

## Market Commentary

**Recap:** Oil futures erased early losses on Monday after a news report said OPEC and its allies were rethinking plans to continue with modest output increases. The potential move was seen as a reaction to an effort by the Biden administration to persuade oil-consuming countries to coordinate a release of crude reserves in an effort to push down prices. Oil prices were moving lower in early trading after Japan said it may release oil from its strategic reserves while some renewed COVID19 related lockdown measures in Europe raised demand concerns. Concerns over higher supply and reduced demand have pushed the price of West Texas Intermediate down by more than 9% over the past month, a drop that some are calling overblown as economies recover from the pandemic while supplies remains constricted by OPEC+, while U.S. production continues to be more than one-million barrels per day under pre-pandemic levels. January WTI tacked on 81 cents, or 1.07%, to settle at \$76.75 a barrel, while January Brent also added 81 cents, or 1.03%, to settle at \$79.70 a barrel. December RBOB settled at \$2.2602 a gallon, up .0483 cents, while December heating oil settled at \$2.3270, up 0.0334 cents.

**Technical Analysis:** For the second straight session, WTI dipped below \$76.37, the 38% retracement provided by the October high of \$85.41 and the August low of \$61.74 but managed to settle above it. The ever presence of buyers down below indicates that traders have not given up on the upside of this market. It is because of this resilience that we think there is a better chance of seeing a push back toward \$80 and above, rather than a break below \$70. As of now the 50-day moving average is providing a bit of resistance. A push above this level should be followed by a move back toward \$80. A break below \$70.78 will have us rethinking this market.

**Fundamental News:** U.S. President Joe Biden is preparing to announce the release of oil from the country's SPR in concert with several other countries as soon as Tuesday.

Four government sources stated that Japanese officials are working on ways to get around restrictions on releasing national reserves of crude oil in tandem with other major economies to lower prices. One of the sources said the government was looking into releasing from the portion of the state-held stocks outside the minimum amount required as a legal workaround. A second source said officials are also looking at private stocks that are part of the national reserve, which some advisers argue can be released without restrictions. On Monday, Chief Cabinet Secretary, Hirokazu Matsuno, said nothing had been decided, while on Saturday Prime Minister Kishida said the government was in the process of considering what it could do legally.

Three Indian government sources stated that India plans to release oil from its strategic reserves in coordination with other consumers. India has yet to decide on the timing and volume of an SPR release and the move will be a coordinated step with other major consumers. India holds about 26.5 million barrels of oil in the SPR.

OPEC and its allies may re-evaluate plans to adjust production if the world's largest consuming countries proceed with a coordinated release of their SPR.

Goldman Sachs said the recent declines in oil prices were "excessive" given that the oil market remains in a deficit, adding that it reiterates its \$85/barrel forecast for the fourth quarter. The bank said "the magnitude of deficit is in fact on its own sufficient to absorb the current perceived headwinds to the oil bull thesis, with lower prices in fact reducing the odds of a strategic release." The investment bank also said concerns over Chinese growth, its property sector, and its impact on oil demand may have contributed to oil's fall but the move lower has "overshot" that risk.

**Early Market Call - as of 8:15 AM EDT**

WTI - Dec \$76.56, down 19 cents

RBOB - Dec \$2.2540, down 70 points

HO - Dec \$2.3265, up 21 points

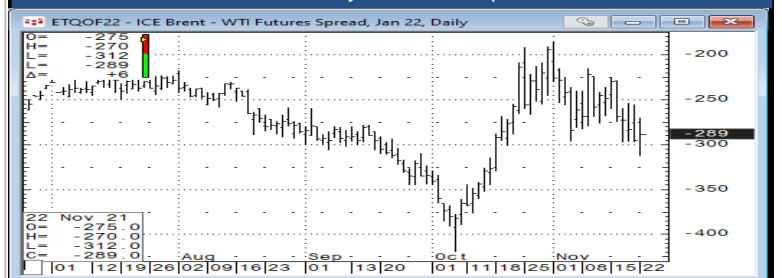
## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Dec-21	\$2.3254	\$0.0320	-\$0.0727
Jan-22	\$2.3242	\$0.0368	-\$0.0646
Feb-22	\$2.3174	\$0.0378	-\$0.0542
Mar-22	\$2.3039	\$0.0393	-\$0.0451
Apr-22	\$2.2820	\$0.0394	-\$0.0398
May-22	\$2.2653	\$0.0380	-\$0.0356
Jun-22	\$2.2526	\$0.0362	-\$0.0344
Jul-22	\$2.2460	\$0.0346	-\$0.0338
Aug-22	\$2.2412	\$0.0333	-\$0.0334
Sep-22	\$2.2392	\$0.0325	-\$0.0354
Oct-22	\$2.2388	\$0.0319	-\$0.0322
Nov-22	\$2.2388	\$0.0316	-\$0.0315
Dec-22	\$2.2384	\$0.0321	-\$0.0302
Jan-23	\$2.2370	\$0.0318	-\$0.0283
Feb-23	\$2.2284	\$0.0318	-\$0.0260
Mar-23	\$2.2144	\$0.0319	-\$0.0237
Apr-23	\$2.1962	\$0.0318	-\$0.0222

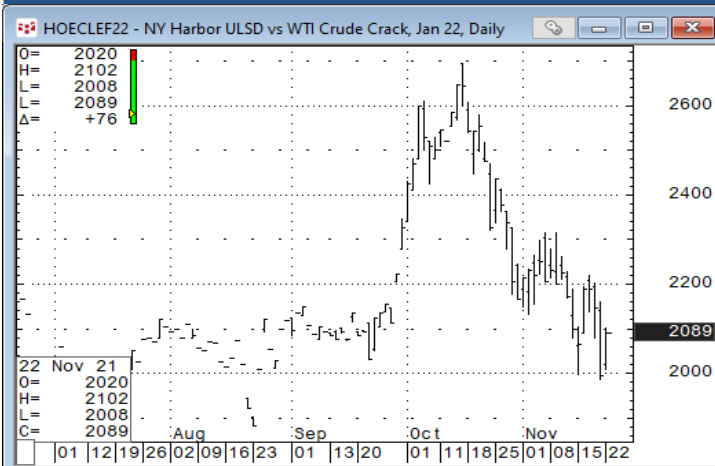
### Settlements

		Close	Change
Crude - WTI	Jan Brent- WTI Spread \$2.95	\$76.7500	\$0.8100
Crude - Brent		\$79.7000	\$0.8100
Natural Gas		\$4.7890	-\$0.2760
Gasoline		\$2.2602	\$0.0483

### ICE January Brent-WTI Spread



## January Heating Oil Crack Spread



## January RBOB Crack Spread

