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Have oil markets now stabilized one year into the Ukraine war?
Without any further exogenous changes, oil markets will continue to tread water and trend down a little. All signs are that the Russians will launch an offensive before spring and that the Ukrainians will do the same when they receive the new tanks from the West. And we will see an impact on the oil market - either when Russia finds itself with its back against the wall and maybe resorting to using oil as a last resort, or when it becomes a more unstable military situation.

What impact have price caps on Russian crude and products had?
In the crude market, the readjustment has been very smooth, with Russia continuing to export into Asia – and interestingly only into India, China and Turkey. Countries such as Bangladesh and Pakistan have asked to get parts of those flows but have been unsuccessful. I think that Russia, for strategic reasons, has forgone the option of bringing down the discounts by having these other emerging markets compete for Russian crudes, so that it delivers cheaper oil into India, China and Turkey to secure their support. On the products side, there's an opt out clause where every country can import Russian products which have been blended with Russian crude in a third country. So, what we've seen is a huge uptick in imports into places like the Middle East and then outflows from there. Russian products will find their way to Europe. One thing Russia does not have is enough storage capacity for crude and that has led, in January at least, to an uptick in crude exports, pressuring prices.

Outlook for global energy demand?
It's looking quite steady and even if we get recessions, I don't see that being associated with a big decline in GDP that would lower demand substantially. The recovery in China may fall short without a major stimulus program, but as forecasted, we should see decent demand growth but no excess, and so a steady decline in prices.

Has Europe successfully weaned itself off Russian gas?
Gas prices have come down since last year but economically speaking, Europe is now certainly more vulnerable to another price spike than it was before. It's also important to realize that it's only because prices spiked and demand destruction kicked in, that we were able to avoid a large crisis of gas availability. That's an important lesson here which should sink in.

Where's the Fed at in its fight with inflation?
The US economy is still showing record employment figures, yet at the same time, there's talk of recession, but that can still take place at very high activity levels. The Fed, despite all the talk, will not kill the economy and bring inflation overnight back to 2%. They would probably be quite happy with 3% or 4% so that still looks to me like a soft landing at a slightly higher interest rate than we have today. The bigger problem is in Europe, which is behind the curve - inflation rates in France, Germany and elsewhere, have come in much higher than expected in the last couple of weeks. ■

**Paraphrased Comments*

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