

ENERGY MARKETS FORUM DAILY BULLETIN



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ENERGY MARKETS FORUM Consultancy Intelligence Publishing EXCLUSIVE 60 SECOND SOUNDBITES

David Rundell

Author

Vision or Mirage, Saudi Arabia
at the Crossroads

***"Saudi would Welcome
Sitting at Table with Iran"***

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Peter McGuire

Chief Executive Officer

XM Australia

***"Can Brent Break Through
\$70/bl Before End of May?"***

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Maleeha Bengali

Founder

MB Commodity Corner



Is the oil market stuck and looking for a more tangible direction?

It's at a plateau. Talk of any sort of liquidity withdrawal from the Fed can have massive consequences for the macro markets and that is why oil has not been able to go much above \$70. On the demand side, we see a massive increase in gasoline consumption, but jet fuel is still quiet because of mobility restrictions. On supply, we expect to have OPEC oil, US shale and Iranian oil coming back onstream. The only reason why this market is generally higher is that we anticipate a reopening of global economies and travel, but not for another three months.

The political momentum for stimulus seems to be seeping away in the US?

The repo market, the nemesis of the equity market in the last two years, is showing signs of distress again. The Fed has put too much liquidity into the market and we have seen the repo market unable to absorb this, with banks unable to take those extra assets onto their balance sheet. That's placing some pressure on the White House to pull back on further expenditure commitments. We don't see the inflation concerns as transitory. The Fed needs to act now to avoid massive stagflation - supply bottlenecks are not going away anytime soon - and any removal of money will mean that commodity and equity markets face headwinds.

Should we expect more volatility in financial markets?

The market is at an inflection point. We see stimulus in China being pulled back for example and therefore momentum taken out of asset classes. Another sign of inflection is the recent swings in cryptocurrencies. It's definitely a nervous and unsettling market today amid the inflation and liquidity argument. Once that is settled and if the Fed abandons any tapering argument, markets could go back up to their highs. ■

**Paraphrased comments*

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