

Market Commentary

Recap: Oil futures plunged on Thursday after OPEC and its allies decided to maintain its current pace of supply increases despite U.S. President Joe Biden's call for OPEC+ to increase output. This prompted speculation that the U.S. may tap into its strategic reserves and as a result, oil futures fell as much as 3%.

Oil recently rallied to the highest since 2014 as an economic rebound from the pandemic combined with a supply crunch across the energy industry to drive up demand for crude. U.S. President Joe Biden has led calls from major consumers for higher OPEC+ production, but Saudi Arabia and others in the alliance has pushed back, saying coronavirus outbreaks continue to threaten the market. December WTI fell \$2.05, or 2.54%, to settle at \$78.81 a barrel, while January Brent lost \$1.45, or 1.77%, to settle at \$80.54 a barrel.

Technical Analysis: Volatility in the crude oil markets is on the rise and is expected to increase in the weeks ahead. What happens in the coming weeks will have major implications for a global economy that has been battered by high energy prices, and for the domestic political agenda of a U.S. president whose popularity is sinking as inflation rises. The showdown also puts further strain on America's increasingly fragile relationship with its strongest Middle Eastern ally, Saudi Arabia. According to Goldman Sachs Group Inc. a potential U.S. reserves release may only be a temporary help and could even backfire. If crude prices weaken dramatically, shale producers will not be so willing to increase drilling, leading to an even greater supply shortage. Based upon a daily spot continuation chart, Thursday's move confirmed the break below the bottom trend line of the ascending channel. The measured move to the downside based upon this break is set at \$75.35. In the meantime, we expect high volatility and for WTI to make a run at the 50-day moving average, which is currently set at \$77.61. To the upside, resistance is set at \$80, the 10-day moving average, currently set at \$81.88 and above that, \$85.

Fundamental News: According to Wood Mackenzie, crude oil inventories at Cushing, Oklahoma increased by about 1.04 million barrels in the week ending November 2nd, a reversal from weeks of supply declines.

OPEC and its allies agreed on Thursday to stick to their previous plans to raise oil output by 400,000 bpd, despite calls from the United States for extra supply to curb rising prices. Saudi Arabia dismissed calls for speedier oil supply increases from the Organization of the Petroleum Exporting Countries and allies. OPEC+ sources have said the United States has plenty of capacity to raise production itself if it wants to help the world speed up an economic recovery. In a statement, OPEC said it was committed to ensuring "a stable and balanced oil market" at a time when other energy markets like natural gas are experiencing "extreme volatility and instability".

The White House criticized a decision by top oil producers to keep oil output steady, saying OPEC and its allies appeared "unwilling" to use their power to help the global economic recovery. A spokesperson for the White House's National Security Council said the Biden administration will consider using its full range of tools to bolster energy market resilience.

Saudi-owned Al Arabiya TV said Saudi oil production will exceed 10 million bpd in December, for the first time since the coronavirus pandemic.

A bipartisan group of U.S. governors sent a letter to the Biden administration on Thursday to ask for guidance on an action that could expand sales of a fuel with a higher ethanol blend. The letter sent to the Environmental Protection Agency comes after an appeals court in July struck down a U.S. action from 2019 that had allowed year-round sales of the blend, known as E15. In the letter, the group of seven governors pointed to a section of the U.S. Clean Air Act that allows governors to effectively request from EPA that E15 be sold in their state all year.

Early Market Call - as of 8:20 AM EDT

WTI - Dec \$79.79 Up 0.98
 RBOB - Dec \$23.3125 Up 0.0189
 HO - Dec \$2.4363 Up .0305

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Dec-21	\$2.4066	-\$0.0279	-\$0.0782
Jan-22	\$2.3925	-\$0.0281	-\$0.0773
Feb-22	\$2.3707	-\$0.0282	-\$0.0759
Mar-22	\$2.3433	-\$0.0283	-\$0.0734
Apr-22	\$2.3113	-\$0.0268	-\$0.0701
May-22	\$2.2884	-\$0.0243	-\$0.0682
Jun-22	\$2.2741	-\$0.0218	-\$0.0653
Jul-22	\$2.2671	-\$0.0199	-\$0.0618
Aug-22	\$2.2617	-\$0.0186	-\$0.0592
Sep-22	\$2.2585	-\$0.0180	-\$0.0624
Oct-22	\$2.2570	-\$0.0169	-\$0.0557
Nov-22	\$2.2556	-\$0.0163	-\$0.0542
Dec-22	\$2.2524	-\$0.0158	-\$0.0538
Jan-23	\$2.2482	-\$0.0152	-\$0.0529
Feb-23	\$2.2363	-\$0.0146	-\$0.0521
Mar-23	\$2.2194	-\$0.0135	-\$0.0508
Apr-23	\$2.1981	-\$0.0122	-\$0.0493

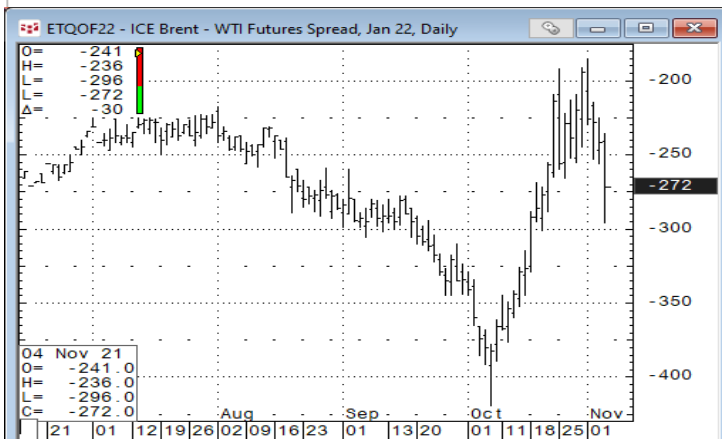
Settlements

		Close	Change
Crude - WTI	Jan Brent-WTI Spread \$2.80	\$77.7000	-\$1.8700
Crude - Brent		\$80.5000	-\$1.4500
Natural Gas		\$5.7160	\$0.0460
Gasoline		\$2.2926	-\$0.0459

EIA Working Gas Storage Report

	21-Oct-21	22-Oct-21	Change	29-Oct-20
East	899	885	14	946
Midwest	1,071	1,052	19	1,119
Mountain	213	212	1	241
Pacific	256	255	1	320
South Central	1,172	1,144	28	1,298
Salt	320	304	16	350
Nonsalt	852	840	12	948
Total	3,611	3,548	63	3,924

ICE January Brent-WTI Spread



8-14 Day Temperature Outlook

