

Market Commentary

Commentary: Oil futures ended lower on Monday, as traders focus on the spread of the omicron variant that causes COVID-19, and as they look toward this week's Federal Reserve decision on monetary policy for clues on the economic outlook and energy demand. The oil market has been trying to look past the impact of the new variant, as more countries warn of the potential of wide spread infections from the omicron variant. January WTI fell 38 cents, or 0.5%, to settle at \$71.29 a barrel, while Brent for February delivery lost 76 cents, or 1%, to settle at \$74.39 a barrel. Petroleum products also ended lower, with January RBOB down 1¢ at \$2.117 a gallon and January heating oil falling 0.8¢ to \$2.233 a gallon.

Technical Analysis: It was a lack luster day in the oil market, as it tries to find direction. WTI has been gravitating toward the \$71.20 area, as it has not strayed too far from it. Perhaps the markets are slowing down as we approach the Christmas Holiday and the New Year. This time of year typically sees lower volume, as traders do some book squaring, and therefore we expect to see little action and limited movement. A break in WTI below the 200-day moving average, which is currently set at \$69.44, should bring this market down toward the \$65 and perhaps add enough pressure to take us to the \$61 area. To the upside, we do not expect to see a push beyond the \$75 level.

Fundamental News: OPEC raised its world oil demand forecast for the first quarter of 2022 but left its full-year growth prediction steady, saying the Omicron coronavirus variant would have a mild impact as the world gets used to dealing with the pandemic. In its monthly report, OPEC said it expects oil demand to average 99.13 million bpd in the first quarter of 2022, up 1.11 million bpd from its forecast last month. OPEC maintained its forecast that world oil demand will increase by 5.65 million bpd in 2021, after last year's historic decline at the start of the pandemic. In 2022, OPEC expects further growth in demand of 4.15 million bpd, unchanged from last month, which will push world consumption above 2019 levels. The report showed OPEC output in November increased by 290,000 bpd to 27.72 million bpd led by increases in top two producers Saudi Arabia and Iraq and a recovery from outages in Nigeria. OPEC left its forecast for growth in U.S. tight oil largely steady at 600,000 bpd in 2022. The growth forecast for overall non-OPEC supply in 2022 was left unchanged. OPEC said it expects the world to need 28.8 million bpd from its members in 2022, up 200,000 bpd from last month.

Iraq's Oil Minister said he expected OPEC at its next meeting to maintain its current policy of gradual monthly increases in supply by 400,000 bpd.

Saudi Arabia's Energy Minister, Prince Abdulaziz bin Salman al-Saud, said oil markets could face a dangerous period as reduced investments in exploration and drilling threaten to cut crude production by 30 million barrels per day by 2030. He also stated that Saudi Arabia would be one of few countries that could raise its oil production capacity in 2022. He said oil will make up 28% of energy demand until at least 2045 compared with 30% in 2020. Saudi Arabia's Energy Minister also stated that if demand for oil declines in the future, OPEC producers will represent a larger share of the market.

The EIA reported that crude oil output from U.S. major shale formations is forecast to increase by 96,000 bpd to 8.439 million bpd in January.

IIR Energy said U.S. oil refiners are expected to shut in 114,000 bpd of capacity in the week ending December 17th, increasing available refining capacity by 271,000 bpd. Offline capacity is expected to fall to 45,000 bpd in the week ending December 24th.

Early Market Call - as of 8:35 AM EDT

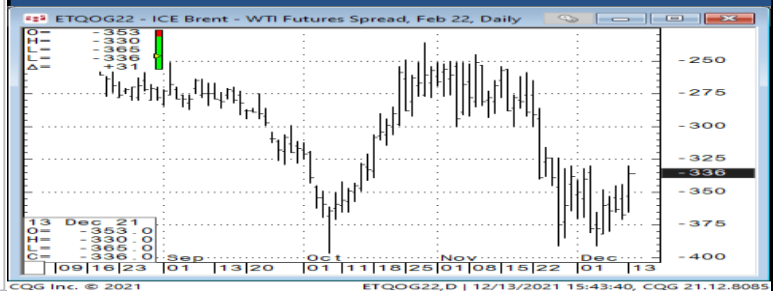
WTI - Jan \$70.33, down 96 cents
 RBOB - Jan \$2.1031, down 1.30 cents
 HO - Jan \$2.2195, down 1.33 cents

All NYMEX | Prior Settlements

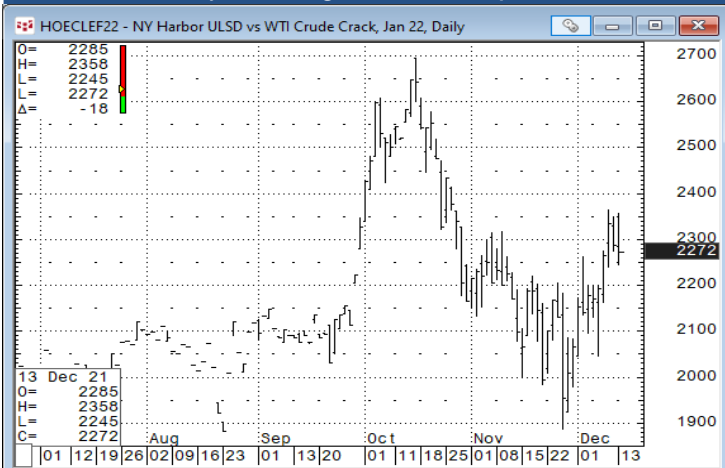
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-22	2.2328	-0.0188	0.0616
Feb-22	2.2288	-0.017	0.0661
Mar-22	2.2143	-0.0174	0.0673
Apr-22	2.1921	-0.0186	0.068
May-22	2.1768	-0.0185	0.068
Jun-22	2.1674	-0.0177	0.067
Jul-22	2.1644	-0.017	0.0671
Aug-22	2.1634	-0.0162	0.0675
Sep-22	2.1644	-0.0155	0.0685
Oct-22	2.1652	-0.0149	0.0675
Nov-22	2.1645	-0.0145	0.066
Dec-22	2.1622	-0.0141	0.0633
Jan-23	2.1604	-0.0134	0.062
Feb-23	2.1542	-0.0132	0.0606
Mar-23	2.144	-0.013	0.0594
Apr-23	2.1296	-0.013	0.0581
May-23	2.121	-0.0124	0.0581

Settlements			
		Close	Change
Crude - WTI	Feb Brent-WTI Spread \$3.33	\$71.0600	-\$0.4200
Crude - Brent		\$74.3900	-\$0.7600
Natural Gas		\$3.7940	-\$0.1310
Gasoline		\$2.1165	-\$0.0207

ICE February Brent-WTI Spread



January Heating Oil Crack Spread



January RBOB Crack Spread

