

## Market Commentary

**Recap:** Oil futures turned higher on Wednesday, erasing early losses after the U.S. Federal Reserve announced plans to speed up its reduction of monthly bond purchases and signaled three interest rate hikes next year, instead of one. Oil prices were trading down on the day, as concerns that the omicron variant of the coronavirus will lower energy demand outweighed support from data showing a bigger-than-expected weekly draw in U.S. crude oil inventories. Higher U.S. benchmark stock indexes also lent support. January WTI added 14 cents, or 0.2%, to settle at \$70.87 a barrel, while February Brent tacked on 18 cents, or 0.2%, to settle at \$73.88 a barrel. Petroleum products also edged up, with January RBOB added 0.8%, to \$2.128 a gallon and January heating oil tacked on 0.1% to \$2.22 a gallon.

**Technical Analysis:** While the EIA report may have been a bit bullish, gains were likely limited by growing signs that supply growth will outpace demand next year, and as the World Health Organization said COVID-19 vaccines may be less effective against the omicron variant. Both the main and minor trends of this market are to the downside. A trade below \$62.05 will speed up downside movement, with the possibility of this market reaching \$60. A trade above \$73.57 will shift momentum to the upside, with a possibility of the market reaching \$75.

**Fundamental News:** Commerzbank said Brent oil prices are seen falling to \$70/barrel due to considerable oversupply in the first quarter of 2022. It said that due to the U.S. SPR release, the price differential between Brent and WTI crude will likely increase to \$5/barrel in the first quarter. It also stated that after the first quarter, Brent prices should increase again to \$75/barrel as stronger demand may cut supply surpluses and OPEC+ will likely reconsider its output increase.

Vitol said crude oil prices will increase in 2022, with the market remaining volatile due to falling inventories and a lack of investment in new production. Managing Director at Vitol Group, Chris Bake, said the world "will feel the impact" of insufficient spending on new upstream projects over the last few years and "in sustaining oil production."

Shipments of refined fuels from Europe to the Americas are expected to decline to a multi-month low in December due to a fall in gasoline flows to the U.S. About 1.11 million tons of oil products, mostly gasoline and blending components, have sailed from Europe to the Americas in the first 14 days of December. It is below the 1.29 million tons shipped during the same period in the previous month. Total exports for November were the lowest in 14 months at 2.5 million tons. In the second half of December, 20 tankers have been provisionally booked to load 740,000 tons so far.

IIR Energy reported that U.S. oil refiners are expected to shut in 225,000 bpd of capacity in the week ending December 17<sup>th</sup>, increasing available refining capacity by 160,000 bpd. Offline capacity is expected to fall to 45,000 bpd in the week ending December 24<sup>th</sup>.

The Federal Reserve, signaling its inflation target has been met, said it would end its pandemic-era bond purchases in March, paving the way for three quarter-percentage-point interest rate increases by the end of 2022 as it exits from policies enacted at the start of the health crisis. In new economic projections released following the end of a two-day policy meeting, officials forecast that inflation would run at 2.6% next year, compared to the 2.2% projected as of September, and the unemployment rate would fall to 3.5%. The Fed said economic growth is expected to be 4.0% next year, an increase over the 3.8% projected in September.

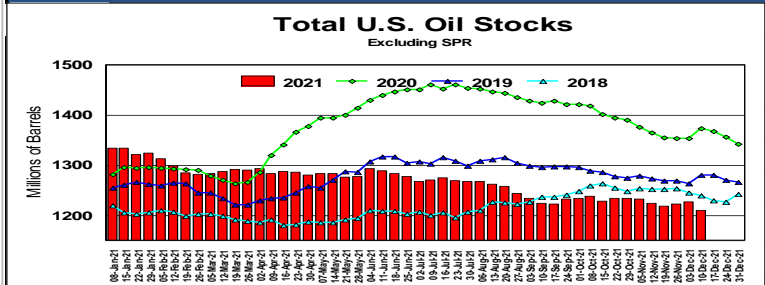
**Early Market Call - as of 9:30 AM EDT**

WTI - Jan \$71.56, up 67 cents  
 RBOB - Jan \$2.1495, up 2.2 cents  
 HO - Jan \$2.2384, up 1.80 cents

## All NYMEX | Prior Settlements

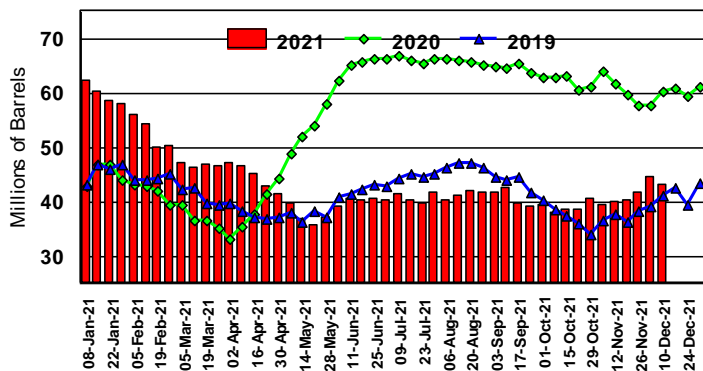
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-22	2.2204	0.002	-0.0409
Feb-22	2.2169	0.0021	-0.0382
Mar-22	2.2028	0.0013	-0.0388
Apr-22	2.1805	0.0003	-0.0397
May-22	2.1647	-0.0005	-0.0395
Jun-22	2.1557	0.0005	-0.0384
Jul-22	2.1524	0.0008	-0.0375
Aug-22	2.1508	0.0009	-0.037
Sep-22	2.1514	0.0008	-0.0364
Oct-22	2.1517	0.0005	-0.0365
Nov-22	2.1506	-0.0001	-0.0371
Dec-22	2.1483	-0.0008	-0.0379
Jan-23	2.1459	-0.0013	-0.0384
Feb-23	2.1403	-0.0014	-0.0371
Mar-23	2.1303	-0.0016	-0.0369
Apr-23	2.1157	-0.0017	-0.0375
May-23	2.1063	-0.0018	-0.0377

Settlements		Close	Change
Crude - WTI	Feb Brent-WTI Spread \$ (3.22)	\$73.8800	\$0.1800
Crude - Brent		\$70.6600	\$0.1400
Natural Gas		\$3.8020	\$0.0550
Gasoline		\$2.1275	\$0.0167



## Weekly EIA Petroleum Status Report for the Week Ending December 10, 2020

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Down 4.584 million barrels  
 Cushing, OK Crude Stocks Up 1.294 million barrels  
**Gasoline Stocks** Down 719,000 barrels  
**Distillate Stocks** Down 2.852 million barrels  
**Refinery % Operated** 89.8%, Unchanged

### PADD #1

Distillate Stocks (in million bbls)	Week Ending Dec 10, 2021	Week Ending Dec 3, 2021	Week Ending Dec 11, 2020
New England	7.1	7.7	12.0
Central Atlantic	22.9	23.1	34.3
Total PADD #1	43.1	44.5	60.9
Distillate Imports (thousands b/d)	429	218	404