

Market Commentary

Recap: Trading in oil futures was volatile on Monday, with prices falling almost 7% during the trading session, hitting their lowest level in three weeks. Surging cases of the Omicron variant in Europe and the U.S. raised concern among traders that new restrictions to combat its spread could dent fuel demand, as fear of spreading lockdowns ahead of the Christmas Holiday ignited worries of travel restrictions across the globe. Despite falling sharply during the session, oil futures rebounded off of session lows. January WTI fell \$2.63, or 3.71%, to settle at \$68.23 a barrel, while February WTI, the most actively traded contract, settled at \$68.61 a barrel, down \$2.11, or 3%. February Brent ended at \$71.52 a barrel, down \$2, or 2.7%. Meanwhile, January RBOB fell 1.5%, to close at \$2.09 a gallon, while January heating oil shed 2.1%, to \$2.173 a gallon.

Technical Analysis: WTI gapped significantly lower on the opening and continued its downward spiral once breaking through the 200-day moving average. Given how hard and fast it fell, we would look for continued pressure, with the February contract on pace to test \$65. Having said that, we bear in mind that the end of the year is closing in on us and expect to see some book squaring. For now, we would look for signs of exhaustion to the upside as selling opportunities. Should this market break below \$65, we would take advantage of this move and follow the trend. Below \$65, there is additional support set at \$62.43 and below that at \$61.74. On the upside, resistance is seen at \$69.50 and above that at \$70.78.

Fundamental News: Fitch said recovering oil demand due to eased pandemic-related restrictions and prudent OPEC+ supply policies helped oil prices recover to pre-pandemic levels.

The Environmental Protection Agency is finalizing new vehicle emissions requirements through 2026 that reverse former President Donald Trump's rollback of car pollution cuts and will speed a U.S. shift to more electric vehicles. The EPA rules would result in a fleetwide average of about 40 mpg in 2026, versus 38 mpg under the August proposal and 32 mpg under the Trump rules. The new rules take effect in the 2023 model year and require a 28.3% reduction in vehicle emissions through 2026. EPA estimates the vehicle emissions reduction benefits will exceed costs by up to \$190 billion and drivers will save between \$210 billion and \$420 billion through 2050. EPA estimates the final rule will result in 17% of new U.S. vehicles by 2026 as EVs or plug-in hybrids.

OPEC+ compliance with oil production cuts stood at 117% in November, up from 116% in the previous month, indicating the group's production levels continue to be below agreed targets. Compliance from the 10 OPEC countries participating in the production cuts reached 122%, with participating non-OPEC countries achieving 107%. The OPEC+ data shows West African producers Nigeria and Angola continued to struggle to pump at target with Angola's compliance hitting its highest this year at nearly 300%. Nigerian compliance fell by 10 percentage points month on month to 239%, as the country raised production slightly.

Russia's Deputy Prime Minister, Alexander Novak, said Russia believes it is too early to assess the feasibility of changing the parameters of the oil output deal between OPEC and non-OPEC producers. The OPEC+ alliance of oil producers will discuss its policy on January 4th.

IIR Energy reported that U.S. oil refiners are expected to shut in 45,000 bpd of capacity in for the week ending December 24th, increasing available refining capacity by 180,000 bpd. Offline capacity is expected to remain at 45,000 bpd in the week ending December 31st.

Early Market Call - as of 8:35 AM EDT

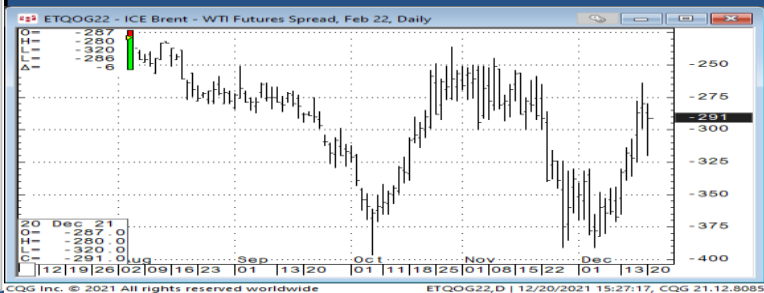
WTI - Feb \$69.71, up \$1.09
 RBOB - Jan \$2.1168, up 2.73 cents
 HO - Jan \$2.2099, up 3.58 cents

All NYMEX | Prior Settlements

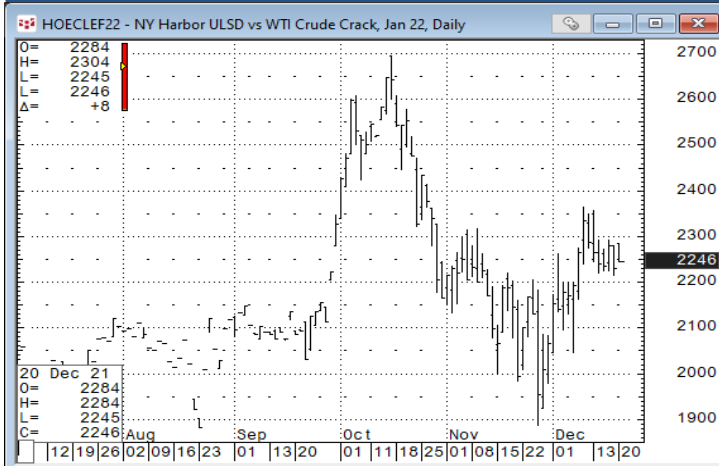
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-22	2.173	-0.0469	-0.0598
Feb-22	2.1689	-0.0473	-0.0599
Mar-22	2.1527	-0.0481	-0.0616
Apr-22	2.13	-0.0479	-0.0621
May-22	2.1143	-0.0473	-0.0625
Jun-22	2.1054	-0.0456	-0.062
Jul-22	2.1025	-0.0442	-0.0619
Aug-22	2.1013	-0.0432	-0.0621
Sep-22	2.1022	-0.0426	-0.0612
Oct-22	2.1028	-0.0417	-0.0624
Nov-22	2.1024	-0.0408	-0.0621
Dec-22	2.1007	-0.0399	-0.0615
Jan-23	2.0993	-0.0389	-0.0611
Feb-23	2.0943	-0.0377	-0.0599
Mar-23	2.0854	-0.0367	-0.0586
Apr-23	2.0715	-0.0358	-0.0581
May-23	2.0627	-0.0345	-0.0583

Settlements			
		Close	Change
Crude - WTI	Feb Brent - WTI Spread \$2.91	\$68.6100	-\$2.1100
Crude - Brent		\$71.5200	-\$2.0000
Natural Gas		\$3.8340	\$0.1440
Gasoline		\$2.0900	-\$0.0317

ICE February Brent-WTI Spread



January Heating Oil Crack Spread



January RBOB Crack Spread

