

# DAILY ENERGY MARKETS FORUM

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# VIEWS YOU CAN USE

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### Are we going to see China returning to normal growth?

Even before covid, China's growth and its shift to the service sector was slowing, political centralization was tightening and there were big worries about financial instability. Now, we are in a return to even slower growth and the political campaigns are becoming all encompassing in an attempt to reassert control. But let's also remember there is no example of a heavy industrialized economy successfully shifting to a modern market service-oriented economy without going through a financial crisis and China will not be an exception to that. It seems to be getting into a more fragile situation as the economy develops and as the race between centralization and decentralization, and market and politics tightens.

### When do we expect to see tapering in the US or any move on interest rates?

The Federal Reserve has a credibility problem. It has to show that inflation doesn't lift above its target of 2% although they probably would prefer rates of 3% or 4%. Another issue is one of asymmetry in their policy. Since at least the financial crisis of 2008, the Fed seems to have had a bias; when the economy and markets were weakening, they were quick to buy bonds and leave interest rates lower but when the economy was getting stronger, they were slow in tightening up and adjusting. They now need to convince everybody they mean business with tapering and that will probably start by November with interest rates being delayed a little bit.

### Anything to stop Brent getting to \$80 perhaps as soon as this week?

What would stop it is a return to normality – an end to this relentless flow of disruption such as the hurricanes and outages we have seen. It looks as if the lasting damage from both hurricanes is US inventories drawing again and US demand could be strong enough to get us to \$80. But the fundamental picture is also one of too much oil – we see the rig count reacting and price mechanisms kicking in, so sooner or later we could see the price spike and drop - there's a lot of volatility on the cards and it will be very much driven by what happens in the US because there's not much support coming from the Chinas of this world.

### Are we still expecting a return to the table for Iran nuclear talks?

There are a number of hot spots emerging globally. One is the Iranians trying to find their way back to normality and Biden trying to deal with it. Another is the impact of energy prices on growth and on inflation in particular and what that does to central bank policy. A third is what happens to Nord Stream 2 after the German election - we'll likely have to see some very swift action on this with the Russians and the Germans probably declaring victory over the US. And all of these are happening in the run up to COP 26 and winter, with high gas and power prices very much top of mind and threatening industrial production and competitiveness both in Europe and China. ■

*\*Paraphrased comments*

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