

DAILY ENERGY MARKETS FORUM

NEW SILK ROAD



Consultancy
Intelligence
Publishing

EXCLUSIVE SERIES

VIEWS YOU CAN USE

Dr. Carole Nakhle
Chief Executive Officer
Crystal Energy



Keep Your Eyes on the Prize – Oil Prices Have Recovered Fast!

Historically, if you look at how long it takes for prices to recover after a crisis, and what we saw last year was a massive crisis, it will take them at least 18 months to go back to the pre-crisis level, but now in less than a year they are trading at levels that we saw before the pandemic. So that by itself is a major development, and OPEC+ deserves most of the credit. We should not really let these day-to-day changes in oil price distract us from the bigger picture that oil prices are trading at a healthy level, especially when compared to the pandemic or the pre-pandemic levels.

Is Inflation More Noise than Substance?

I was not terribly surprised that the markets reacted to the publication of the notes from the recent FED meeting, because the market is nervous about Inflation -- the more people talk about inflation fear, the more likely this is going happen and add to the volatility in the market. But when you look at those FED notes, it simply says 'at some point we may have to do something about inflation', so it was not really a strong fear. It does not help that the issue of inflation is now being politicized, where Republicans are banging on this issue to attack Biden's policies.

Full Employment Trumps Inflation as Priority:

The US Central Bank is focusing more on full employment, than inflation. We are getting mixed signals on the economic recovery from Covid, as was the case with the last US jobs report earlier in May for it was not as stellar as people had expected – delivered around 250,000 jobs and market expectation was for 1 million. The mixed signals support the FED's view that this is not an economic recovery, it is an economic rebound, like when you hit a ball against the wall it comes back at you quite strongly, but it does not mean it is going to maintain its speed forever.

European Holiday Season – to Fly or Not to Fly?

Europe is discussing opening for tourists that are fully vaccinated, but particularly from countries where they have high spending power, the rich tourists who would come and support the growth in the economy. It is a well targeted policy that they may enact here in Europe, but it is a little bit too early to tell if it will proceed because it is not necessarily where you open your doors, but also what could happen afterwards with the spread of the virus and the speed at which vaccination is happening. But overall, the summer travel season may not be as exciting as many had expected. ■

**Paraphrased comments*

Series Supported By:

