

## Market Commentary

## All NYMEX | Prior Settlements

**Recap:** Oil futures rose for the fifth straight session, with Brent reaching its highest level since October 2018, as it pushed toward \$80 a barrel. Tight supplies amidst rising demand left investors worrying about supply shortages. U.S. crude inventories have fallen sharply in recent weeks due to the lingering impact of Hurricane Ida on energy operations in the Gulf Coast region. Goldman Sachs has boosted its end of year price for Brent from \$80 to \$90 a barrel, while major oil traders like Trafigura are helping to support this market. At the same time, global oil demand is back to converging to pre-COVID levels. Traffic congestion in China quickly recovered after a summer dip. The delta-driven decline in global flights was smaller than the analysts initially feared. November WTI climbed \$1.47, or %1.84, to \$75.45 a barrel. Brent for November delivery added \$1.44, or 1.8%, to settle at \$79.53 a barrel, while the more actively traded December contract added \$1.49, or 1.9%, to close a t\$78.72 a barrel. October RBOB tacked on almost 1.7%, to settle at \$2.224 a gallon, while October heating oil rose 1.3% to \$2.296 a gallon.

**Technical Analysis:** Oil futures have certainly gained upside momentum. The climb and settlement in WTI above \$75 confirmed the uptrend; there is however, significant resistance up at the July high of \$76.98. As long as this market can hold above the 50-day moving average, which as provided quite a bit of support, we would look for continued moves higher. Should we get a move beyond \$76.98, this market will have the potential to gain more traction to the upside. A break below the 50-day moving average will spark a bit of panic selling and we could see a push toward the \$67.50 area.

**Fundamental News:** Goldman Sachs raised its forecast for year-end Brent crude oil prices to \$90/barrel from \$80, as a faster fuel demand recovery from the Delta variant and Hurricane Ida's hit to production led to tight global supplies. The bank stated that "while we have long held a bullish oil view, the current global supply-demand deficit is larger than we expected, with the recovery in global demand from the Delta impact even faster than our above-consensus forecast and with global supply remaining short of our below consensus forecasts". On the demand side, Goldman said risks were "squarely" skewed to the upside in the winter, as a global gas shortage will increase oil-fired power generation. Goldman, however, flagged a potential new virus variant, which could weigh on demand and an aggressively faster ramp-up in OPEC+ production that may soften its projected deficit, as key risks to its bullish outlook. For 2022, the bank lowered its average forecasts for the second and fourth quarter to \$80/barrel from \$85/barrel as it factored in the possibility of an Iran-U.S. nuclear deal by next April.

Venezuela has agreed to a key contract to swap its heavy oil for Iranian condensate that it can use to improve the quality of its tar-like crude, with the first cargoes due this week. The swap contract would provide PDVSA with a steady supply of condensate, which it needs to dilute output of extra heavy oil from the Orinoco Belt. In return, Iran will receive shipments of Venezuelan heavy oil that it can market in Asia. A source said the swap agreement is planned to last for six months in its first phase, but could be extended.

IIR Energy said U.S. oil refiners are expected to shut in about 853,000 bpd of capacity in the week ending October 1<sup>st</sup>, increasing available refining capacity by 54,000 bpd. Offline capacity is expected to increase to about 1.3 million bpd in the week ending October 10<sup>th</sup>.

September's gasoline export volumes from Europe are tracking at 1 million tons, slightly down from August's 1.2 million tons.

**Early Market Call - as of 8:55 AM EDT**

- WTI - Nov \$76.10, up 64 cents
- RBOB - Oct \$2.2321, up 53 points
- HO - Oct \$2.3178, up 2.07 cents

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Oct-21	2.296	0.0289	0.137
Nov-21	2.2931	0.0285	0.137
Dec-21	2.2879	0.0293	0.138
Jan-22	2.2789	0.0304	0.137
Feb-22	2.2632	0.0317	0.1345
Mar-22	2.2427	0.0328	0.1327
Apr-22	2.2204	0.0334	0.1313
May-22	2.2046	0.0332	0.1292
Jun-22	2.1919	0.0326	0.1264
Jul-22	2.1853	0.0326	0.1237
Aug-22	2.1804	0.0327	0.1209
Sep-22	2.177	0.0329	0.1175
Oct-22	2.1747	0.033	0.1157
Nov-22	2.1717	0.0332	0.1132
Dec-22	2.1674	0.0332	0.1107
Jan-23	2.1621	0.0326	0.1074
Feb-23	2.1518	0.032	0.1046

Sprague HeatCurve October 2021-April 2022		Close	Change
Crude - WTI	Nov Brent-	\$75.4500	\$1.4700
Crude - Brent	WTI Spread	\$79.5300	\$1.4400
Natural Gas	\$4.08	\$5.7060	\$0.5660
Gasoline		\$2.2237	\$0.0362

### ICE November Brent-WTI Spread



### November Heating Oil Crack Spread

### November RBOB Crack Spread

