

# DAILY ENERGY MARKETS FORUM

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# VIEWS YOU CAN USE

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### Spot rates for coal and gas today are not average prices.

These are the peak spot prices underneath of which there is a huge amount of gas being transacted at long-term contract prices and as well as lower spot prices and also gas which is being redirected when contracts have been broken. These headline numbers apply to a small segment of the gas market and that means that the competition between natural gas and fuel prices will kick in soon because oil is also relatively expensive.

### Does OPEC have any extra barrels to cheat with?

We have had systematic overproduction by one or two of the big players and we do have spare capacity. What makes the management of that so easy for OPEC is that it's highly concentrated in the GCC countries. But I don't detect from Saudi Arabia a great desire or offer to release additional volumes, especially if they're seeing that there's no economic crisis at \$80 or \$90. Overall demand doesn't look very strong. The IMF growth forecast for China in 2022 is at 5.4%, which is low by historical standards. We are seeing the last demand growth centres being eroded. What we also see today is an opportunity for producers to hedge for at least a year out at these prices. Those are the seeds to watch because they could trigger the next down swing, which might be just as volatile as this upswing if it happens on a grand scale.

### Equity markets do not seem concerned about expected tapering?

It's the only investment in town and what's also interesting is that the segments within it are not moving in unison anymore, which indicates that the rally has some way to go. As far as tapering goes, everybody knows that there is an inflationary threat so the Fed and other central banks - in Japan, the ECB, the BOE - have to scale back their asset purchases. Interest rate increases can also probably be engineered without too much fallout for the equity markets, with inflationary numbers now between 3-5%. If the market does tank 10-20% in the short term, there's so much in the money in the system that it would be a buying opportunity, even with an interest rate hike in the US.

### Week ahead outlook?

This week is data heavy. We have Chinese Q3 GDP numbers out on Monday and then inflation numbers, both from the UK and the EU. The UK central bank might be the first to announce an interest rate hike. ■

*\*Paraphrased comments*

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