

# DAILY ENERGY MARKETS FORUM

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**Jorge Montepeque**  
President & Founder  
Global Markets



### Would OPEC be happy with the distortion an SPR release could bring?

Governments globally, including the US, Japan and China, are very concerned about the surge in oil prices since September, so they're jumping in to take action to flatten the curve by considering releasing strategic reserves. The imbalance between supply and consumption continues and inventories are being depleted and we expect demand to remain healthy with winter and travel seasons coming up. Any recent softness in the market will recover in December and January. OPEC will continue to optimize the value of the commodities they sell. They are in the driver's seat and will continue to be so, while observing their impact on the market. An SPR release will impact prices but usually, the price continues to go the way it should go because those measures are, by definition, temporary and ineffectual.

### Why are US producers backing away from hedging for 2022?

As an oil producer, your choice is to tell shareholders that you are exposed to price or that you are managing price by hedging. It's clear today that prices are, plus or minus, \$80 and that we're not going to go to \$50 or \$150 so it is more efficient from a capital consumption point of view, for a company not to hedge and just ride the market.

### What's the latest sentiment on US Fed policy and its impact on oil markets?

The numbers are showing that there should be interest rate increases in the US and elsewhere but it's unlikely the US will act anytime soon despite the stronger narrative. If and when it does however, that is likely to be before others, like Europe for example, and hence we are seeing the USD strengthen relative to other currencies. By definition, that also increases the cost of energy to the rest of the world because oil is denominated in US dollars. ■

*\*Paraphrased comments*

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