

DAILY ENERGY MARKETS FORUM

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Oil markets have softened a bit on the back of exhaustion to the upside.

But crude is already starting to move up again although we don't expect any great breakouts to the downside or upside for energy short-term. The USD index meanwhile has hit 16-month highs in the last couple of days. Who would have imagined we would see a 95.5 handle again and some analysts are saying we could go even higher.

Will we see oil prices remain supported into next year?

It's hard to know where 2022 plays when we've gone between \$40 and \$85 in the last year. Year on year inflation for October was at 6.2%, but in real terms, the hurt to the consumer wallet is enormous. We see price appreciation everywhere - on food, on energy, on utilities. That really impacts many different components of any economy. People are buying hard assets as a result, including gold, which has gained more than \$100 in the last week or so.

Outlook for China's economy given its coal crisis and property jitters?

Just look at the numbers. China consumes 82 exajoules of coal. India by comparison is at 17 and Russia at 3.2. So, it's not hard to fully understand China's addiction to coal and coal fired power plants. As for property, the country's \$62 trillion industry dwarfs every other property market in the world and accounts for 30% of China's GDP. Then you have the debt structures associated with companies like Evergrande and what that lender footprint might look like. Evergrande has 180 global and 120 local lenders alone. It will take time to unravel but if and when it does, we will find out how many other players have a similar structure and what happens to China's domestic economy and to its debt holders abroad. Volatility will be a big component in 2022. ■

**Paraphrased comments*

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