

## Market Commentary

## All NYMEX | Prior Settlements

**Recap:** Oil futures headed higher on Wednesday, buoyed by a surprise weekly decline in U.S. crude inventories and a drop in gasoline stocks to their lowest in almost two years, even as China's move to bolster coal supplies looked to dull the outlook for oil demand. The drop in U.S. crude supplies gave WTI a stronger push than that for Brent, which saw limited gains following news on China. Beijing's top economic planner this week vowed to use "all necessary means" to roll back record coal prices. The Wall Street Journal reported, including domestic laws that let the government limit profit and prices for essential goods. On its expiration day, November WTI rose 91 cents, or 1.1%, to end at \$83.87 up a fifth straight session. Front-month contract prices posted the highest close since Oct. 13, 2014, according to Dow Jones Market Data. December WTI crude, the most active and now front-month contract, added 98 cents, or 1.2%, to settle at \$83.42 a barrel. December Brent climbed by 74 cents, or 0.9%, to \$85.82 a barrel, logging the highest settlement since Oct. 3, 2018. November RBOB rose 1.3% to \$2.508 a gallon, the highest close since September 2014, and November heating oil climbed by 1.2% to \$2.592 a gallon -- the highest since October 2014.

**Technical Analysis:** Despite technical indicators hinting at an overbought market, WTI rallied to fresh seven year highs on Wednesday. The December contract, which has been trending higher within an ascending channel, came down to test its 10-day moving average only to bounce off of it. Since breaking above this average in the beginning of September, this soon to be spot contract has not settled below it. While we still expect to see pullbacks, the longer term outlook appears to be constructive as long as we hold above \$75, which is where we could see this market going should we get a break below the 10-day moving average.

**Fundamental News:** Saudi Arabia's Minister of Energy, Prince Abdulaziz bin Salman, said users switching from gas to oil could account for demand of 500,000-600,000 bpd depending on winter weather and related energy prices. Prince Abdulaziz said that the rise in energy prices now is the result of limited investment in hydrocarbons, low inventories and post pandemic demand recovery. He said the world needs to pay serious attention to supply security and added that the world will continue to need fossil fuel.

Iraq's Oil Minister, Ihsan Abdul Jabbar, said crude oil prices could reach \$100/barrel in the first or second quarter of next year as global inventories are at their lowest level. He said OPEC+ is opposed to oil prices exceeding an "acceptable" level and is studying ways to balance the market. He said \$75 to \$85 is an "acceptable" price range for a barrel of crude in the long term. He said OPEC+ is "at the same time against further boosting global oil inventories, as they could lead to the collapse of oil markets".

The head of commodity research at Goldman Sachs, Jeff Currie, stated that global oil prices could increase over \$90/barrel by the end of the year unless a current supply deficit amid rebounding energy demand can be reduced in the coming months.

Morgan Stanley increased its first quarter 2022 Brent price forecast to \$95/barrel, up from a previous estimate of \$77.50/barrel. It increased its long-term Brent price forecast from \$60/barrel to \$70/barrel.

BNP Paribas increased its forecast for the average Brent crude prices next year by \$8/barrel to \$80.50/barrel. It increased its 2023 Brent crude estimate by \$4.50/barrel to \$79.50/barrel. Its WTI price forecasts were maintained at \$3/barrel under Brent.

IIR Energy reported that U.S. oil refiners are expected to shut in about 2.2 million bpd of capacity in the week ending October 22<sup>nd</sup>, decreasing available refining capacity by 220,000 bpd.

**Early Market Call - as of 8:30 AM EDT**

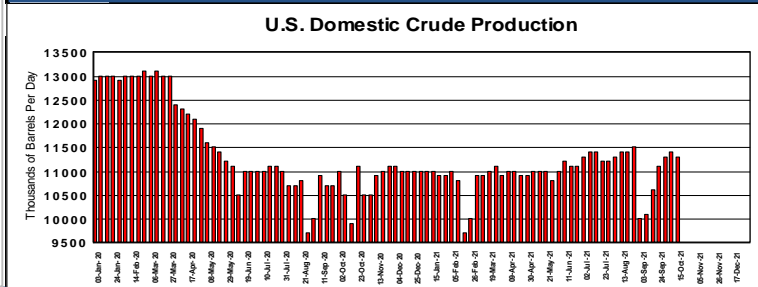
WTI - Nov \$82.92, down 50 cents

RBOB - Nov \$2.4873, down 2.01 cents

HO - Nov \$2.5627, down 2.99 cents

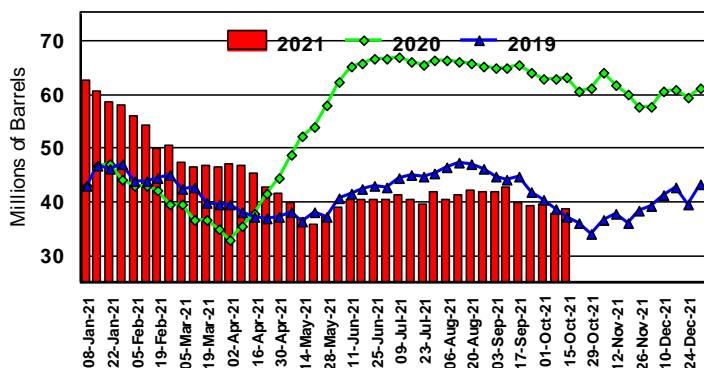
| Month  | ULSD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
|        | Close     | Change       | One Week  |
| Nov-21 | \$2.5923  | \$0.0316     | \$0.0712  |
| Dec-21 | \$2.5838  | \$0.0321     | \$0.0726  |
| Jan-22 | \$2.5703  | \$0.0306     | \$0.0721  |
| Feb-22 | \$2.5496  | \$0.0285     | \$0.0697  |
| Mar-22 | \$2.5220  | \$0.0275     | \$0.0674  |
| Apr-22 | \$2.4875  | \$0.0267     | \$0.0634  |
| May-22 | \$2.4624  | \$0.0262     | \$0.0598  |
| Jun-22 | \$2.4442  | \$0.0253     | \$0.0569  |
| Jul-22 | \$2.4320  | \$0.0240     | \$0.0539  |
| Aug-22 | \$2.4213  | \$0.0230     | \$0.0513  |
| Sep-22 | \$2.4137  | \$0.0225     | \$0.0437  |
| Oct-22 | \$2.4073  | \$0.0221     | \$0.0484  |
| Nov-22 | \$2.4014  | \$0.0222     | \$0.0482  |
| Dec-22 | \$2.3947  | \$0.0223     | \$0.0478  |
| Jan-23 | \$2.3874  | \$0.0224     | \$0.0475  |
| Feb-23 | \$2.3728  | \$0.0224     | \$0.0469  |
| Mar-23 | \$2.3530  | \$0.0225     | \$0.0463  |

| Settlements   |                                |           |          |
|---------------|--------------------------------|-----------|----------|
|               |                                | Close     | Change   |
| Crude - WTI   | Dec Brent-WTI Spread<br>\$2.40 | \$83.4200 | \$0.9800 |
| Crude - Brent |                                | \$85.8200 | \$0.7400 |
| Natural Gas   |                                | \$5.1700  | \$0.0820 |
| Gasoline      |                                | \$2.5084  | \$0.0329 |



## Weekly EIA Petroleum Status Report for the Week Ending October 15, 2020

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Down 431,000 barrels

Cushing, OK Crude Stocks Down 2.32 million barrels

**Gasoline Stocks** Down 5.368 million barrels

**Distillate Stocks** Down 3.913 million barrels

**Refinery % Operated** 84.7%, Down 2%

### PADD #1

| Distillate Stocks (in million bbls) | Week Ending Oct 15, 2021 | Week Ending Oct 8, 2021 | Week Ending Oct 16, 2020 |
|-------------------------------------|--------------------------|-------------------------|--------------------------|
| New England                         | 6.7                      | 6.6                     | 11.9                     |
| Central Atlantic                    | 18.9                     | 19.2                    | 35.1                     |
| Total PADD #1                       | 38.7                     | 37.9                    | 60.6                     |
| Distillate Imports (thousands b/d)  | 188                      | 174                     | 131                      |