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Maleeha Bengali
Founder
MB Commodity Corner

Macro factors are driving commodity market direction more than fundamentals.

Right now, the most important thing is FX and the US dollar. Liquidity has been a very powerful driving force for all asset classes in the last two years and past decade. Now, that's being withdrawn by the Federal Government and the US balance sheet is going down. The Fed is not able to support the market with QE, the dollar is rallying aggressively, the yen is devaluing and obviously the yuan is devaluing. These devaluations are leading to low commodity prices. Nobody knows how far the yen can collapse, but that's a big market. And if money leaves the yen, obviously the yuan will lose its competitive pricing power and will be forced to devalue as well.

How are higher gas prices impacting demand and flows?

The gas market will be very precarious for the next 3 to 6 months and going into winter because there's a shortage problem. Obviously, lots of US LNG cargoes are going to Europe to offset some of the drop in Asian demand. The pricing point between Asian LNG, US LNG and Europe LNG is presenting arbitrage and rerouting opportunities. But even the US has its own domestic gas needs right now, so the market is very volatile and very supported.

China demand outlook given Covid challenges?

China's GDP numbers are nowhere close to 5%; they're probably 3.5% or even lower. But no one is seeing how much actual demand destruction is taking place. The US and Europe are also slowing down and all of that for example, will hit jet fuel demand and that's one reason why oil prices have not rallied more. At the same time, we have a very tight product market with low distillate and gas inventories. So, it's this balance that's going to set the price for the summer.

Direction for the US economy over the next six months?

The Fed's probably going to raise rates next week - there's talk about a 50 to 75 basis point move. The main concern is inflation now, which is very sticky. Demand in the US is robust but is showing signs of plateauing. On the housing side, fixed rate mortgages have doubled so there's pressure there. Higher yields are biting the economy and US consumers are trapped because they can't spend with disposable incomes lower. All of that will feed negatively into GDP going forward. ■

**Paraphrased Comments*