

Market Commentary

Recap: On Friday, the oil market continued to trend higher and reached the \$80 level for the first time since November 2014, lifted by a global energy crunch that has helped gas prices reach record highs and prompted China to demand increased coal production. Benchmark European gas prices at the Dutch TTF hub on Friday stood at a crude oil equivalent of about \$200/barrel. Also, China ordered miners in Inner Mongolia to increase coal production to help alleviate the country's energy crunch. With natural gas prices continuing to rally, the increase in gas-to-oil switching has provided the oil market further support following the recent OPEC+ decision to stick to its previous agreement to add only 400,000 bpd of supply in November. The oil market traded mostly sideways early in the session before it briefly rallied to a high of \$80.11 by mid-morning. However, the market erased all of its earlier gains and sold off back towards its low of \$78.63 in early afternoon trading. The November WTI contract later bounced back and traded over the \$79.00 level ahead of the close and settled up \$1.05 at \$79.35. The December Brent contract settled up 44 cents at \$82.39. The product markets also ended the session higher once again, with the heating oil market settling up 1.41 cents at \$2.4737 and the RBOB market settling up 3.18 cents at \$2.3662.

Technical Analysis: The oil market will likely retrace some of its gains as the natural gas market ended the week 1% lower. However, the oil market's losses will remain limited amid the global energy crunch. The oil market is seen finding support at \$79.20, its low of \$78.63, \$78.14, its 38% retracement level off a low of \$74.96 to a high of \$80.11, followed by \$77.54, its 50% retracement level and \$76.93, its 62% retracement level. Resistance is seen at \$79.60, \$79.75, \$79.99 and its high of \$80.11.

Fundamental News: In response to comments made by a U.S. official, Kremlin spokesman Dmitry Peskov said Russia does not use its oil and gas as a weapon. On Thursday, President Joe Biden's national security adviser Jake Sullivan said that "Russia has a history of using energy as a tool of coercion, as a political weapon." The Kremlin's spokesman said Moscow disagreed with those comments. He said it was the United States which, by imposing sanctions, threatened to contribute to imbalances on the European energy market.

BOFA Global Research sees a continuing deficit in the oil market after the OPEC+ decision not to increase its output in October beyond the previously planned increase of 400,000 bpd. It also sees global and European gas markets in continuing deficit despite Russia's President's promises of additional volumes.

ANZ Research said increasing tightness in markets is likely to put further demand pressure on crude oil prices in the fourth quarter and raised its short term target to \$90/barrel. It said most of the demand increase will be from Asia. Crude oil demand in the fourth quarter will be 450,000 bpd higher than previously forecast. ANZ Research also stated that rising natural gas and thermal coal prices will cause and increase in gas-to-oil switching and sees a continued recovery in demand for transportation fuels as global mobility restrictions ease. It expects the Iran deal with world powers to be finalized in the first quarter of 2022, which could lead to a 1.5 million bpd increase in exports by mid-2022.

IIR Energy reported that U.S. oil refiners are expected to shut in 1.5 million bpd of capacity in the week ending October 8th, cutting available refining capacity by 555,000 bpd. Offline capacity is expected to increase to about 1.8 million bpd in the week ending October 15th falling to 1.6 million bpd in the week ending October 22nd.

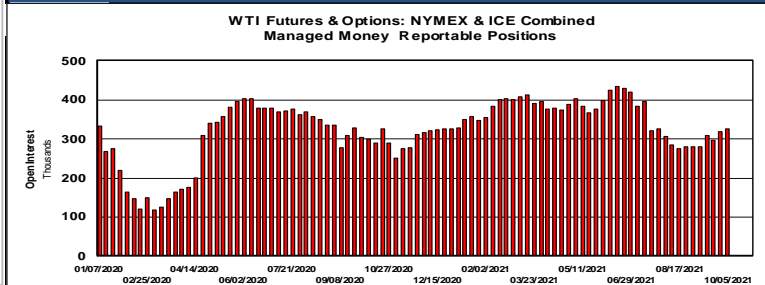
Early Market Call - as of 8:20 AM EDT

WTI - Nov \$81.61, up \$2.26
 RBOB - Nov \$2.4055, up 3.88 cents
 HO - Nov \$2.5287, up 5.54 cents

All NYMEX | Prior Settlements

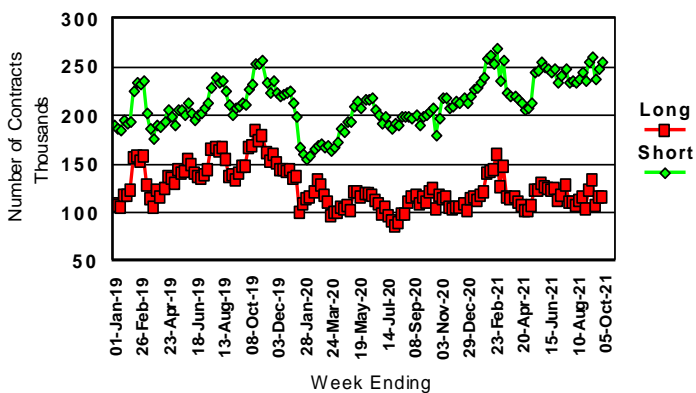
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Nov-21	2.4737	0.0141	0.091
Dec-21	2.4646	0.0123	0.0891
Jan-22	2.451	0.0105	0.0858
Feb-22	2.4321	0.0093	0.0837
Mar-22	2.4074	0.0087	0.0812
Apr-22	2.3785	0.0072	0.0764
May-22	2.3579	0.0067	0.0722
Jun-22	2.3424	0.007	0.0693
Jul-22	2.3333	0.0074	0.0665
Aug-22	2.3256	0.0075	0.0633
Sep-22	2.3198	0.0074	0.0575
Oct-22	2.3148	0.007	0.0582
Nov-22	2.3089	0.0065	0.0559
Dec-22	2.3019	0.0058	0.0538
Jan-23	2.2949	0.0056	0.0517
Feb-23	2.2816	0.0054	0.0488
Mar-23	2.2632	0.0051	0.0456

Settlements			
		Close	Change
Crude - WTI	Dec Brent-WTI Spread \$3.63	\$78.7600	\$0.8000
Crude - Brent		\$82.3900	\$0.4400
Natural Gas		\$5.5650	-\$0.1120
Gasoline		\$2.3662	\$0.0318



Commitment of Traders Report for the Week Ending October 5, 2021

Producer/Merchant Heat Positons CFTC Commitment of Traders Report



Managed Money Heat Positons CFTC Commitment of Traders Report

