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We're seeing demand destruction in the market due to these high prices.

US gasoline is below \$4 a gallon from well over five bucks just a month ago. Margins are probably at 12-week lows overall. Gasoline cracks have come down over 30% in just one week and it's a similar picture in Europe. So, it looks like developed economies are showing the same price sensitivity as some of those in Asia.

Impact from Biden's trip to Saudi on OPEC policy?

There is idle capacity and Saudi Arabia and the UAE could increase output very quickly by about 1.5 million barrels a day, at least for the short to medium term. That would have an impact on the market. The Gulf countries are aware that having recession in the West, particularly one caused by a shortage of energy, is not going to help anyone. Yes, it would mean losing excess capacity but that's there to be used when it's needed. So, there is enough oil out there in the market. The main worry is recession in the Western world. Europe is looking by far the weakest, which is one of the reasons why the euro is falling because the European Central Bank cannot increase interest rates in any way like the US.

Expected outcome from the Fed meeting at the end of the month?

It's going to be the key. I would not be surprised to see a 100 basis points increase simply based on the inflation numbers out there. And when US sneezes, there will be a knock-on effect on everyone else in terms of interest rates, and high rates are not good for commodities. The UK and Europe will eventually follow by at least a 50 basis point increase.

How tight are oil market fundamentals?

Front end balances are still very tight, but as you look forward, the picture doesn't look particularly good. The market is hovering between \$100 and \$110 a barrel and the cap on that is purely going to be interest rates. I think high inflation is more of a risk than higher energy prices, especially for developing economies, so this fight against inflation is going to make a big dent not just on oil prices but other commodities also. ■

**Paraphrased Comments*

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