

## Market Commentary

**Recap:** Oil futures settled higher on Tuesday, following two straight days of losses ignited by fears the spread of the Omicron variant of COVID-19 would slice into demand as new lockdowns and travel restrictions are put in place to slow the rising cases of new infections. Tuesday's higher prices follows a drop of nearly 6% over the last two sessions as countries introduced new lockdown measures to combat the omicron variant. Higher equity markets also contributed to the higher move. Signs of strong demand are emerging in the U.S. physical markets, where sweet shale crudes this week reached the largest premiums against NYMEX oil futures in nearly a year. The gains are driven by U.S. refiners buying supplies to meet increased domestic fuel demand. WTI for February delivery rose \$2.51, or 3.7%, to close at \$71.12 a barrel. February Brent ended \$2.46 higher, up 3.4%, at \$73.98 a barrel. WTI dropped a combined 5.7% in Friday and Monday trading, while Brent fell 4.7%. January RBOB ended 3% higher at \$2.1522 a gallon, while February heating oil rose 3.9% to \$2.2578 a gallon.

**Market Outlook:** WTI worked its way back above the 200-day moving average, filling the gap created on Monday's session. We expect for the volatility this market has been experiencing to continue and for this market to encounter quite a bit of resistance. We are still looking to sell this market on signs of exhaustion, but do not expect to see a significant drop into the New Year. Support is seen at \$69.52, the current level of the 200-day moving average and below that at \$65. To the upside, resistance is set at \$72.26 and above that at \$73.58.

**Fundamental News:** According to the EIA, U.S. retail regular gasoline prices fell by 0.8% to \$3.154/gallon in the week ending December 17<sup>th</sup>. It also reported that retail diesel fuel prices fell by 0.6% on the week to \$3.626/gallon from \$3.649/gallon.

Europe's diesel crunch is getting no relief from U.S. Gulf Coast refiners, which are prioritizing domestic demand and buyers in Latin America over Europe. According to Vortexa, USGC-Europe diesel flows, at around 40,000 bpd so far this month, are about 20% below the year-to-date average and 60% below 2020 and 2019 averages.

According to Bloomberg's analysis of trading data, more than 23 million barrels of average price crude option put spreads traded since December 10<sup>th</sup>, suggesting a major player is hedging against lower oil prices to protect 2022 revenues. Although there is no way to determine who initiated the trades, people familiar with the deals said the moves were consistent with Pemex's annual oil price hedging program.

Iran said nuclear negotiations with world powers in Vienna will resume soon after Christmas. A seventh round of talks ended inconclusively on December 17<sup>th</sup>. U.S. National Security Advisor, Jake Sullivan, will travel to Israel this week. He is scheduled to meet with Prime Minister, Naftali Bennett, and discuss Iran.

Royal Dutch Shell's Deer Park, Texas refinery reported an all clear after a small sheen discharge to the Houston Ship Channel.

### Early Market Call - as of 8:50 AM EDT

WTI - Jan \$71.25, up 12 cents

RBOB - Jan \$2.1421, down 79 points

HO - Jan \$2.2560, down 25 points

## All NYMEX | Prior Settlements

| Month  | ULSD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
|        | Close     | Change       | One Week  |
| Dec-21 | 2.2578    | 0.0848       | 0.0394    |
| Jan-22 | 2.2514    | 0.0825       | 0.0366    |
| Feb-22 | 2.2328    | 0.0801       | 0.0313    |
| Mar-22 | 2.2089    | 0.0789       | 0.0287    |
| Apr-22 | 2.1915    | 0.0772       | 0.0263    |
| May-22 | 2.1798    | 0.0744       | 0.0246    |
| Jun-22 | 2.1752    | 0.0727       | 0.0236    |
| Jul-22 | 2.1726    | 0.0713       | 0.0227    |
| Aug-22 | 2.1728    | 0.0706       | 0.0229    |
| Sep-22 | 2.1727    | 0.0699       | 0.0215    |
| Oct-22 | 2.1721    | 0.0697       | 0.0214    |
| Nov-22 | 2.1711    | 0.0704       | 0.022     |
| Dec-22 | 2.1692    | 0.0699       | 0.022     |
| Jan-23 | 2.1635    | 0.0692       | 0.0218    |
| Feb-23 | 2.1537    | 0.0683       | 0.0218    |
| Mar-23 | 2.139     | 0.0675       | 0.0216    |
| Apr-23 | 2.129     | 0.0663       | 0.0209    |

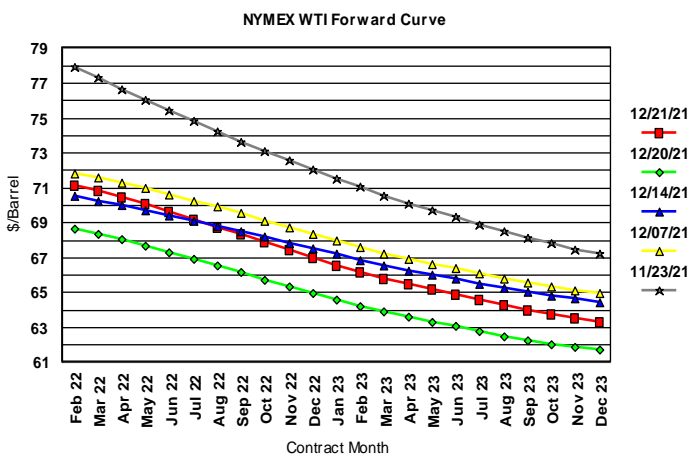
### Settlements

|               | Close     | Change   |
|---------------|-----------|----------|
| Crude - WTI   | \$71.1200 | \$2.5100 |
| Crude - Brent | \$73.9800 | \$2.4600 |
| Natural Gas   | \$3.8690  | \$0.0350 |
| Gasoline      | \$2.1522  | \$0.0622 |

### API Report for the Week Ending December 17, 2021

|                            | Actual                   | Mkt Expectations         |
|----------------------------|--------------------------|--------------------------|
| Crude Oil Stocks(excl SPR) | Down 3.7 million barrels | Down 2.6 million barrels |
| Cushing, OK Crude Stocks   | Up 1.3 million barrels   |                          |
| Gasoline Stocks            | Up 3.7 million barrels   | Up 100,000 barrels       |
| Distillate Stocks          | Down 849,000 barrels     | Down 400,000 barrels     |
| Refinery Runs              |                          | Up 0.4% at 90.2%         |

## WTI Forward Curve



## 8-14 Day Weather Forecast

