

## **GME NEWSLETTER – The new issue has been published**

Rome 16 May 2023 – The new issue of the Gestore dei Mercati Energetici (GME) newsletter is online, downloadable from the [www.mercatoelettrico.org](http://www.mercatoelettrico.org).

The newsletter opens with a speech by Lisa Orlandi of the RIE on the opposing forces involved in the global oil market. *"Volatility and forces acting in opposite directions are the most evident characteristics of the first months of 2023, a year which – like the three before – is proving to be anything but obvious – observed the RIE analyst -. From January to April, the prices of Brent Dated have varied within a 70-90 doll/bbl range, with changing trends, upwards at a time and downwards at another, as answer to dynamics and variables that cannot be clearly defined, making it difficult to understand the whole picture."*

In the first four months of the year, three main phases can be identified that *"clearly show the emotional changes to which the market has been subjected, with expectations that – even in relation to the same variable – change in a few days,"* Orlandi pointed out. The first phase, she continued, *"includes the months of January and February, during which Brent almost always remained near 80 doll/bbl (with peaks even close to 88 doll/bbl), supported by a picture of its basic values that was expected to be more critical than the one of 2022."*

The second phase engages *"on a changing but still fundamentally balanced picture, on March 8,"* with the news of the Silicon Valley Bank (SVB) bankruptcy. *"Since the failure of SVB and throughout the month of March - explained the RIE researcher - the prices have fallen below 80 doll/bbl, while still remaining in the range 70-80. Fears about the spread of the banking crisis – and with it the recession risk in both Europe and the United States, partly because of the restrictive monetary policy implemented by central banks to bring down inflation – inevitably brought 2008 back to mind. When the Lehman Brothers bankruptcy dragged the oil market to one of its lowest values, resulting in a price collapse from a record of 143 doll/bbl in July to 36 doll/bbl in December."*

Finally, the third phase concerns the forecasts for the remaining part of 2023: *"In a context of expected growing demand, OPEC Plus decided to surprise the market again. On April 2, it announced a new cut in production of 1.16 mil. bbl/g starting from May, in addition to the cut in force since November and the voluntary reduction of Russian production in response to sanctions, for a total of 3.66 mil. bbl/g to be taken from the market – said Orlandi –. The risk – underlined several times by the IEA – is to aggravate the supply deficit already foreseen by the Agency for the second part of 2023. [...] on this basis and with the perspective of a tight market in the second half of the year, prices are now again above doll 80/bbl, with a peak of 87 in mid-April."*



Despite this *“the end of April and the first days of May were characterized by a new bearish register, with Brent again falling below 80 doll/bbl. Once again, the anxiety discount, coupled with concerns about the health of the US banking sector and the recession risk in the area, is scary also on the other side of the Atlantic Ocean,”* the RIE analyst admitted. For this reason it is *“too soon to define this last period a new phase. However, it is clear that, since the beginning of the year, the oil market has been affected by the alternation of factors that – acting in the opposite direction on prices – have maintained the range between 70 and 90 doll/bbl, - Orlandi concluded. What is surprising, even if we should be used to it, is the responsiveness of prices to expectations that – even in relation to the same variable – can change in a few days by changing the direction of the variable. Therefore, the fear of a supply deficit due to the global consumption sustained by China alternates to recession fears in the OECD that could change the overall picture. In the background, the war premium, to be understood as a long-term effect on the world’s geopolitical balances that can bring about a total reorganization of the market.”*

The new issue also includes the usual technical comments relating to the national and European electricity and environmental markets and exchanges, the section dedicated to the analysis of the trends in the Italian gas market and the analysis section on the trends in Europe, which explores the trends on the main European commodities markets. The new GME publication also reports, as is now customary, the summary data of the electricity market for the month April 2023.

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