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The US Federal Reserve appears unconcerned about inflation?

They are targeting full employment and the stimulus will continue for that reason, regardless of inflationary fears. Wall street seems to be taking the same approach and that has boosted support for oil prices as money seeks out tradable assets like precious metals and oil. The real fundamentals on the ground however do not translate into sustainably higher oil prices. We still have significant inventories and high spare capacity, despite the tempered demand recovery.

How should OPEC navigate the next quarter around these price levels?

On the surface, high oil prices appear as a blessing for oil producers, given the dependance of their economies on oil revenues. This is particularly the case for countries such as Iraq, Nigeria, Angola and Venezuela. But high oil prices can also spell trouble for organizations like OPEC. An immediate example is shale, an industry that can react quite quickly to sustainable, higher prices. Longer term, if fossil fuel prices remain high, renewable and alternative sources of energy also become more attractive.

How does debt market activity reflect on Middle East countries' fiscal health?

The macroeconomic outlook has not changed drastically for many years – serious efforts are still needed to diversify economies away from oil to limit exposure to the cyclicality of the market. We must also remember that there is a massive difference between the financial status of economies like Kuwait and the UAE and weaker ones such as Iraq. Saudi Arabia lies somewhere in the middle, but the current low interest rate environment is an opportunity for the kingdom to borrow. It is capitalizing on its massive and low cost oil reserves and has the capability to pay back its debt. ■

**Paraphrased comments*

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