

# DAILY ENERGY MARKETS FORUM

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**Jorge Montepeque**  
President & Founder  
Global Markets



### Oil is still supported despite recent stock builds and weaker China demand?

There's a narrative and behavior in markets that has been going on for almost a year – inventories are being consumed daily and demand is exceeding supply on average, so it's natural for prices to react upwards. It's happening across so many commodities. Supply chains have been disturbed and a lot of money has been created by central governments. Demand has remained strong but productive capacity has not. Policies by many governments have also discouraged investment into key industries, such as coal, and gas exploration is constrained in some countries. We're paying the price for all of this now.

### Trajectory for oil prices in the next six months?

We will continue to hit several key points, one after the other. We hit \$70, \$75, \$80 and so on and we are going to probably hit \$100 between December and January if the winter is a little bit cold.

### How much of this strength is due to gas price hikes?

Gas is very short. Europe has followed a very short-term view that energy is long and cheap, and it's now realizing the error of its ways. We need to wake up. There's a shortage of basic commodities. Global consumption is very strong. Diesel demand in the US is higher than it was prior to the pandemic and in the next three months as countries open-up, demand for jet fuel is going to surge, and we will see another kick back into the price of oil. We were not ready for the end of Covid, and this is why we're seeing this surge.

### When do you think we could see interest rate increases start?

Definitely in 2022 but central banks will react very slowly and cautiously. There's going to be a big difference between the actual rate of inflation and pace at which interest rates rise. Goods, commodities and real estate will continue to be a good investment. ■

*\*Paraphrased comments*

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