

MENA Unhinged

Middle East North Africa, unlike other emerging markets like Asia and Latin America, Europe, the US, has a large proportion of young men itching for a fight.

Sub Saharan Africa is disproportionately populated by young able bodied potential combatants, and has predictably been in an interminable state of conflict, internal, cross border, cross social class, cross race, cross tribe. It look like its MENA's turn.

We can argue about the catalyst for the revolutions in Tunisia and Egypt and the troubles in Libya and across the rest of MENA. The fact it is that the region has become convincingly unhinged. Ask any Arab over 30. Revolutions are not always marked by a point in time but by a period of varying levels of precariousness. And a political vacuum, which is what is likely to emerge in MENA given the decades of lack of political alternatives, is fertile ground for unpredictable behaviour.

The immediate impact of the barely gleeful reporting by international news agencies headquartered in countries far away is that Panic Assets like oil and gold surge. The forecasts vary depending on the horizon of one's extrapolation, nothing more. Who knows how matters will unfold. Will Libya fracture into a dozen tribes? Will Yemen do the same? Who will spend the aid in Jordan? Who will man the locks at Suez? Will the US resume their accumulation of Strategic Petroleum Reserves? Will Japan? Or China? What else can we burn for energy? Which are the power hungry nations and what are their alternatives? What is the price of oil in gold and where are we historically?

High factor prices result in substitution. Microeconomic theory tells us that. What are the substitutes? Oil is not only found in the Middle East. It is found elsewhere, available albeit at higher extraction costs and wider crack spreads. These margins we know from experience will fall with scale and time. In the meantime, alternatives include fusion, distributed grids, alternatives and renewables.

Unfortunately, this is not very useful commentary, and I have no trade recommendations. If I knew what to trade and in which direction, I wouldn't be writing this, would I.