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OPEC+ flexibility signal has led to oil prices stabilizing.

They have said that they will continue on the charted course of adding 400,000 a month but also put into place a fast response structure if needed, so the price reaction has been understandable. The group has done an excellent job so far in estimating demand growth and increasing supply so that prices are upward moving. They are betting that the Omicron situation will not be as bad as what was initially suggested.

Would suspending volumes have been problematic in terms of internal quotas?

I think we have seen another example of April 2020 – where the three powers of Russia, the US, and Saudi Arabia, while not completely in agreement at first, eventually came together with this SPR release on the one side and the continued production increases on the OPEC+ side. That could be tested if these tensions between Russia and the Ukraine escalate, however. The next game would be US sanctions on Russia which would have direct consequences for OPEC+ with possible pressure by the US on Saudi Arabia regarding its partnership with Russia. That is the uncertainty which overlays the oil market.

Should we be worried about Russia Ukraine escalation?

The EU and the Biden administration are underestimating the depth of resentment which is running through Russia's elite and leadership on the matter of Ukraine, which is a real belief that the Ukraine is Russian. The western view today is that Putin is just seeking attention and that, as he did last May, he will ultimately back off. Putin's view, which I think is correct and important, is that the collapse of the Soviet Union was the biggest geopolitical catastrophe of the 20th century and his policies since the beginning have been driven by a desire to put the USSR back together again to some extent - and the Ukraine is a core element of that. What irks him further is the extension of NATO membership into the post-Soviet sphere.

US monetary policy impact on oil markets going forward?

Oil markets are generally affected by this but they also have their own corrective. If OPEC suddenly cuts production a little more, then oil can develop quite differently from other commodities and other markets. That is something which should not be ruled out because they certainly has no intention of letting oil fall in lockstep with the rest of the market if that happens.

Week ahead?

The big rabbit in the hat will be the scientific assessment of Omicron. We also have Tuesday's meeting between Putin and Biden. On the inflation front, I don't expect any surprises from the report coming out in the US. We do need to keep an eye on China because it doesn't look as stable as it used to be. So, all together on the demand side globally and with questions on GDP, it looks like a market which is weakening, not strengthening, if you leave aside all those geopolitical tensions. ■

**Paraphrased comments*

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