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**MADISON MILLS, YAHOO FINANCE:**

We are going to turn to the commodity market. Oil prices hitting $80 a barrel. That's for the first time since November. Joining us now to discuss, Greg Sharenow, who leads PIMCO's commodity portfolio management group. Greg, thank you so much for being here with us. I know that you anticipate that oil is 15% below your broader target more broadly. I'm curious, what do you see as the biggest catalyst forward for oil then?

**GREG SHARENOW, PIMCO:**

Provided OPEC continues to take the action that they have done for much of the last two years in supporting the market via reducing supplies which has kept inventories very low. We continue to think that in this environment we are going to draw inventories over the course of 2024 and that is one reason why we think we're going to have higher prices. In addition to that, one thing that's making OPEC more successful this time than let's say four years ago is the capital discipline has started to increase among U.S. and Canadian oil and gas producers. So relative to $80 three years ago they're spending meaningfully less than they would have spent. As a result we expect growth which has been a positive surprise in 2023 to start meaningfully decelerating over the course of 2024 and that's going to allow them ultimately to bring on more supplies but for now they're able to effectively keep the market tight and prices support it.

**JULIE HYMAN, YAHOO FINANCE:**

And so Greg. just put a fine point on it here. OPEC is meeting soon and you do think that they will continue to maintain the production cuts that they have had thus far. If that does happen then what gets oil — what's the catalyst for the next leg up? Is it the confirmation of that or does something else need to happen?

**SHARENOW:**

To be honest I think it's a continuation of low inventories that are going to potentially draw further. You're starting to see the market term structure or the premium for prompt delivery accelerate. The front brand contract is now 11-12% above one year forward. That's historically a fairly high level suggesting that inventories — and it's consistent with inventories being very low. So if OPEC decides to start bringing oil back onto the market that will help reduce some of the tightness but in many respects it's also a positive sign because the oil is needed. Ironically cutting supplies to stop a market from being weak is not nearly as good as when you actually get to increase supplies into a strong market.

**MILLS:**

I want to talk about domestic risks a little bit. Obviously we're heading towards another presidential election. If former president Trump were to take office what could that do to the oil market?

**SHARENOW:**

Well I think it's actually less impact on US markets and more geopolitical consideration. What does, if Trump is elected, then stepping away from support for Ukraine, potentially do to Ukraine's decision on their own security and their own defense? Over the course of the last few months Ukraine has successfully attacked several Russian energy assets and would they ultimately end up doing more? If they view that as an existential threat that they have to take that action, which may be today, they'd be more concerned about doing so because of the required support from the US government and European leaders who are sensitive to inflation. Similarly I would expect a more aggressive sanctioning policy and more pressure applied to Iran. We've seen that in 2019 when the extreme pressure was put onto them they actually were successfully able to attack Saudi energy infrastructure which at that time was remarkable how fast Saudi was able to recover but was that a warning as much as a complete attempt? And in addition to that we've seen the efficacy of the Houthis in disrupting shipping. Iran has a similar capability of doing really disruptive activity and maybe the analog from looking in the 80s when the US and other countries were able to successfully keep the waterways open now might actually be much more challenging given the use of drones and other military equipment that have come on. That can make it harder to do that. So I think that there's real risks in a Trump presidency that actually geopolitics get less stable and as a result potentially more constructive for oil.

**HYMAN:**

That's really interesting and something that we haven't heard as many people talk about, Greg. If that does happen, one could imagine a scenario in which a theoretical president Trump would be alarmed at seeing higher oil prices. That would not necessarily be good for him domestically if that translates into higher prices at the pump in the US. I'm sort of going several steps into conjecture here, but it would tend to be probably more reactive than proactive on that front so how would that play out?

**SHARENOW:**

Well I think the first thing he does is he calls on Saudi Arabia which has managed to take off a meaningful amount of supply from the market and who has roughly three million barrels per day of excess capacity, and in that case ask them to bring on more supplies. Now Saudi Arabia has the East West pipelines that allow them to redirect some supplies but certainly you have to make that calculus. I've made a statement that I think Iran will respond. He may have a different view on exactly what Iran will do in that situation and as a result may make that decision and then the minute he makes that decision, if Iran responds, you have to start calling on allies to try to replace it. Question is, how disruptive will it be? And that will impact how much the allies can actually help.

**HYMAN:**

Yeah all of this is really interesting to think about and again, not something a lot of folks are talking about as of yet. Greg, thank you so much for bringing all of this to our attention, and thanks for your insight.

**SHARENOW:**

Thank you.