

# Daily Energy Markets

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#### Expectations for US Fed policy going forward?

I don't think we're going to see a deviation from what they have announced in terms of increasing rates. Finally, we're getting some reaction and a tighter monetary policy to tame inflation. In the end, it's about striking the right balance between that, and not damaging the economy by decelerating growth. There's also the other side of the story beyond what the Fed is going to do, and that's the supply chain bottlenecks that have been driving inflation. If we have a gradual increase in rates starting from a low base and at the same time, the supply chain starts to ease, we might not end up in the drastic scenario that some are fearing. It's better than going down the route of higher inflation rates which might cause the Fed to take more aggressive steps. For now, I remain optimistic.

#### Is the lack of spare capacity within OPEC+ alarming?

OPEC spare capacity is declining but it is not alarming. It is around 4% of global spare capacity production supply. If it was below 1%, then we would be in a much worse situation. And if you look at the numbers for the rest of the year, we see a build-up and that it's going to stabilize.

#### Do you expect the market to shift out of its current rangebound standstill?

In the very short term, the market seems to be balancing around \$90 a barrel. We are seeing some diffusion of geopolitical tensions in Europe but no final outcome yet. We hear about progress vis-a-vis Iran, but does that mean there will be a deal? And Libyan production is uncertain. So, the geopolitical card is still not clear. On the other hand, we're expecting higher supplies from outside OPEC, such as from the US, but not necessarily in the coming weeks. If geopolitical tensions are resolved completely, we will see downward pressure on prices but if not and supply continues to be constrained, I see us remaining where we are today. ■

*\*Paraphrased comments*



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