

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil futures resumed their uptick Tuesday, on optimism that the omicron variant of coronavirus may not be as severe as first feared, easing demand concerns going forward. Oil prices were up over 3%, extending the previous day's rebound of almost 5%. The rebound follows last week's tumble on concerns that vaccines might be less effective against the new variant, sparking fears that governments would impose fresh restrictions that would hinder demand. Also adding to the gains are stalled nuclear disarmament talks between Iran and other Western countries, reducing the chance of Iranian crude returning to the market. January WTI added \$2.56, or 3.7%, to settle at \$72.05 a barrel, while February Brent settled at \$75.44 a barrel, up \$2.36, or 3.2%. January RBOB gained 5.67 cents per gallon, or 2.7%, to end the session at \$2.1000. January heating oil added 2.5%, to \$2.225 a gallon.

Market Outlook: With the confirmation of December 2's price reversal bottom underway, the momentum of this market has been trending higher. The near-term range for this market is \$62.43 to \$79.23, the area this market fell from in November. A break below \$62.43 will shift the minor trend to the downside. Sustained moves above \$70.80 will keep buyers around, while a break above \$79.23 sets this market up for a run at \$83.80.

Fundamental News: In its Short Term Energy Outlook, the EIA cut its 2021 world oil demand growth by 10,000 bpd and now sees a 5.1 million bpd year-on-year increase to 96.91 million bpd. It raised its 2022 world oil demand growth forecast by 200,000 bpd to 3.55 million bpd. World oil demand in 2022 is forecast to increase to 100.46 million bpd. The EIA forecast that total world oil production in 2021 is expected to increase by 1.79 million bpd to 95.63 million bpd and by 5.3 million bpd to 100.93 million bpd in 2022. OPEC oil production is forecast to increase by 700,000 bpd to 26.3 million bpd in 2021 and by 2.08 million bpd in 2022 to 28.38 million bpd. Meanwhile, U.S. oil production in 2021 is expected to fall by 100,000 bpd to 11.18 million bpd but increase by 670,000 bpd to 11.85 million bpd in 2022. Total U.S. petroleum demand is forecast to increase by 1.58 million bpd to 19.77 million bpd in 2021 and by 700,000 bpd to 20.47 million bpd in 2022. U.S. gasoline demand is expected to increase to 740,000 bpd to 8.79 million bpd in 2021 and by 220,000 bpd to 9.01 million bpd in 2022. U.S. distillate demand is forecast to increase by 180,000 bpd to 3.97 million bpd in 2021 and by 110,000 bpd to 4.08 million bpd in 2022. In regards to prices, the EIA expects Brent prices to average \$71/barrel in December and \$73/barrel in the first quarter of 2022. It expects Brent prices to remain near current levels in 2022, averaging \$70/barrel.

Citi Research sees energy prices falling from fourth quarter 2021 to fourth quarter 2022 averages, with Brent crude down from \$79/barrel to \$62/barrel and WTI down from \$75/barrel to \$59/barrel. According to Citigroup, there will be no new super cycle for commodities.

Saudi Arabia and Oman praised the effort by OPEC+ that resulted in oil market stability and balance. The two countries affirmed the importance of continuing this cooperation and for all members to adhere to the agreement. The joint statement followed a visit of Saudi Crown Prince Mohammed Bin Salman to Oman.

Iraq's Oil Minister, Ihsan Ismael, said Iraq expects the price of oil to rebound and increase over \$75/barrel in the coming months because current prices are "inappropriate" for producers. He added that Iraq cannot afford a drop in oil prices and is seeking stability between supply and demand.

The Biden administration will propose retroactively cutting biofuel quotas for 2020 and increasing them for next year. Under an EPA proposal, fuel refiners and importers would be required to use 18.52 billion gallons of renewable fuel in 2021 and 20.77 billion gallons next year.

Early Market Call - as of 8:30 AM EDT

WTI - Jan \$72.08, up 4 cents

RBOB - Jan \$2.1304, up 3.04 cents

HO - Jan \$2.2499, up 2.53 cents

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Dec-21	2.2246	0.0534	0.1643
Jan-22	2.2176	0.0549	0.1648
Feb-22	2.2041	0.0571	0.1622
Mar-22	2.1832	0.0591	0.159
Apr-22	2.1684	0.0596	0.1557
May-22	2.1593	0.0589	0.1528
Jun-22	2.1555	0.0582	0.1514
Jul-22	2.1539	0.058	0.1509
Aug-22	2.1547	0.0582	0.1517
Sep-22	2.1558	0.0581	0.1502
Oct-22	2.1564	0.0579	0.1501
Nov-22	2.1556	0.0567	0.1499
Dec-22	2.1543	0.0559	0.1492
Jan-23	2.1487	0.0551	0.1499
Feb-23	2.139	0.0544	0.1512
Mar-23	2.1249	0.0534	0.1511
Apr-23	2.1162	0.0533	0.1487

Settlements			
		Close	Change
Crude - WTI	Jan Brent- WTI Spread \$3.60	\$71.8400	\$2.5400
Crude - Brent		\$75.4400	\$2.3600
Natural Gas		\$3.7080	\$0.0510
Gasoline		\$2.1000	\$0.0567

API Report for the Week Ending December 3, 2021

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Down 3.089 million barrels	Down 1.3 million barrels
Cushing, OK Crude Stocks	Up 2.4 million barrels	
Gasoline Stocks	Up 3.7 million barrels	Up 1.7 million barrels
Distillate Stocks	Up 1.2 million barrels	Up 1.2 million barrels
Refinery Runs		Up 0.5%, to 89.3%

WTI Forward Curve

8-14 Day Weather Forecast

