Boutique veterans united in predicting oil price correction

Some of Frankfurt's top fund managers have told Citywire they believe a major correction in the price of oil is in the pipeline. Dr. Hendrik Leber even thinks it could go down to as low as $50 in the next 2 years.

Veteran boutique founders Hans-Peter Schupp of Fidecum and Hendrik Leber of Acatis both think there is a correction looming.

'Oil is more or less the same story as the internet in 2000,' Schupp says. 'At the beginning the story was that the increase in the use of the internet would go on for years and years. It is a simple story for the oil price at the moment that even a taxi driver knows: emerging market demand and a long term trend towards increasing demand for oil. And that is true, but there is also a business cycle around a trend.'

Schupp thinks demand from the US will slow, however.

'They will have a change of president in the US. The current president is against alternative energy and his father founded an oil company. This era will end,' Schupp says. 'Obama and McCain have both said they will invest in alternative energies, but this is just a side story. The main story is that a slowing economy means slowing demand. At the moment the market is pricing in a steep increase in demand that will go on for a long time. It is already pricing in too high an increase in demand.'

'Emerging markets could still suffer from a spill over effect from a US slowdown, which will cause a correction in commodities,' the formerly AAA-rated veteran says.

'There are people who are planning for ever higher oil prices, but I am almost 100% certain the oil price is set for a correction. I predict it will go back down to $80 or even $50 in the next two years. If Iran continues to withhold oil, there could be another spike, but at the same time Iraq is producing more. It is like dominoes falling in different directions.'

A-rated Tim Albrecht, one of DWS' leading fund managers, is more conservative in his prediction for the future of the oil price. 'I think $90-$100 a barrel is probably realistic,' he says.

Meanwhile Europe's most consistent Asian equity manager, Hans Hölzl of Union Investment, is taking some positives from the high price of oil and does not expect it to correct imminently.

'I don't think high oil prices will go away overnight. The question is how fast can India and China adapt to the high prices. They are currently inefficient users of oil and waste a lot of power. In terms of energy efficiency, maybe we are lucky that we have $140 a barrel now as people have to think of alternatives.'

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