Markets Are Forward-Looking
3/24/22

Prior to Russia's invasion markets were tight and prices were rising aggressively. They jumped from $68 in October to $92/93 (WTI) and were headed higher. At the beginning of the war, with little data available the market assumed that there was an additional loss of 2.5-3.0 MMB/D of Russian exports. It immediately priced this added loss and prices jumped above $130/BBL. This was an overreaction since the initial loss of Russian exports was much smaller, perhaps 1MMB/D. When the market realized this, prices came down from their highs.

The damage to the CPC tanker loading facilities which could impact 1MMB/D of exports for 6-8 weeks has brought prices back to $110. And the market, the IEA, and other governments believe that as we approach April/May the Russian export loss will only grow even without any other formal IEA or NATO country action to formally cut Russian exports further. In that environment, we could retest the highs we recently experienced.

The situation involving the full extent of the Russian loss is in flux. While governments should be prepared to release stocks, they should husband them now as we learn more.

1031 31st Street, NW Washington, DC 20007 ▶ 202.944.3339 ▶ eprinc.org