

EXCLUSIVE SERIES

VIEWS YOU CAN USE

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The divergence in the global economic recovery seems to be widening?

It is certainly fractured. Vaccination drives in Europe, the US and the UAE for example are different from those in South Asia and Africa. Whether the G7 economies and China can keep demand buoyant, and the market supported or pushed higher, is a question. Demand is still six million barrels a day below where we were pre-pandemic, yet flat prices are at the same levels. Whether growth areas like South Asia and Africa can absorb the extra oil when it starts coming back, is what's causing hesitant trading today.

Will OPEC need to change its supply strategy during Q2?

If you're OPEC and your range is between \$65 and \$70, you're happy – it's the sweet spot for most GCC economies. US production has plateaued at 11 million bd - that investment is not coming back any time soon - the threat of the last three or four years has waned. But there's also a lot of hope being pinned on demand returning in the second half of the year - five million bd of it, half of which is jet fuel. That's looking a little fragile. However, the Brent structure is currently \$2.25 backwardated, so there is faith in the market on demand making a comeback. If it does materialize, the structure will go bid, which it has been doing over the last couple of weeks. And if those deferred end of the year structures on products also start getting into backwardation as has happened on crude, then those forecasters could be right. ■

**Paraphrased comments*

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