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How should we interpret the revised forecasts for 2021 US economic growth?

Both the Federal Reserve and OECD have published significant revisions in the past week, and these will have positive spillover effects on the US' trading partners like Europe and Canada. The main triggers have been the \$1.9trn fiscal stimulus package and successful rollout of vaccines in the US. However, when you look at the global demand picture, it's still very uneven. Europe, which only started to reopen its economies a few weeks ago, is again talking of lockdown. As long as we don't have the virus fully under control, at least in the major economies, we will continue to have uncertainty on demand, supply and prices.

How much of an impact are inflationary warnings having on markets?

We're seeing a dichotomy develop on expectations for inflation, compared to what we had last year. The Fed is saying we might see a rise in inflation this year but that we will go back to normal in 2022, while other voices are expressing longer term concern. The same goes for oil prices. We're seeing divisions between traders and stronger voices arguing that we're heading towards \$100 and into a commodities super cycle. Meanwhile, international agencies like the IEA view the market as comfortably balanced for the next few years. ■

**Paraphrased comments*

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