## Focus

Oil prices have long been an important indicator of the development of the global economy. Since the beginning of 2021, as a result of the recovery and reopening of the world economy, the price of oil has risen sharply. Additional factors such as production cuts and a lack of investment in the oil sector have caused the price of a barrel of Brent and West Texan Intermediate oil to soar. By comparison, at its lowest point in early April 2016, the price of a barrel of Brent oil was around USD 20. Currently, the price of a barrel of Brent oil is just below USD 100, whereas it was USD 128 at the beginning of March, partly due to the Russian invasion of Ukraine and the accompanying economic uncertainty.

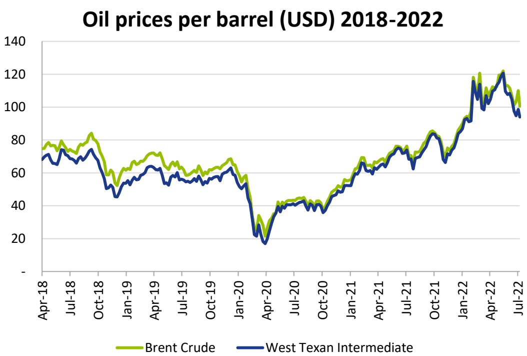
The huge increase in oil prices is noticeable for everyone. The Dutch cabinet therefore decided to reduce excise duty on fuels at the pump as of 1 April. In the Netherlands, approximately 50% of the price of a litre of petrol consists of excise duty and VAT, and approximately 40% of the price of a litre of diesel. With this measure, the Dutch government wants to compensate the consumer for the higher costs at the pump. Similar measures have been taken in other European countries. Meanwhile, the member states of the European Union (EU) have also agreed to ban almost all imports of Russian oil.

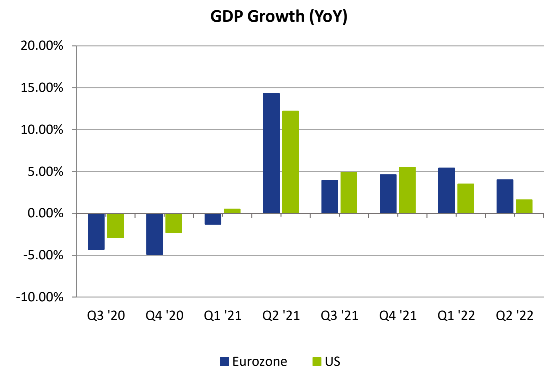
The President of the European Council, Charles Michel, announced that the ban aims to halt two-thirds of all oil imports from Russia by sea and to reduce Russian oil imports into the EU by 90% by the end of the year. The remaining 10% of imports will be temporarily exempt from the agreement, as countries such as Hungary, Slovakia and the Czech Republic are currently too dependent on supplies from Russia. However, this ban will only be effective if the rest of the world follows suit. Imports of Russian oil into Europe fell by 554,000 barrels per day between March and May compared to January-February. Meanwhile, exports to Asia rose by 503,000 barrels per day and China imported as much as 55% more Russian oil.

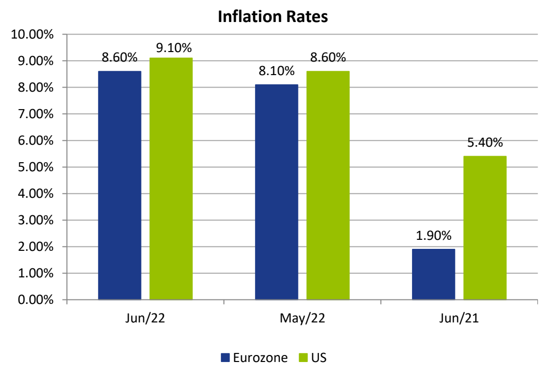
With the curbs on Russian oil imports, the question also arises as to how this is compensated for by the 13 participating Organisation of Petroleum Exporting Countries (OPEC) countries. OPEC+, the OPEC countries plus 10 allies including Russia, decided in June to increase the production of oil in July and August by about 600,000 barrels per day in order to slow down the rising oil price. Together, these 23 countries account for an estimated 40% of world oil production. Nevertheless, many OPEC countries do not meet the higher production quotas.

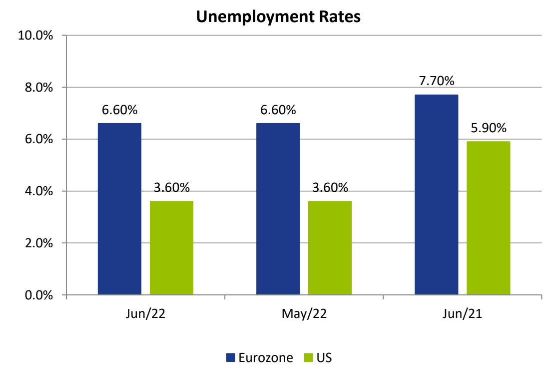
Countries such as the United States want OPEC to increase production even further in order to reduce oil prices, but also to curb rising inflation. US President Joe Biden was recently in Saudi Arabia to discuss this, without any success. The increased production should have the effect of curbing inflation, which is fuelled by high energy prices, but the OPEC decision to stick with a negligible increase is seen by experts as a defeat for the West.

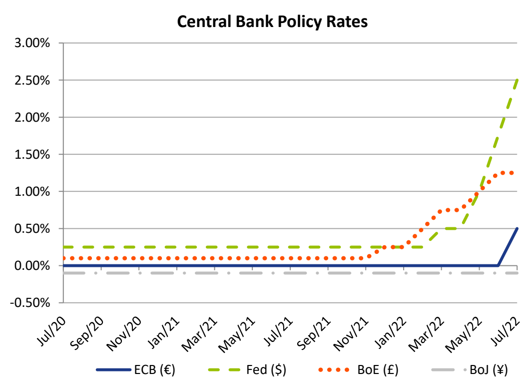
Russia is therefore not very keen on a sharp increase in oil production. Indeed, the country benefits from high oil prices, easing the economic pain of Western sanctions over the war in Ukraine for Putin. Thanks to high prices, Russia earned USD 700 million more from oil exports in June than in May, according to the IEA. The total of USD 20.4 billion is 40% higher than last year's monthly average, according to the agency. The IEA expects that by 2023 there will be no relaxation in the oil market and the demand for oil will exceed supply by 1 million barrels a day.




| Country Ratings | S&P | Moody's | Fitch |
|---|---|---|---|
| Netherlands | AAA | Aaa | AAA |
| Germany | AAA | Aaa | AAA |
| France | AA | Aa2 | AA |
| United Kingdom | AA | Aa3 | AA- |
| Russia | NR | NR | NR |
| United States | AA+ | Aaa | AAA |
| Japan | A+ | A1 | A |
| China | A+ | A1 | A+ |
| Australia | AAA | Aaa | AAA |

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## Review & preview

Three major central banks have announced interest rate hikes since the beginning of July 2022. First, the European Central Bank announced to raise three policy rates by 50 basis points. As a result, the refinancing rate now stands at 0.50%, the deposit rate at 0.00% and the marginal lending rate at 0.75%. Although the 50 basis point hike was called for by several prominent central bankers, including Klaas Knot of DNB, it was somewhat unexpected. The ECB had previously hinted at a 25 basis point increase, but now believes a more substantial rise is appropriate to curb high inflation (8.6% in June). Besides the ECB rate hike, it also announced a new programme called the Transmission Protection Instrument. This instrument should ensure that interest rates for countries in the Eurozone with a high level of government debt do not rise too far, by targeted purchases of government bonds from these countries. For the time being, the ECB will not use this instrument, but ECB President Christine Lagarde indicated that she would not hesitate to do so if circumstances demand it.

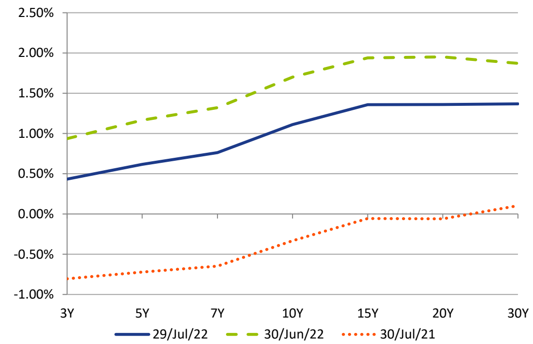
At the end of July, the Federal Reserve also raised its policy rate by 75 basis points, to a range of 2.25%-2.50%. This was the second consecutive rate hike of 75 basis points . In the statement, Fed Chairman Jerome Powell indicated that fighting inflation is the main reason for the increase, although he also indicated that there will come a point when the Federal Reserve will take stock of the impact of interest rate increases. In the market, this is seen as a sign that any upcoming interest rate hikes will be lower. On a quarterly basis, US economic growth in the second quarter of 2022 came in below 0%, which would indicate a recession. However, Jerome Powell pointed to the very low unemployment rate in the US, which, according to him, should put the low growth figures into perspective.

Finally, the Bank of England (BoE) also increased its policy rate by 50 basis points, to a level of 1.75%. The increase of 50 basis points can be called historic; the BoE policy rate had not been increased by 50 basis points since 1995. In a note, the BoE said it expects inflation in the UK to increase to 13% by the end of the year. The main reason for this is the sharp increase in energy prices. The BoE indicates that it expects the UK to enter into a recession from next year, which could last longer than a year. Critics say that the sharply lower trade balance (caused by Brexit) is also an important cause of this negative economic growth.

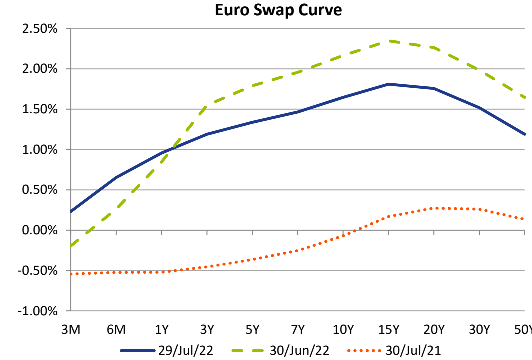
## Agenda

| | |
|---|---|
| 10 August 2022 | US inflation |
| 17 August 2022 | United Kingdom inflation |
| 17 August 2022 | Eurozone economic growth |
| 25 August 2022 | US economic growth |
| 31 August 2022 | Eurozone inflation |

**Dutch Government Bond Curve**



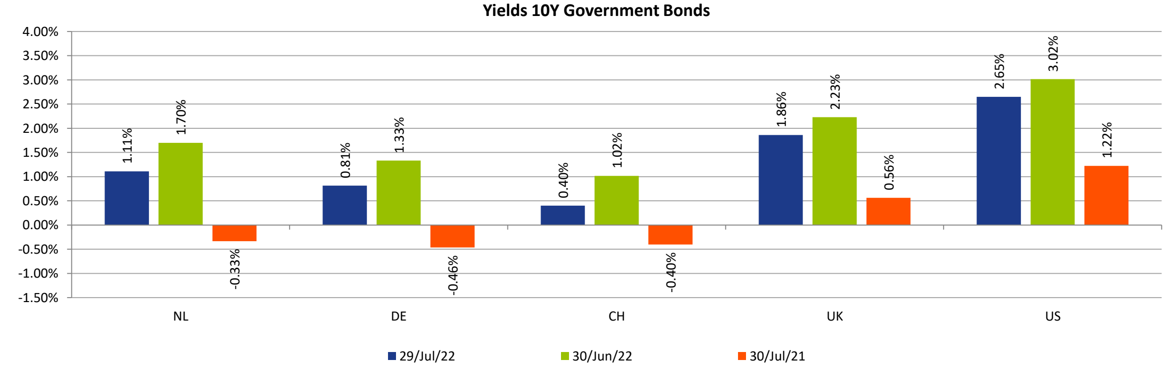

**Euro Swap Curve**




| Bank Ratings | S&P | Moody's | Fitch |
|---|---|---|---|
| Rabobank | A+ | Aa2 | A+ |
| ING Bank | A+ | A1 | AA- |
| ABN AMRO | A | A1 | A |
| BNG Bank | AAA | Aaa | AAA |
| NWB Bank | AAA | Aaa | n.a. |
| Deutsche Bank | A- | A2 | BBB+ |
| BNP Paribas | A+ | Aa3 | AA- |
| Barclays Bank | A | A1 | A+ |
| Credit Suisse Int. | A | A2 | BBB+ |

| Currencies | 29/Jul/22 | 30/Jun/22 | 30/Jul/21 |
|---|---|---|---|
| EUR/USD | 1.022 | 1.048 | 1.187 |
| EUR/GBP | 0.839 | 0.861 | 0.854 |
| EUR/CHF | 0.973 | 1.001 | 1.075 |
| EUR/JPY | 136.160 | 142.260 | 130.225 |
| EUR/DKK | 7.444 | 7.437 | 7.439 |
| EUR/SEK | 10.379 | 10.720 | 10.198 |
| EUR/CAD | 1.308 | 1.350 | 1.481 |
| EUR/AUD | 1.463 | 1.519 | 1.616 |
| EUR/CNY | 6.897 | 7.023 | 7.669 |

**Yields 10Y Government Bonds**

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