

# DAILY ENERGY MARKETS FORUM

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**Crude prices have risen 30% since 2020 but in the context of US money supply - up 40% - there's an obvious divergent weakness.**

Crude also continues to underperform other commodities and stocks, and this will remain the case, with US production data now showing that it will return to be a net exporter of crude oil and liquid fuels next year. Meanwhile demand, which has been flat, is starting to decline.

### Could we see a release from the US SPR?

The market is smart enough to know that it would not be a good move for Biden and has already started to ignore it as political rhetoric. The last time there was a major release was in 2011. The best cure would be to let US producers drill and we will then see WTI down at \$50 by the mid-term elections, which is Biden's focus. US crude has been the major source of pressure on prices for the last 10 years.

### Will Biden change his policy of restricting US production?

Shale producers will respond on pure economics, and their cost of production today, at \$37 a barrel, is near the lowest ever, half of what it was five or six years ago. There are 100s of independent oil producers in Texas that cannot wait to produce oil. It's simple supply demand economics of commodities and where the incremental supply is in the world, and right now it's shale.

### Sentiment for the US economy and GDP in 2022?

It's retreating after the post Covid bounce phase, but that's the normalization process that we should all expect. I've been watching the 30-year long bond and it cannot get above 2%. That's a key indicator and it says that deflationary factors are going to kick in next year. ■

*\*Paraphrased comments*

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