

# DAILY ENERGY MARKETS FORUM

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### Any surprise at the Fed's slight retraction this week on interest rate plans?

Any effort to introduce an interest rate increase is going to make US debt unmanageable so the Fed has maybe rethought the strategic consequences of that and has thrown a note of caution, saying they will watch the inflationary volatility. They still believe it may be transitory and are not locking in a decision today. The recent consumer price increases are being attributed mostly to a mismatch between manufacturing capacity coming out of the recovery and pent-up consumer demand and consumers are prepared to pay much higher prices today for a leaner manufacturing output.

### Is the Chinese government import clamp down on certain refiners justified?

The tax avoidance was unsustainable. Unregulated blended stock products were coming into China at a rate of about 250,000 bd, mostly from Japan and South Korea. This led to a huge overhang in motor fuels, which began to choke the system and led to an increase in Chinese motor fuels exports, to start to clear inventories. So, there is a rebalancing going on there.

### Outlook for jet fuel recovery?

One negative consequence will come from China, which this week announced that international travel on its borders will evidently remain closed for another year. The total fuel budget here in China is about one million barrels a day, of which 800,000 bd fuels the domestic travel market, which is going strong. But that leaves another 200,000 bd budget for international jet fuel - a large piece of value - which is now the subject of some uncertainty. ■

*\*Paraphrased comments*

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