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OPEC+ 2mn b/d Cut a Political & Regrettable Decision

That was a very political decision, and a very wrong and regrettable decision. If you are worried about a recession, nothing better than to hasten the onset of a recession than raise oil prices by 10% or more. It is a very clear signal that the leadership of OPEC+ has in this case, in a situation of economic warfare, sided with one side in this conflict, Russia, and will be seen on the wrong side of history. Sooner or later, that kind of behavior will backfire. In this environment where inflation seems to be arriving at a steady rate of incline, OPEC+ has jacked up the energy crisis again and therefore the inflation rate. It just points at the desire to get higher oil prices.

Double Whammy Impact on Asian Markets

In a situation where the onset of the recession has already been accelerated by high commodity prices, it will only result in a hastening of the decline in demand with rising oil prices. Historically, OPEC has not done this kind of thing, this is a big watershed change moment here. When a recession is looming, they are usually more careful with good reasons. But what is also coming is the US- induced oil price cap. And now you have a market where supply and prices are constrained – this is going to be a royal mess and those who will suffer the most are those who have the double whammy from the high dollar and high commodity prices. With inflation going up, the Fed will continue to act, the dollar will be even stronger. So, this move by OPEC+ has accelerated all the bad moves in the global economy in one fell swoop.

How will German Industry be Impacted by the Energy Crisis this Winter?

The reality which everybody knows is that industry must be protected because you do not want to slide into a major recession for either Germany or, by implication, Europe. I think people understand that and are willing to go the extra mile. Europe seems willing to introduce a gas price cap and an oil price cap on top of it, which is going to be phenomenally expensive for the government. Overall, I think it is more than likely than not that the winter will pass without incident for German industry, and when it is over Russia will have lost its gas markets in Europe, and it will take them ten years to build a pipeline to Asia to make up for the loss of the European market. It is true that everybody has lost, but Russia has lost the most. ■

**Paraphrased Comments*

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