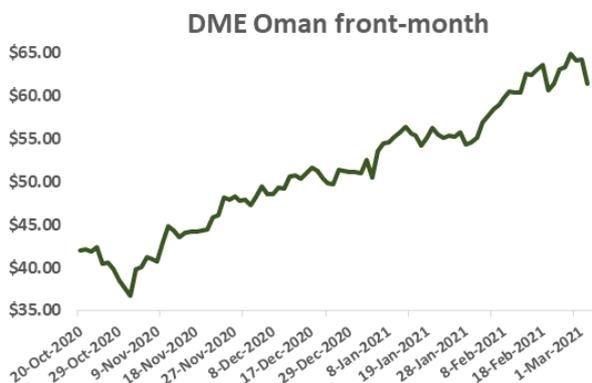
In addition, Saudi Arabia announced a 1 million barrel per day cut in output for February and March, which further underpinned the market recovery.

### February

Oil prices rallied by almost \$10/b during February before pausing ahead of the early March OPEC+ meeting. Crude markets continued to come back into balance on a combination of production discipline, the Covid-19 vaccine rollout and an ice storm that severely hampered the Texas oil industry.

DME Oman for April-delivery crude averaged \$60.85/b, an increase of \$5.95/b, or 11%, from the March-contract average of \$54.90/b.

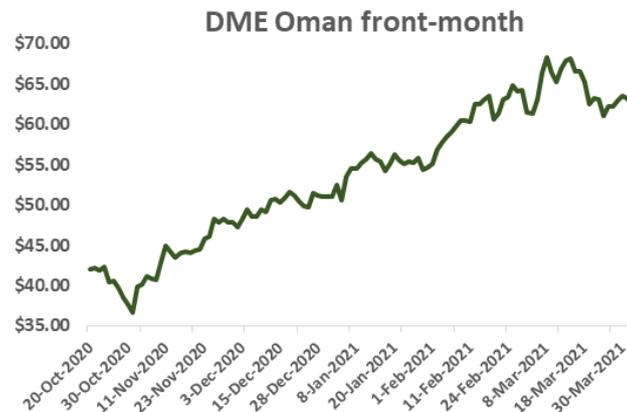
Oil markets were propelled higher as the extreme weather in the U.S. took out 3-4 million bpd of U.S. crude oil production, with the Permian Basin particularly hard hit.



### March

Oman prices eased from near-\$70/b during the second half of March, as further European lockdowns and concerns over the pace of demand recovery weighed on sentiment. However, DME Oman for June-delivery crude averaged \$64.43/b, an increase of over \$4.50/b on the month and the highest monthly average since January 2020.

The key Suez Canal transit passage initially led to a sharp spike in oil prices, but this proved short lived as the market focus returned to demand outlook. Meanwhile, the latest OPEC+ decision for modest increments to production from May was enough to steady market nerves at the start of April.



### April

Oil prices broadly recovered during the second half of April, as optimism over the demand recovery in the US and China won out against short-term concerns over India's coronavirus surge hitting demand.

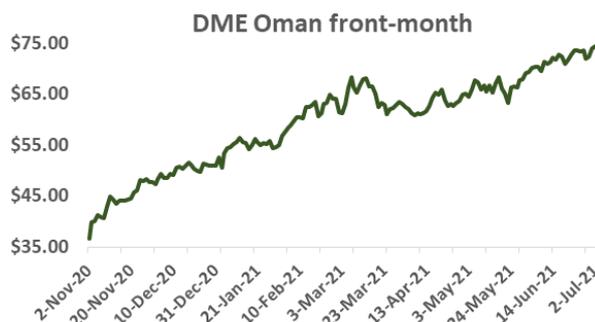
June-loading DME Oman reached \$65.22/b on expiry day to give a monthly average of \$63.10/b. This compares to \$64.43/b the previous month, which was the highest since January 2020.

### May

Demand growth optimism and OPEC+ discipline won over lockdown fears in Asia, as DME Oman hit fresh post-pandemic highs. The front-month July DME expired at \$68.03, nearly \$3/b up from the June-contract expiry.

### June

Oil prices continued the strong upwards trend throughout June on demand growth optimism and global inventories falling towards pre-pandemic levels. On a month-average basis, August-loading crude at \$71.75/b was the highest since October 2018.

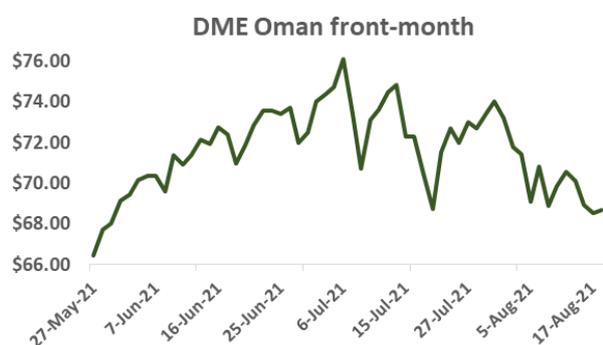


## July

The OPEC+ producer alliance agreed to add 2 million barrels between August and December at a rate of 400,000 bpd, which initially saw a sharp price drop, although markets recovered most of the losses by month end with the initial price retreat viewed as an overdone.

## August

DME Oman prices during August retreated for the first time in four months as China's travel restrictions wiped out around 1 million bpd of demand, although sentiment improved towards the end of the month. The OSP for October-loading DME Oman was \$69.38/b, down from the September-contract average of \$72.73/b. However, prices rebounded at the end of the month as Hurricane Ida led to the suspension of over 90% US oil gas production from the Gulf of Mexico, along with extensive onshore damage at key facilities in Louisiana, including the Port Fourchon energy hub which took a direct hit from Ida.



## September

DME Oman prices during September and early October surged to fresh three-year highs, underpinned by the global energy crunch lifting natural gas/LNG and coal prices to record highs, along with ongoing production shortfalls from the US Gulf.

## October

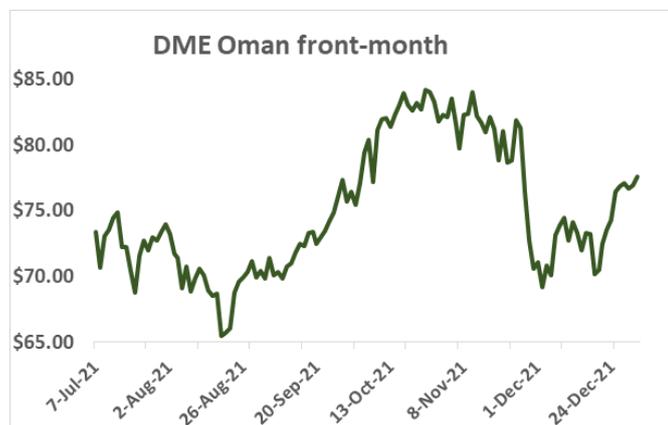
DME Oman prices during October posted the highest average since 2014, although eased slightly in early November on talk of a release from US strategic reserves, while China has also announced initiatives to stabilize energy markets, particularly coal.

The OSP for December-loading DME Oman was \$81.58/b, up from the November-contract average of \$72.78/b. The DME expiry price of \$82.34/b was nearly \$6/b up from the October-contract expiry of \$76.43/b.

## November

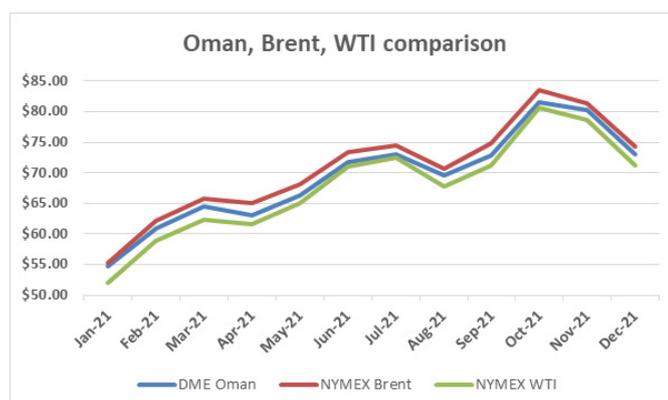
The DME Oman monthly average for November retreated from the previous-month's seven-year high, following the sharp sell-off during the final week of the month, although held above \$80/b. Spot prices tumbled by more than \$10/b on fears that the emergence of the Omicron variant would crunch demand during an already oversupplied first quarter

of 2022, although prices later stabilized moving into December.



## December

The emergence of the Omicron Covid variant in late November led to a sharp reversal in oil prices, but most of the losses had been recovered by early January as fears waned over the prospect of major global lockdowns and a downturn in the global economy. DME Oman initially retreated to below \$70/b in early December, a three-month low, but the new front-month March contract was climbing back towards \$80/b during the first week of January.



Benchmark oil prices, 2021 monthly averages



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