Daily Energy Markets BULLETIN

Consultancy Intelligence Publishing

SUNDAY /// JAN 30th

“Oil prices to hit triple digits very soon”

Jorge Montepeque, President & Founder, Global Markets

There’s an incredible force to the upside on oil prices. Barring any central bank intervention, they should continue to drift upwards, crossing triple digits quite soon. And as they rise, the specter of inflation races ahead. However, the run up we have had is not just in oil, but in most commodities, spurred by a recovery in consumption. Covid is disappearing as far as we know in places in the West, where populations are essentially reaching herd immunity. Central banks meanwhile are worried and focused on what they do on interest rate policy, with inflation at 7% or above, and equity markets collapsing 7-10% in January so far. If the US Fed over tightens, the whole thing risks collapsing like a House of Cards. The Biden administration also has midterm elections in less than a year. So, there is political pressure to do something to take care of inflation, but not to overdo it because a collapse in the equity markets is much worse in the American psyche than high oil prices or inflation. I would say that the Federal Reserve is going to be restrained in its actions.

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Daily Energy Markets PODCAST

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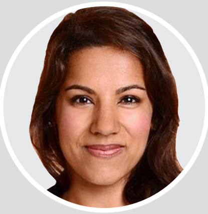

Maleeha Bengali
Founder
MB Commodity Corner

Christof Rühl
Senior Research Scholar
Center on Global Energy Policy
Columbia University

Sean Evers
Managing Partner
Gulf Intelligence

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TOP 3

SUNDAY /// JAN 30th

TAKEAWAYS

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TOP 10 DAILY NEWS DIGEST

1. OIL MARKETS BULLISH AS BRENT BREAKS $90
2. OIL MARKETS SHOWS SIGNS OF OVERHEATING ON SHORTAGE WOES
3. US RIG COUNT RISES ALONG WITH CRUDE PRICES
4. FAR FROM DYING, THE COAL INDUSTRY IS ACTUALLY BOOMING
5. CAIRO’S AMBITIONS TO BECOME A MAJOR GAS EXPORTER
6. OIL DIMS HOPE CENTRAL BANKERS WILL WALK FINE LINE
7. CHINA NON-FOSSIL FUEL POWER CAPACITY TO HIT RECORD THIS YEAR
8. PANDEMIC TESTS RESILIENCE AND CREDIBILITY OF FISCAL RULES
9. CHINA; XI’S FACE TIME WITH IOC CHIEF MARKS RARE FOREIGN INTERACTION
10. STRONG US EARNINGS LIFT GLOBAL EQUITIES AMID INFLATION, GEOPOLITICAL CONCERNS

RECOMMENDED REPORTS

- IN BIDEN’S FIRST YEAR, ECONOMIC GROWTH REACHED A 37-YEAR HIGH
- BIDEN MAY CATCH PUTIN IN HIS OWN UKRAINE TRAP
- COTTON, COLLEAGUES CALL ON BIDEN TO ENFORCE SANCTIONS ON IRANIAN OIL TANKERS
- WHY TENSIONS ARE ESCALATING BETWEEN YEMEN’S HOUTHIS & THE UAE
- CHINA’S AMBASSADOR TO THE US WARNS OF ‘MILITARY CONFLICT’ OVER TAIWAN
- IRAN NUCLEAR TALKS ENTER ‘FINAL STAGE’

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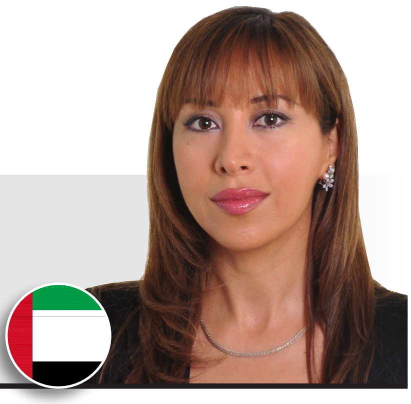

Dr. Carole Nakhle
Chief Executive Officer
Crystol Energy

Any surprises in the US Fed announcement this week?
The shift in tone has been building up since last year. What caught my attention was Chairman Powell's referral to the strong economic and labor market recovery. Some have reacted with concern at the possibility of interest rates hikes as early as next month but the Fed also said that they will maintain a degree of flexibility. We will have a better understanding of how the market is taking it all in by next week. The main debate today is whether they should have taken this kind of action much earlier. They admit they were wrong on inflation and underestimated how fast prices were going to rise. However, if we look at the recent World Economic Outlook report by the IMF, it downgraded forecasts for most of the large economies, including China and the US, and said that the global economy was starting 2022 in a weaker position than originally expected.

US inventories building this week and yet oil prices rose?
We need to look at the whole year ahead. We might see some tightness now, but it's expected to ease significantly as we move forward. And very high prices tend to be followed by a much longer period of low prices and that will have more significant repercussions on the world economy and on producers.

Does OPEC+ have the capacity to put more barrels into the market?
Saudi Arabia does for example, but it's not doing so because they don't want to risk flooding the market and then suffer the repercussions. They want a nimble, step by step approach and to also see how all the geopolitics is going to unfold. There are also huge disparities on forecasts by investment banks - that highlights the kind of uncertainty we are facing. We also don't know what's going on with inventories in China and India, nor what is going to happen with Covid and supply chain bottlenecks. ■

**Paraphrased comments*

Daily Energy Markets
Mashreq 60-SECOND SOUNDBITE

Consultancy Intelligence Publishing

Maleeha Bengali
Founder
MB Commodity Corner

"The FED is very backward looking!"

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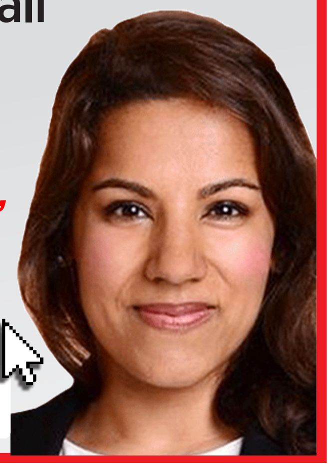

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Daily Energy Markets
Mashreq 60-SECOND SOUNDBITE

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Christof Rühl
Senior Research Scholar
Center on Global Energy Policy
Columbia University

"Steep backwardation means present oil demand is very high"

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