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Is the Suez Canal issue bullish for oil markets?

Most of the oil which flows across Europe, the Middle East and Asia does not need the Suez Canal and Caspian oil mostly uses pipelines. Suez only accounts for 4% percent of water bound crude and 9% of total oil including refined products. The blockage will be costly and trigger some relocation of ships, but it can eventually be surmounted.

What's the expected outcome from the OPEC meeting this week?

They will likely rollover the existing cuts but whether Saudi will retain its extra voluntary cut volumes is a question. OPEC has been managing the situation by holding most of the spare capacity but China for example has piled up huge inventories so it can counter any potential price spikes using some of these reserves. And we also have US shale capacity.

At what point does OPEC have to pay attention to US shale again?

They have already been doing that and this is really their ultimate dilemma. OPEC is placing a huge bet on demand recovery, but demand is fragile and prices are today high enough for shale to be economic. I expect the US rig count and production to rise. To cancel that out, OPEC's hammer will have to get bigger and bigger but it's hard to know what its strategic end game will be. The US on its' part is not really looking at OPEC anymore. The shale industry is being restructured and getting its finances in order, but shale is a technology and therefore it will never die. It's just a matter of when and how it comes back. ■

**Paraphrased comments*

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