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The market today is more at ease with the supply demand outlook.

One reason is the elimination of the risk premium - it's not that long ago that there was uncertainty around how the price cap legislation would work, and there was a real concern that Russian goods would not come to the market because insufficient players would be able to cope with the impacts of sanctions. The second reason has been recession fears, and so open interest on exchanges for products such as Brent, WTI and most notably middle distillates contracts - heating oil in the US and gasoil in London - is at the smallest level ever for the speculative elements in the market and many fund managers appear to be short on distillate. Why is there that degree of lack of confidence in the market? One reason could be that oil has traditionally been seen as an inflation hedge, and now it is perhaps being seen to have served its purpose with inflation levels going as far as they have to run. The other reason could be that people are simply looking to shift asset allocations wholesale out of fossil fuels because their clientele want to see them deploy their assets in other segments of the market. The last reason the market has softened is that many bottlenecks have been eliminated in terms of supply demand concerns. We had very high natural gas prices because of the Russia-Ukraine conflict, and as a consequence, the fuel to refining systems in Europe and elsewhere, was elevated to a point that it had to force higher margins. That has now gone away and at the same time, we have had a significant addition of refining capacity. ■

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