

## Market Commentary

**Recap:** On Wednesday, the oil market remained on the defensive after the IEA and OPEC on Tuesday warned of an impending oversupply in the market. The market traded to \$80.69 in overnight trading as a larger than expected draw in gasoline stocks seen in last night's API report provided the market with some support. However, the market erased its gains and continued to trend lower in early morning trading ahead of the release of the EIA's petroleum stock report. The market shrugged off the unexpected draw of over 2 million barrels in crude stocks as it extended its losses throughout the session. The market was further pressured by the news that the Biden administration is considering a coordinated move with consuming nations to release oil from the strategic petroleum reserves. The oil market sold off more than \$2 to a low of \$77.69 in afternoon trading. The December WTI contract settled down \$2.40 at \$78.36, the lowest level since October 7<sup>th</sup>. Meanwhile, the January Brent contract settled down \$2.15 at \$80.28, the lowest level since October 1<sup>st</sup>. The product markets settled sharply lower, with the heating oil contract settling down 2.19 cents at \$2.3644 and the RBOB contract settling down 6.94 cents at \$2.2803.

**Technical Analysis:** The crude market will likely retrace some of its sharp losses before it continues on its downward trend. The market is seen finding support at its low of \$77.69 followed by \$76.37, its 38% retracement level from a low of \$61.74 to a high of \$85.41, followed by \$74.96, \$74.23 and \$73.57, its 50% retracement level. More distant support is seen at \$70.78, its 62% retracement level. Meanwhile, resistance is seen at \$79.00, \$79.56, its highs of \$80.69, \$81.81 and \$82.33.

**Fundamental News:** President Joe Biden urged the Federal Trade Commission to investigate illegal conduct in U.S. gasoline markets. In a letter to FTC Chair, Line Khan, the president expressed concern about the difference between pump prices and the cost of wholesale fuel, while citing what he said was "mounting evidence of anti-consumer behavior by oil and gas companies."

The Biden administration has proposed the U.S. and China jointly release oil from the two countries' SPR to stabilize rising crude prices. President Biden, pressured to tap into the SPR, proposed that China release crude from its reserves as well during a virtual meeting with China's President, Xi Jinping on Tuesday. The South China Morning Post noted that China is open to the proposal but has not yet officially confirmed its agreement nor committed to specific actions on the issue. The South China Morning Post's source claimed that the U.S. intends to release oil from its reserves regardless of China's decision as early as next week.

JPMorgan analysts said that it is "highly unlikely" there will be a coordinated SPR oil sale. They stated that the desire for a response among the IEA member countries appears to be limited to the U.S.

According to an official at Japan's Ministry of Economy, Trade and Industry, Japan is unlikely to release oil from its SPR to counter increasing prices and inflation. Under Japanese laws, the reserves can only be used in the event of an acute supply disruption. Japan had 45.45 million kiloliters or 290,000 million barrels of crude and 1.43 million kiloliter of oil products in the national strategic reserves at the end of September.

Mike Muller, head of Asia at Vitol said oil remains a laggard in the energy market. He said oil prices could go higher as the market has limited capacity to deal with supply disruptions and demand shocks. He said global oil demand has increased over 100 million bpd despite roughly 2 million bpd of jet fuel demand missing from the market. He said global oil stocks are "very low". He stated that while a potential SPR release may lower prices in the short term, it will not stop prices from moving higher in the longer run.

**Early Market Call - as of 8:20 AM EDT**

WTI - Dec \$78.42, up 7 cents

RBOB - Dec \$2.2770, down 44 points

HO - Dec \$2.3755, up 1.19 cents

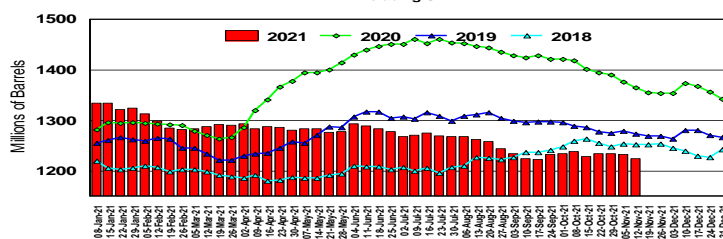
## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Dec-21	\$2.3644	-\$0.0665	-\$0.0877
Jan-22	\$2.3564	-\$0.0652	-\$0.0819
Feb-22	\$2.3421	-\$0.0620	-\$0.0725
Mar-22	\$2.3211	-\$0.0588	-\$0.0645
Apr-22	\$2.2953	-\$0.0556	-\$0.0562
May-22	\$2.2755	-\$0.0530	-\$0.0517
Jun-22	\$2.2614	-\$0.0514	-\$0.0498
Jul-22	\$2.2540	-\$0.0501	-\$0.0486
Aug-22	\$2.2489	-\$0.0486	-\$0.0470
Sep-22	\$2.2465	-\$0.0473	-\$0.0494
Oct-22	\$2.2457	-\$0.0459	-\$0.0429
Nov-22	\$2.2454	-\$0.0446	-\$0.0407
Dec-22	\$2.2448	-\$0.0432	-\$0.0380
Jan-23	\$2.2428	-\$0.0418	-\$0.0355
Feb-23	\$2.2331	-\$0.0408	-\$0.0334
Mar-23	\$2.2181	-\$0.0396	-\$0.0311
Apr-23	\$2.1991	-\$0.0388	-\$0.0287

### Settlements

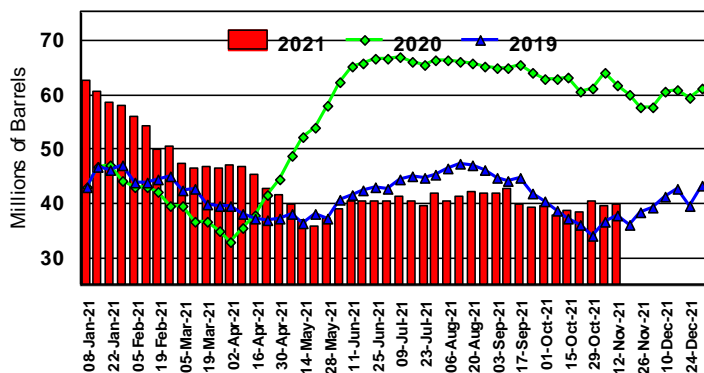
	Close	Change
Crude - WTI	\$77.5500	-\$2.1900
Crude - Brent	\$80.2800	-\$2.1500
Natural Gas	\$4.8160	-\$0.3610
Gasoline	\$2.2803	-\$0.0694

**Total U.S. Oil Stocks**  
Excluding SPR



## Weekly EIA Petroleum Status Report for the Week Ending November 12, 2020

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Down 2.101 million barrels

Cushing, OK Crude Stocks Up 216,000 barrels

**Gasoline Stocks** Down 707,000 barrels

**Distillate Stocks** Down 824,000 barrels

**Refinery % Operated** 87.9%, Up 1.2%

### PADD #1

Distillate Stocks (in million bbls)	Week Ending Nov 12, 2021	Week Ending Nov 5, 2021	Week Ending Nov 13, 2020
New England	7.7	7.5	12.6
Central Atlantic	19.5	19.2	34.3
Total PADD #1	39.9	39.4	59.8
Distillate Imports (thousands b/d)	207	262	270