

Market Commentary

Recap: Crude oil futures dipped on Tuesday after the International Energy Agency said the omicron variant of the coronavirus that cause COVID-19 would slow a recovery in demand. The agency also said the global oil market has returned to a surplus with the variant curbing international travel. U.S. data showing producer prices at 11-year highs confirmed market expectations of faster stimulus tapering to emerge from this week's Federal Reserve meeting, supporting the dollar and weighing on oil, which typically move inversely. NYMEX January WTI crude options expire tomorrow. The most-held nearby contracts are \$70 puts, 42 cents below the Jan. futures price of \$70.42/bbl. January WTI options contracts expiring total approximately 225,600 calls and 146,900 puts. January WTI futures expire on Dec. 20. January WTI closed down 56 cents at \$70.73 a barrel, while February Brent lost 69 cents, to settle at \$73.70 a barrel. January RBOB fell 0.3%, to settle at \$2.111 a gallon and January heating oil fell 0.6%, to \$2.218 a gallon.

Market Outlook: Amid governments around the world tightening restrictions to stop the spread of the omicron variant, the latest IEA report pointing to a surplus of oil only exacerbated trader concern. Renewed restrictions in Europe and Asia pushed traders into cautious mode, meaning they are less likely to add on any new length and in fact are most likely lightening their load. The aforementioned news could limit near-term gains and may force OPEC and its allies to cut monthly output when it meets again in early January. This won't be easy, however, because OPEC kept its own outlook for 2021 and 2022 unchanged, saying the impact of the omicron variant on demand will be "mild and short-lived." As of now, WTI sits just above the 200-day moving average. Should we get a break below this level, we would be looking at \$65. Moves to the upside are weak and do not appear to be causing much concern.

Fundamental News: U.S. Energy Secretary, Jennifer Granholm, said the Biden team is not standing in the way of oil production and is asking the industry to take advantage of leases. She said the administration is not considering reinstating the ban on oil exports.

The International Energy Agency said an increase in COVID-19 cases and the emergence of the Omicron variant will cut global demand for oil, but the broader picture is one of increasing output set to surpass demand this month and increase next year. It said "the surge in new COVID-19 cases is expected to temporarily slow, but not upend, the recovery in oil demand that is underway." The IEA revised down its oil demand outlook by around 100,000 bpd for both 2021 and 2022. It lowered forecasts for global oil demand in the first quarter by 600,000 bpd. It said global oil supply could increase by 6.4 million bpd next year compared with a 1.5 million bpd increase this year. It said the largest single increase in oil output came from the U.S. for a second consecutive month. The IEA said if OPEC+ continues to unwind its output cuts, an oil surplus of 1.7 million bpd could materialize in the first quarter of 2022 and 2 million bpd in the second quarter of 2022. It said Saudi Arabia and Russia could reach record annual production levels in 2022 if OPEC+ cuts fully unwound. OECD industry stocks fell by 21 million barrels in October to 2.737 billion barrels, 240 million below the five-year average.

Saudi Arabia's Energy Minister, Prince Abdulaziz bin Salman, warned traders against shorting oil, saying OPEC+ could react quickly to any fall in prices. Separately, Saudi Arabia's Oil Minister said that global oil production could fall by 30% by the end of the decade due to falling investment in fossil fuels. He said daily output may fall by 30 million barrels by 2030. He urged energy companies and investors to ignore "scary messages" about oil and gas.

Russia's Deputy Energy Minister, Pavel Sorokin, said OPEC+ still plans to hold its next meeting on January 4th and there have not been any discussions about meeting earlier.

Early Market Call - as of 8:30 AM EDT

WTI - Jan \$ 69.69 Down \$1.04
 RBOB - Jan \$ 2.0861 Down 0.0252
 HO - Jan \$2.1920 Down 0.0265

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Dec-21	2.2184	-0.0144	-0.0062
Jan-22	2.2148	-0.014	-0.0028
Feb-22	2.2015	-0.0128	-0.0026
Mar-22	2.1802	-0.0119	-0.003
Apr-22	2.1652	-0.0116	-0.0032
May-22	2.1552	-0.0122	-0.0041
Jun-22	2.1516	-0.0128	-0.0039
Jul-22	2.1499	-0.0135	-0.004
Aug-22	2.1506	-0.0138	-0.0033
Sep-22	2.1512	-0.014	-0.0046
Oct-22	2.1507	-0.0138	-0.0057
Nov-22	2.1491	-0.0131	-0.0065
Dec-22	2.1472	-0.0132	-0.0071
Jan-23	2.1417	-0.0125	-0.007
Feb-23	2.1319	-0.0121	-0.0071
Mar-23	2.1174	-0.0122	-0.0075
Apr-23	2.1081	-0.0129	-0.0081

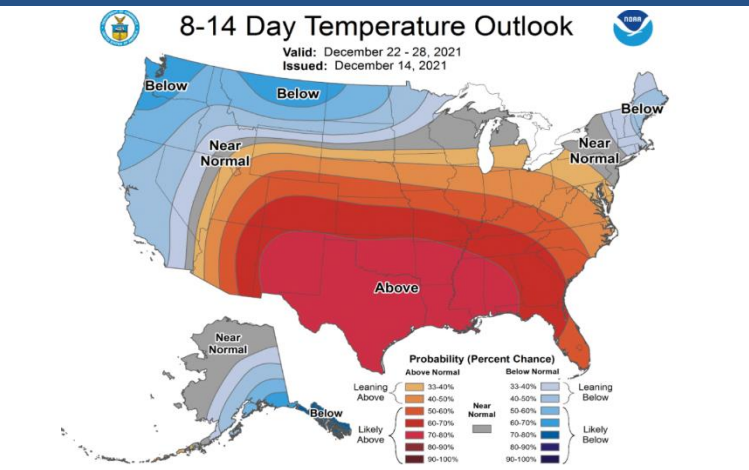
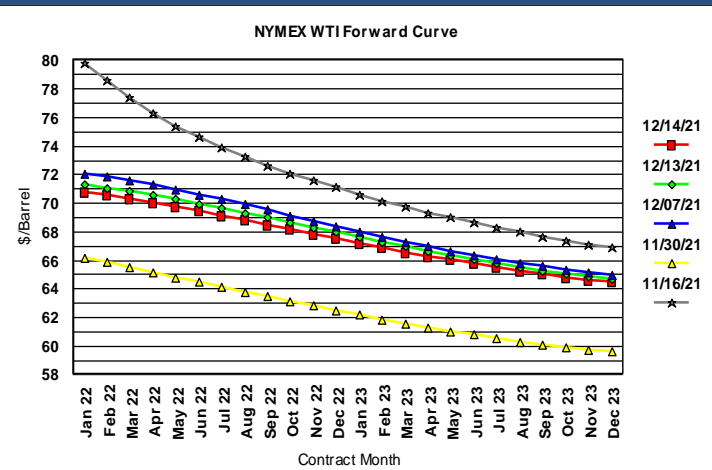
Settlements			
		Close	Change
Crude - WTI	Jan Brent- WTI Spread \$3.18	\$70.5200	-\$0.5400
Crude - Brent		\$73.7000	-\$0.6900
Natural Gas		\$3.7470	-\$0.0470
Gasoline		\$2.1108	-\$0.0057

API Report for the Week Ending December 10, 2021

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Down 815,00 barrels	Down 2.1 million barrels
Cushing, OK Crude Stocks	Up 2.3 million barrels	
Gasoline Stocks	Up 426,000 barrels	Up 1.2 million barrels
Distillate Stocks	Down 1.0 million barrels	Up 100,000 barrels
Refinery Runs		Up 0.5% at 90.3%

WTI Forward Curve

8-14 Day Weather Forecast



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