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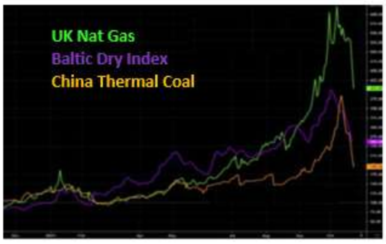
Your eyes and ears on the markets

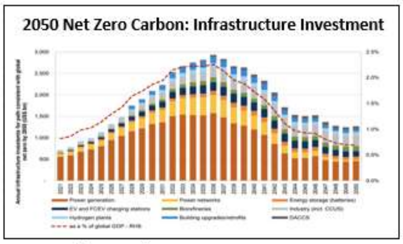
November 5th 2021

# WILD CARD

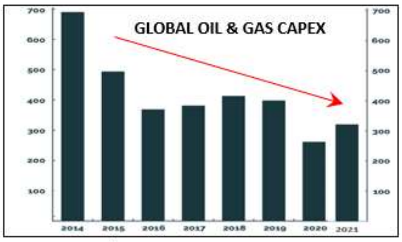
## UK NAT GAS & CHINA THERMAL COAL + 2050 ZERO CARBON CAPEX + OIL & GAS & COMMOS CAPEX + US SHALE OIL OUTPUT + US GAS DEMAND & INVENTORIES + GAZPROM STORAGE + EZ CPI ENERGY CONTRIBUTION



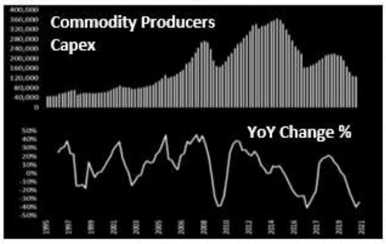
Source Bloomberg - **Chart 1**



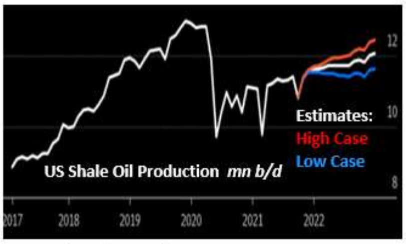
Source Goldman - **Chart 2**



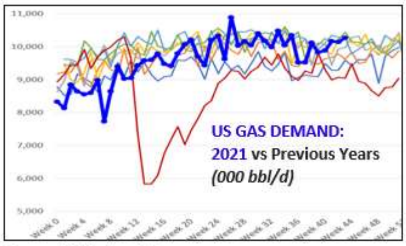
Source BCA - **Chart 3**



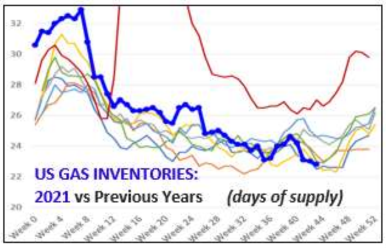
Source Crescat - **Chart 4**



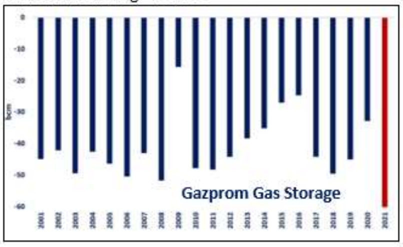
Source Bloomberg - **Chart 5**



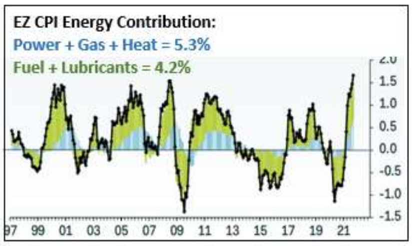
Source WSJ - **Chart 6**



Source WSJ - **Chart 7**



Source Barron's - **Chart 8**



Source Pantheon Macroeconomics - **Chart 9**

Forget about the talks over Iran's nuclear program (which are expected to resume at the end of the month), also forget US pressure on OPEC+ to increase oil output, and don't give too much credit to the overdue reversal of the energy commodities that recently went through the roof (as they are still much higher than before – chart 1); oil is going to be one of the wild cards able to derail the everything bubble in the coming months.

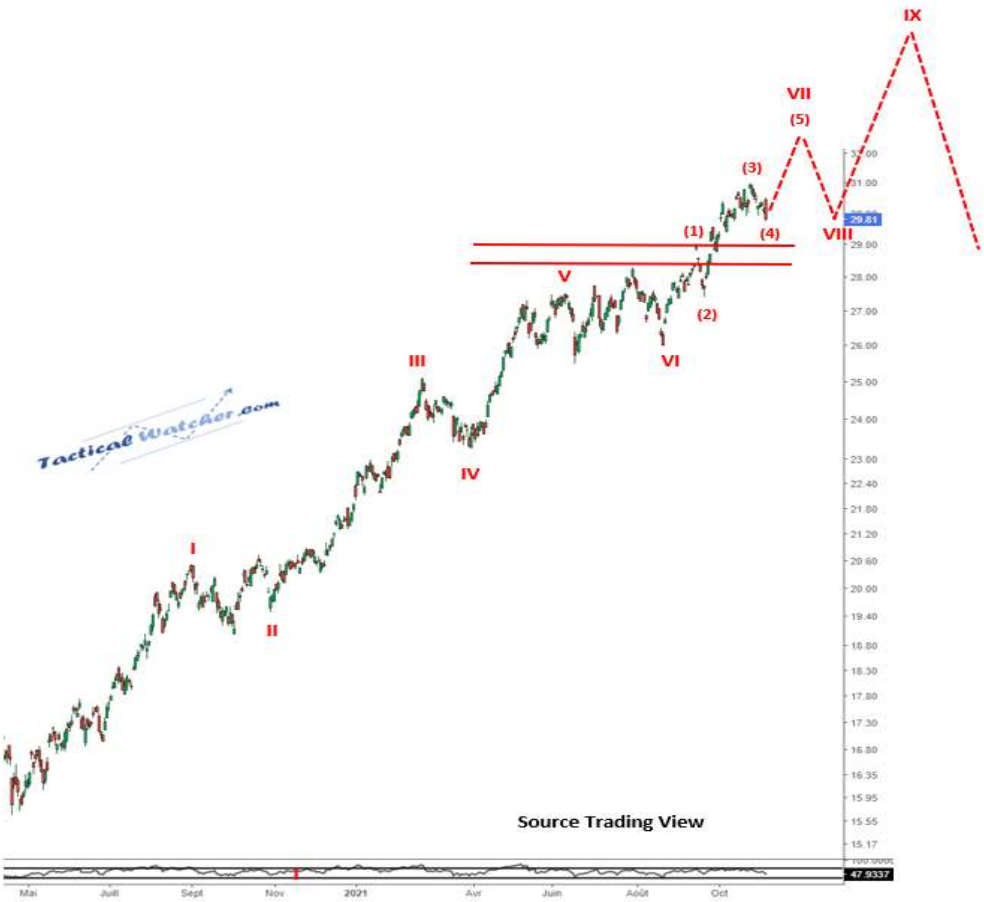
As $3tn investment would be necessary to reach zero carbon emissions by 2050 (which makes the goal very challenging - chart 2) + while the increase in renewable energy (expected to grow by 35 gigawatts from 2021 to 2022) is still lower than the overall increase in global energy demand (especially after the pandemic, with power demand expected to grow by 100 gigawatts over the same period), dirty fuels will not go away anytime soon.

Meanwhile, capex in oil & gas has continued to decline (chart 3), and the phenomenon goes much beyond the energy industry as all commodity producers have followed the same path (chart 4), under the pressure of the commodity bear market that occurred between 2011 and 2020. For the same reasons, and following the requests of shareholders to increase profitability & dividends, the US shale production is also still far away from its pre-pandemic record (chart 5).

All this is happening when gas demand is holding near multi-years highs (chart 6) + inventories are low (chart 7), whether in the US or in Europe. Hence the use of oil as a substitute which is set to last under the current conditions, even if Gazprom may have replenished its gas storage for winter (not sure indeed that Putin will make any effort, at least until the Nord Stream 2 Pipeline has been approved - chart 8).

**As a result, while surging energy prices will continue to boost inflation (chart 9) as the Nat Gas spike will take time to make its way through the economy (like the airline companies that have not yet raised their prices to reflect the increase in input costs, etc), we can expect the rally of the barrel of oil to carry on with an obvious caveat: from which level ($100?) will the equity markets start to notice/tremble?**

**BLOOMBERG COMMODITY INDEX ETF – DAILY**




**Since it has resumed/extended its uptrend in September, we now expect the Commodity Index to develop 9 large upwaves from the bottom of March 2020, instead of 5. Valid as long as the highs of waves 1 and V are intact (as marked by the red horizontal trendlines).**

**BRENT FUT – DAILY**


Our scenario is on track. 38.2% of wave (3) has been retraced. The uptrend may now resume. Confirmation above the key resistance level.

**10-YEAR GILT YIELD – DAILY**


The reversal that followed yesterday's BOE meeting does not change the view that the trend on UK yields is up. Valid as long as the key support holds.

**VALUE LINE GEOMETRICS INDEX – DAILY**


Meanwhile, in the US, like with the Russell 2000 + S&P 400 + NYSE index etc, the Value Line Geometrics is of course breaking out on the upside (contrary to the expectations we had a week ago).

**US INTERNET COMPANIES FDN ETF – DAILY**


So far, the FDN index has been unable to follow through, confirming that we are indeed dealing with a catchup phase of other segments, or let's say a new attempt to resume the reflation trade and broaden Wall Street's rally.

**EUROSTOXX FUT – DAILY**


Shorter-term however, be it in the US or in Europe, resumption of the uptrend or not, a pullback would not be surprising given how stretched the current situation is + as the Eurostoxx is testing its trendline which has capped its rally over the past months + while a 9-demark warning is still valid on the 2-day period.

Remains that nine uplegs should now be expected since the low of October. Valid as long as the high of wave 5 is intact.

**DAX FUT – DAILY**


The situation is similar on the German index: while a few days of setback start to be overdue, the rally since the low of October will be incomplete as long as the high of wave ((1)) is intact.