

Introduction: The following clip is typical of economic discussion on television. Anderson Cooper and Bob Walberg are discussing oil prices. Walberg mentions an amount of oil that is – quote – “sufficient to satisfy demand right now.”

Is that a sensible concept? Is it consistent with the way economists think about supply and demand?

ANDERSON COOPER, ABC NEWS

And joining us now for a look at what else is going on in the business world is Bob Walberg, chief equity analyst at briefing.com.

Thanks for being with us this morning.

BOB WALBERG, CHIEF EQUITY ANALYST AT BRIEFING.COM

Good to be here, Anderson.

ANDERSON COOPER

Oil prices on a lot of people's minds, particularly drivers this past week. And--and prices dipped last--last--the end of last week.

BOB WALBERG

Well, they dipped a little bit the end of last week, but the--they're remaining stubbornly high. I mean, most people expected prices to come down to around \$25 a barrel. They're holding above the \$30 range, or right at the \$30 range. That's led to two things: one--obviously, the cost of travel is more expensive. People taking summer vacations are beginning to feel that pain. And then, more subtly, it has an impact--there's some concern of how it's going to impact Fed policy going forward. If commodity prices remain high, oil prices remain high, there's fear it will feed through inflationary im--impact and force the Fed to raise rates again.

ANDERSON COOPER

OPEC--OPEC was talking about sen--releasing more barrels.

BOB WALBERG

Right. Increasing production modestly to help offset some of the, you know, the concerns on supply. Even if they do, what--what generally has been rumored the increase in production that would come out of OPEC isn't going to be sufficient to satisfy demand right now. We think there's quite a supply/demand imbalance of oil right now that's going to keep prices on the higher end...

ANDERSON COOPER

Mm-hmm.

BOB WALBERG

...keeping them at \$28 to \$30 a barrel. So, in general, prices should remain high, which is good for the oil sectors and the earnings there, but it will again put some pressure, some concern on the Fed. Generally speaking, commodity prices do not impact policy decisions. Consequently, as long as the core CPI rate--Consumer Price Index--remains relatively low, which it has been, we think the Fed will abstain from raising rates again.

ANDERSON COOPER

So the end of June--end of June, you're not looking for the Fed to raise rates again?

BOB WALBERG

Well, when the Fed meets again next week, we do think the Fed will stay on the sidelines. It's typical after a 50-basis point rate hike

like last meeting that they do abstain, and again, see how their recent policy actions are filtering through the economy. Recent economic data suggests we are seeing already a slowing in economic growth. So, consequently, we see no reason for the Fed to act in June, and if we continue to see evidence of a slowdown, there's a very good chance that the Fed is done with this tightening cycle.

ANDERSON COOPER

I guess on Friday, housing starts were down, but now some corp--corporate earnings reports are coming out soon.

BOB WALBERG

Right. If corporate earnings--beginning to trickle in this week. We're still primarily in the earnings warning season where a lot of companies are warning that numbers this quarter aren't going to be as good as expected. But, on Tuesday this week, we get Oracle numbers, then on Thursday Micron technology, two leaders in the technology universe, and both are expected to report very strong numbers. In our mind, that's a very good indication that this second quarter will again be very good for technology as well as the market as a whole. And with the Fed on hold and corporate earnings looking very strong in the second quarter, we should have, I think a nice summer rally in the next couple weeks.

ANDERSON COOPER

All right, great. Well, Bob Walberg, thanks very much. Bob Walberg's chief equity analyst at briefing.com.