By Benedicte Gravrand, Opalesque London:
Wednesday, October 28th, 2009

Galena to take a bullish position on crude next year

"Energy markets, specifically crude oil, the deepest and most liquid of all the commodity sectors, are heavily affected by geo-politics"
— **Claude Lixi, fund manager at Galena Asset Management, a commodity fund house which is part of the global trading group Trafigura.**

He also reminded his audience, at yesterday's Jetfin conference on commodities and energy in Geneva, that OPEC produces about 43% and non-OPEC 57% of global production.

The oil market as it stands today saw a decline in demand of 1.7mmb/d (million barrels per day) or 2% during the global recession. While non-OPEC supply grew by 1.1mmb/d, OPEC applied supply cuts, its spare capacity increasing by 2.3mmb/d to 3.7mmb/d. Since the start of the year demand for oil was on average of 84.1 vs. a supply of 84.7.

Lixi expects world oil demand to come back to previous levels (although with a different regional split), and non-OPEC supply growth should slow significantly.

"In conclusion we should go back on drawing oil stocks by the second half of 2010," he said. Oil prices went from $37 in March to $82 last week, but oil producing countries may still try to hike prices, he added.

WTI crude oil plunged -2.6% to $77.46; Brent Crude (ICE) was down $0.21 at $75.65 this morning, and Light Crude (Nymex) down $0.16 at $77.16.

Among the bearish arguments for the oil market are political and regulatory pressure, high oil stocks and subdued demand. Oil is a cheap energy source - but we need high oil prices to give us the incentive to look at alternative energy, he said.

Bullish arguments include geo-politics, good economic indicators, lower dollar, inflation fears and investor appetite for new asset classes.

"In 2010, I believe we have to be bullish because a lot of new investors will come in and a lot are afraid of inflation," he concluded.