

# DAILY ENERGY MARKETS FORUM

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#### Recent bearish sentiment has been driven by positive news on the Iran deal.

It seems to be on the front foot of Biden's objectives and on the Iranian side, resistance to a deal is also crumbling. But what will make a real difference to market fundamentals is the return of US shale, and at these prices, it's just a matter of time. Other bearish pressures on the market have been questions on whether global demand can absorb OPEC spare capacity and the fact that we have uneven vaccination and economic recovery rates around the world.

#### There's still a positive outlook for the US economy?

We're going to see inflation rates ticking up. US house prices are going through the roof, with a 20% year on year increase in median house prices and low supply. The Fed has started talking about tapering stimulus and it may be forced to intervene faster than most people thought. Whether that is fast enough to give the economy a soft landing or not is in question. As long as the money flows, we will see an increase of market volatility with people buying the dips. That will continue until we see firm data on inflation, after which it's likely we will see a big adjustment by the Fed.

#### Is China demand still the big anchor for OPEC oil?

OPEC and its partners have a dual task. They're probably facing a less stellar recovery than was hoped for and so will have to manage output releases in such a way that the prices remain stable while the market returns to normal over a much longer time period than they had envisaged. We should also bear in mind that OPEC compliance has been entirely due to the extra cuts that the Saudis have implemented. Other countries have been 90% compliant, which is good by historical standards, but Russia has continued to violate the rules. So, we do have a question around stability within the alliance with Russia moving one way and the Saudis the other. ■

*\*Paraphrased comments*

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