Daily Energy Markets
VIEWS YOU CAN USE

Consultancy
Intelligence
Publishing

Dr. Carole Nakhle
Chief Executive Officer
Crystol Energy

Any surprises in the US Fed announcement this week?

The shift in tone has been building up since last year. What caught my attention was Chairman Powell's referral to the strong economic and labor market recovery. Some have reacted with concern at the possibility of interest rates hikes as early as next month but the Fed also said that they will maintain a degree of flexibility. We will have a better understanding of how the market is taking it all in by next week. The main debate today is whether they should have taken this kind of action much earlier. They admit they were wrong on inflation and underestimated how fast prices were going to rise. However, if we look at the recent World Economic Outlook report by the IMF, it downgraded forecasts for most of the large economies, including China and the US, and said that the global economy was starting 2022 in a weaker position than originally expected.

US inventories building this week and yet oil prices rose?

We need to look at the whole year ahead. We might see some tightness now, but it's expected to ease significantly as we move forward. And very high prices tend to be followed by a much longer period of low prices and that will have more significant repercussions on the world economy and on producers.

Does OPEC+ have the capacity to put more barrels into the market?

Saudi Arabia does for example, but it's not doing so because they don't want to risk flooding the market and then suffer the repercussions. They want a nimble, step by step approach and to also see how all the geopolitics is going to unfold. There are also huge disparities on forecasts by investment banks - that highlights the kind of uncertainty we are facing. We also don't know what's going on with inventories in China and India, nor what is going to happen with Covid and supply chain bottlenecks. ■

(Source: Emirates NBD MENA Quarterly Report)