

## Market Commentary

**Recap:** Oil futures steadied on Wednesday, after government data showed U.S. crude and fuel inventories fell last week, but concern that rising coronavirus cases might reduce demand weighed on prices. Both Brent and WTI traded at their highest level in a month after the release of the EIA report. At 420 million barrels, crude oil inventories remain 7% below the five-year average, compared to 8% below the five-year average last week. Oil prices remain under pressure from concerns about the new coronavirus strain, Omicron, which has triggered fresh restrictions in certain countries. February WTI settled at \$76.56 a barrel, up 56 cents, or 0.76%, while February Brent added 29 cents, or 0.37%, to settle at \$79.23 a barrel. January RBOB added .0246 cents, to settle at \$2.2717 a gallon and January heating oil settled at \$2.3778 a gallon.

**Technical Analysis:** As global lockdowns continue to weigh on risk sentiment, rising geopolitical tensions combined with an optimistic perspective surrounding the global economic recovery has forced oil prices into a well-defined range, currently providing support and resistance for the shorter-term move. Despite a rise in energy prices, key organizations, such as OPEC+, have agreed to keep supply suppressed while the Omicron variant continues to trigger fear throughout global markets. As fear surrounding the outlook continues to rise, both fundamentals and technical factors will likely contribute to 2022. WTI finished the session above \$76.37, the 38% retracement provided by the August low of \$61.74 and the October high of \$85.41. This sits up for a higher move tomorrow. Resistance sits at \$78.85 and above that at \$80. Support is seen at \$74.28 and below that at \$73.85.

**Fundamental News:** The EIA reported that U.S. crude production in the week ending December 24<sup>th</sup> increased to 11.8 million bpd, the highest level since May 2020. Meanwhile, crude stocks in the Strategic Petroleum Reserve fell by 1.4 million barrels on the week to 595 million barrels, the lowest since November 2002. The EIA also reported that U.S. distillate stocks fell by 1.7 million barrels on the week, with stocks in the Midwest falling by 600,000 barrels on the week to 25.6 million barrels, the lowest level since December 2020. Distillate stocks in the Gulf Coast fell by 1.4 million barrels on the week to 38.3 million barrels, the lowest level since July 2019.

According to a survey released by the Federal Reserve Bank of Dallas, U.S. oil and gas executives are predicting higher production and drilling activity next year as oil prices increase, but say they face sharply higher costs. Some 49% of executives surveyed said they aim to expand output next year, while 15% said their main focus would be to maintain existing production levels and 13% plan to focus on reducing debt. Survey respondents on average anticipate oil prices to be at \$75/barrel next December, and Henry Hub natural gas prices to be at \$4.06/mmbtu, both close to current pricing.

Russia's Deputy Prime Minister, Alexander Novak, said that the OPEC+ group has resisted calls from the U.S. to increase output because it wants to provide the market with clear guidance and not deviate from policy. When asked why OPEC+ rebuffed the calls, Russia's Deputy Prime Minister said OPEC+ had a long-term vision. He also said the possible release of the strategic stockpiles by the United States and other large consumers will have a limited short-term impact on the oil market. He said global oil demand was seen increasing by around 4 million bpd next year after an increase of up to 5 million bpd this year. He said an oil price of between \$65 and \$80/barrel should be comfortable next year.

IIR Energy reported that U.S. oil refiners are expected to shut in 302,000 bpd of capacity in the week ending December 31<sup>st</sup>, increasing available refining capacity by 6,000 bpd.

**Early Market Call - as of 8:00 AM EDT**

WTI - Feb \$76.24, down 32 cents

RBOB - Jan \$2.2651, down 66 points

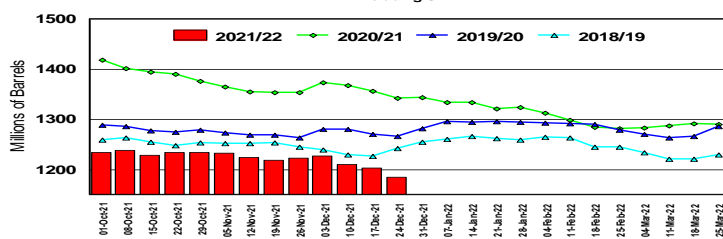
HO - Jan \$2.3764, down 14 points

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-22	2.3778	0.0064	0.07
Feb-22	2.3672	0.0062	0.068
Mar-22	2.3488	0.0067	0.0702
Apr-22	2.3256	0.0068	0.0727
May-22	2.3092	0.0077	0.0758
Jun-22	2.2981	0.009	0.0783
Jul-22	2.2921	0.0099	0.0789
Aug-22	2.2875	0.0105	0.0788
Sep-22	2.2855	0.0109	0.0768
Oct-22	2.2838	0.0112	0.0781
Nov-22	2.2816	0.0113	0.0775
Dec-22	2.278	0.0112	0.0762
Jan-23	2.2737	0.011	0.0745
Feb-23	2.2652	0.0111	0.0729
Mar-23	2.2525	0.0113	0.0713
Apr-23	2.2352	0.011	0.0697
May-23	2.2226	0.011	0.0685

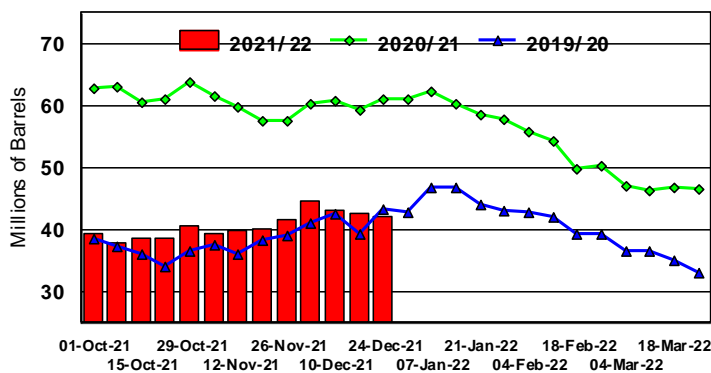
Settlements			
		Close	Change
Crude - WTI	Feb Brent-WTI Spread \$2.67	\$76.5600	\$0.5800
Crude - Brent		\$79.2300	\$0.2900
Natural Gas		\$4.0240	-\$0.0310
Gasoline		\$2.2717	\$0.0246

## Total U.S. Oil Stocks Excluding SPR



## Weekly EIA Petroleum Status Report for the Week Ending December 24, 2020

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Down 3.576 million barrels

Cushing, OK Crude Stocks Up 1.055 million barrels

**Gasoline Stocks** Down 1.459 million barrels

**Distillate Stocks** Down 1.726 million barrels

**Refinery % Operated** 89.7%, Up 0.1%

### PADD #1

Distillate Stocks (in million bbls)	Week Ending Dec 24, 2021	Week Ending Dec 17, 2021	Week Ending Dec 25, 2020
New England	6.8	6.8	11.9
Central Atlantic	22.6	23.2	34.1
Total PADD #1	42.1	42.7	61.1
Distillate Imports (thousands b/d)	137	176	609