Daily Energy Markets
VIEWS YOU CAN USE

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The market is waiting to see what's going to happen come Q1.

The price cap has been largely ignored by the markets. I can't see how it will be enforced - it's more political than anything to do with fundamentals. What happens in Q1 next year when the EU bans Russian oil products in February and what happens with gasoil predominantly, is what will drive the first couple of months because right now, the rest of the world can't replace that flow. But up until year end, flat prices are getting a boost from supply issues.

What impact have sanctions had on the tanker and insurance markets?

The whole market is still trying to understand it. It's clear that there's a fracturing of what goes into the clean market and what goes into the dark market and that will evidence itself more over the coming months. Also, where the product goes - Africa will likely take in most of the diesel and oil products that Russia exports. But ship owner rates have increased 200% since September because of a whole number of forces that happened to have come together. China clean products exports are at record highs – hitting 1.6 million bd in November, and there are less ships available in the market in general. Whether that rolls out into crude will depend on what happens with Chinese demand. We also have seasonal changes which are normal for this time of year, causing an uptick in demand, but people keep attributing that to what's happening vis a vis Russia. Having said that, trade patterns have changed – for example, we see ship to ship operations happening offshore Kalamata in Greece. That's a new region, but new regions form whenever there is a change in market dynamics.

How much of an unknown is the China factor for commodity markets in 2023?

I would argue that the recessionary headwinds have largely been priced in. I don't see the $40 to $50 oil calls materialising. The world has had a culmination of issues that should have made the flat price drop to those levels, predominantly because China demand has not yet resurfaced, and yet it's still at $80. When China does open, the $100 oil argument is more than there. ■

**Paraphrased Comments*