

# DAILY ENERGY MARKETS FORUM

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# VIEWS YOU CAN USE

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### Why does this market not care that OPEC Plus is in a state of crisis?

Markets hope that the rift will be healed but they are also smart enough to realize that shale and other private production won't return for at least another six months. Many shale producers locked in low prices thinking the pandemic impact on demand would be worse. That hedging has backfired. It's a golden opportunity today for OPEC and it would be extremely silly on their part not to use it and to start a price war now. The market won't react until it's clear what real production quotas will be. Also, Saudi Arabia still has its million barrels extra cut which it can use to keep markets steady if needed.

### Do you see the situation being resolved between the UAE and OPEC Plus?

OPEC has realized what analysts still have not – that once oil demand peaks, the struggle for market share will begin and for that you need large and cheap capacity. The UAE has a case – its production capacity is much larger than what it's producing, and it wants this to be considered. Because of this rationale, the issue is likely to be resolved. Even in the worst-case scenario and if there is a big fall out, it won't be the end of OPEC. That will only come when oil demand is sustainably falling.

### Outlook for markets in the week ahead?

At the moment, everything is in favor of the Federal Reserve's strategy of calming down expectations on inflation. Bond yields have also fallen so those companies which have structured their portfolios as such have done exceedingly well. We expect some data on European inflation numbers - the ECB has given a revised target which is not going to be very inflationary. So, we seem to be in a phase where inflation expectations have come down. But this is temporary - it tells us nothing about the long term. ■

*\*Paraphrased comments*

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