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Do you expect further correction in oil markets this week?

We saw markets under pressure across the board last week. The US Fed is still being pushed by the market not to give in on interest rates rising and interestingly, the ECB announced they might buy more government paper from the eurozone to avoid rising interest rates. It's a dilemma - if they do that, market expectations of future inflation will rise and then they will have to buy more and more government paper as inflation gets even higher. At some point the bill will have to be paid. OPEC similarly has a dilemma. There's ample oil in storage so if they increase supply, prices may take another nosedive. But if they don't, we will see more supply from the US, Libya, and Iran. OPEC may also be accused of fueling inflation by supporting higher oil prices.

US-China relations have not had a good start under the Biden Administration?

China, at the very least, should be taken seriously as a competitor. It can cause issues on trade, on the military front in the South China Sea and in energy markets as the largest importer of crude globally. Let's not forget that the US is now an oil supplier, so it's impacted by China buying from countries like Iran and Venezuela. The road to resuming nuclear talks with Iran is going to be rockier as a result of its recent oil sales to China.

On the watchlist for the week ahead?

It's going to be a busy and volatile one – we have inflation data being released in the UK and the US, PMI forecasts, EIA stock data and the next round of Treasury bond auctions which will determine whether this market driven increase in interest rates continues or whether the Fed has managed to calm markets down. Bear in mind that China is also the biggest holder of these very U.S. Treasuries. ■

**Paraphrased comments*

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