

# DAILY ENERGY MARKETS FORUM

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#### What's the outlook for oil market direction in Q2?

Everything seems to have been priced in - stock markets are extremely high, and the US stimulus has been passed. The only question is how big the boost in demand will be. We have a big divergence between the EU where there is talk of a third wave of the pandemic, and other parts of the world like the US and some countries in Asia, which have witnessed good progress in their vaccine programs. Either way, the market has hit an apex and so we are probably in for a short-term correction. We are also on unstable ground, with financial markets and the US Federal Reserve disagreeing on pending inflation and similarly, differing opinions on whether OPEC should start releasing supply at these price levels.

#### Is an average \$60 price and 5mn bls of extra demand achievable this year?

There are two misconceptions today. One is that shale is dead, but it is not - technologies and financial resources are not constrained. Secondly, there's still plenty of spare capacity available. We may have had remarkable discipline on supply and cheating so far but these can play out as the demand story shifts. OPEC will need to release oil onto the market at some point because driving prices higher will just result in short-term spikes.

#### Other key indicators to watch in the coming month?

Keep an eye on financial markets and when and if they start to take money off the table as the economic picture improves. On the political front, it will be interesting to see any fallout from Europe's disastrous vaccination program strategy - a whole new playbook of unlikely coalitions could emerge as a result. How countries which are more advanced on the road to vaccination will open and connect to others will also be one to watch. ■

*\*Paraphrased comments*

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