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#### Are we close to any clarity on macro monetary policy for the year ahead?

People are still divided 50:50 on whether inflation has peaked but what is clear is that interest rates are far from coming down. The only question is how much they catch up to inflation levels. Secondly, the US and EU economy is performing much better than expected; even negative growth for two quarters doesn't necessarily mean high unemployment. The numbers last week from the EU were indicating that not even a shallow recession will happen now. There's still a lot of money sloshing around and pent-up demand from the Covid period. The question is long term, will inflation be coming back to 2% or will Western countries have to settle for 4% or 5% because of high debt levels. I believe it's likely to be the latter.

#### Expected disruption to products markets from the EU embargo on Feb 5th?

We know that Russia is hugely dependent on its product exports, but it also has very limited storage capacity so any trade disruption from the product embargo should put pressure on crude prices as Russia will need to try and export more of its crude. We may then see refining margins up and selective distortions of the product market. But let's remember that the global refining system is very flexible. I don't think that the product embargo per se will cause any major disruption - if anything, these days the market has become more used to adjusting its trade routes, and its finance and insurance and this resilience and adjustment will continue, as long as the cap isn't too far away from market forces.

#### How would an escalation in the Ukraine war impact flows?

Russia has the ability to manipulate crude and products prices. Putin showed he was willing to do this before in the European gas markets and he will do so again to keep oil prices up or to put pressure on Western economies if the war heats up. If anything, the price caps now give them a trigger which is much more targeted, so that any kind of action on that front translates into a bigger impact on the ground, and there's very little extra capacity in the system to react to that. ■

*\*Paraphrased Comments*

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