

DAILY ENERGY MARKETS FORUM

NEW SILK ROAD



Consultancy
Intelligence
Publishing

EXCLUSIVE SERIES

VIEWS YOU CAN USE



Matt Stanley
Director
Star Fuels

Why has the market failed to recover since Friday's dramatic fall?

It was overdone on Friday with some panic setting in and we don't know enough about this Omicron variant yet, but it's enough to spook the people who have been investing in the market. The funds are worried about government reaction to Covid. We're also seeing some P&L protection going into Christmas, so December is going to be a volatile one. Brent was \$45 a barrel this time last year, and then we had the vaccine announcements, and we went up to \$86 only three weeks ago. It didn't need much of a catalyst to get these guys going again. A recovery will happen at some stage after OPEC meets, but in the meantime, Brent is going to struggle to hold onto \$70. The incremental Chinese buyer also isn't there at the moment, so there's going to be a surplus of Atlantic basin crudes. That's a real sign of where we are fundamentally.

Could OPEC+ step away from its existing agreement?

The market situation is so fluid. For now, it's only the perception of the hit of demand within the EU. US bullish sentiment drivers are still there. The recovery was always fractured, and what's happened only highlights that. The market is still absorbing the news. OPEC and the Saudis will continue to lead the way with the integrity that's been built up over the last 18 months. They can't afford to let that slip but they will take their time. The market doesn't need more oil. People were forecasting a surplus of crude oil for Q2 next year a month ago. So, the news on Omicron is the catalyst that drove the market down. The Saudi OSPs will probably be the biggest driver of the market in the next few days. That's going to be key. ■

Series Supported By:

