

# DAILY ENERGY MARKETS FORUM

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### Any fallout for OPEC from a coordinated SPR release?

OPEC needs to keep their customers front and center, but their major customers are also signing up to commitments to phase out oil to an extent, while asking them to lower their margins today so it puts OPEC in a difficult position. Some countries, like the US and Turkey, are releasing their strategic reserves out of political necessity. The main trigger behind inflation is central bank policy, and in a way, that's been a success. People are out and spending money. What's creating concern is that this has been established on the basis of an extraordinary expansionary policy, and yet we don't have full employment and things are getting more expensive.

### Can the US Fed do anything about this inflation?

They can do something with monetary policy, but it would be easier to just shift the narrative, such as admitting that inflation is not so transitory and so the market should expect more aggressive moves at some point. And that narrative - that tightening is on the horizon and that inflation will remain high through 2022 - is in fact already out there. It's possible that further decisions could be made before or after the US mid-term elections. But whereas in the past, you could go up 500 basis points in a normal tightening cycle, the prospect of that today would spook investors into the very asset classes that are booming - oil, property, technology, crypto and SPACs. ■

*\*Paraphrased comments*

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