

## Market Commentary

**Recap:** Oil futures held steady on Thursday, as traders coped with strength in the US dollar, concerns over increasing US inflation, and after OPEC cut its 2021 forecast due to high prices. Inflation numbers in the US are adding pressure on the Biden administration to release oil from the strategic petroleum reserve. In its Monthly Oil Market Report, OPEC cut its demand forecast by 0.16-million barrels per day from its October estimate. It now sees global demand this year reaching 96.4-million bpd, rising to 100.6-million bpd in 2022. Its forecast for supply outside the cartel was unchanged at 63.6-million bpd this year and 66.7-million bpd in 2022. The trimmed demand forecast comes as the U.S. dollar surged after the U.S. on Wednesday reported inflation rose to the highest since 1990, with higher energy costs the largest contributor to the 6.2% annualized rise in prices. Higher inflation is increasing pressure on the Biden Administration to release oil from the country's strategic reserves to bring down the price of oil and gasoline.

December WTI gained 25 cents, or .31% to settle at \$81.59 a barrel, while January Brent settle at \$82.87 a barrel, up 23 cents, or 0.28%. December RBOB tacked on 0.9% to \$2.318 a gallon, but December heating oil HO221, -0.64% fell 0.2% to \$2.447 a gallon.

**Technical Analysis:** WTI was initially trading to the downside on Thursday but bounced just above the \$80 level, showing signs of underlying strength. The ability for oil to rebound as it did, have oil bulls that liquidated on the last \$3 move lower feeling a bit unhappy as prices remain resilient. In the meantime, we continue to see the \$85 area hold up as a source of resistance. At this point we would still rather be buyers on dips than sellers on rallies.

**Fundamental News:** OPEC on Thursday cut its world oil demand forecast for the last quarter of 2021 as high energy prices impacts the economic recovery from COVID-19, although the group stuck to its prediction of robust growth to above pre-pandemic rates in 2022. In its monthly report, OPEC raised its forecast for supply from U.S. shale producers next year, a potential headwind to the efforts of the group and its allies to balance the market. It increased U.S. tight oil output growth to 610,000 bpd from a previous forecast of 410,000 bpd. It left the total 2022 non-OPEC supply growth unchanged. Non-OPEC supply is forecast to total 63.6 million bpd this year and 66.7 million bpd in 2022. OPEC said it expects oil demand to average 99.49 million bpd in the fourth quarter of 2021, down 330,000 bpd from last month's forecast due to the impact of elevated energy prices. The year's demand growth forecast was trimmed by 160,000 bpd to 5.65 million bpd. World oil demand is seen at 96.4 million bpd in 2021. OPEC also cited slower-than-expected demand in China and India for the downward revision. The changes mean world consumption is expected to surpass the 100 million bpd mark in the third quarter of 2022 in OPEC's view, three months later than forecast last month. OPEC also said it expects world oil demand growth of 4.15 million bpd next year, unchanged from last month, which will push world consumption above 2019 levels. Demand is seen at 100.59 million bpd in 2022. The call on its crude oil is expected to reach 29.57 million bpd in the fourth quarter. OPEC lowered its 2022 forecast for global demand for its crude by 100,000 bpd to 28.7 million bpd. OPEC also reported that its oil production in October increased by 217,000 bpd to 27.45 million bpd.

According to Citigroup, the U.S. could release 45 million to 60 million barrels of oil from the SPR by bringing forward next year's mandated sales of 20 million barrels.

Iraq's Oil Minister, Ihsan Abdul Jabbar, said that the OPEC+ group of oil exporting countries is expected to review its crude supply policy in the first quarter of next year, with the group expected to leave current policy unchanged at its meeting next month.

Norway's Equinor is preparing to restart production at its 535,000 bpd Johan Sverdrup oilfield after it was shut down following a power outage.

**Early Market Call - as of 8:55 AM EDT**

WTI - Dec \$80.15, down \$1.43

RBOB - Dec \$2.2860, down 3.1 cents

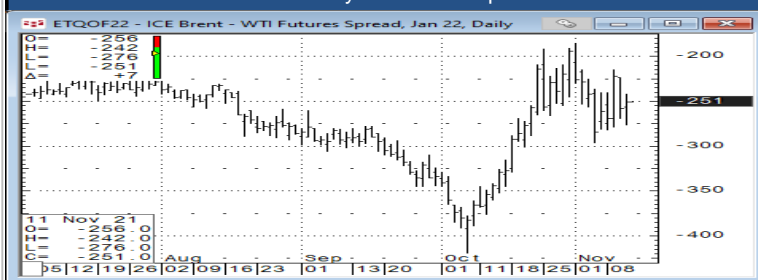
HO - Dec \$2.3918, down 5.49 cents

## All NYMEX | Prior Settlements

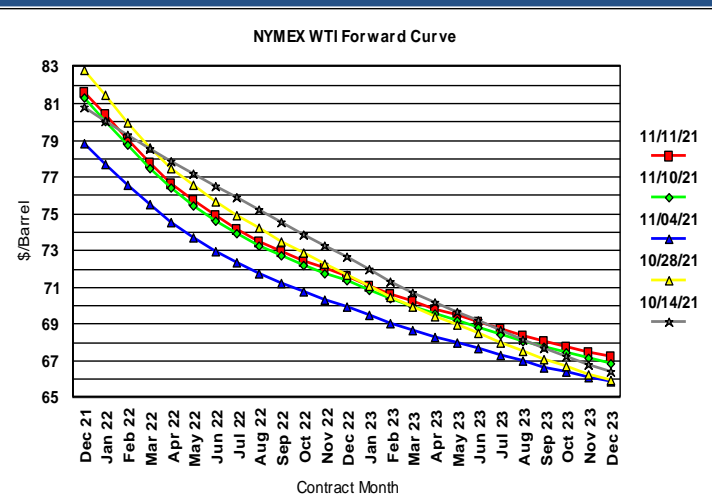
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Dec-21	\$2.4471	-\$0.0050	\$0.0405
Jan-22	\$2.4349	-\$0.0034	\$0.0424
Feb-22	\$2.4134	-\$0.0012	\$0.0427
Mar-22	\$2.3865	\$0.0009	\$0.0432
Apr-22	\$2.3541	\$0.0026	\$0.0428
May-22	\$2.3309	\$0.0037	\$0.0425
Jun-22	\$2.3155	\$0.0043	\$0.0414
Jul-22	\$2.3077	\$0.0051	\$0.0406
Aug-22	\$2.3016	\$0.0057	\$0.0399
Sep-22	\$2.2974	\$0.0061	\$0.0357
Oct-22	\$2.2954	\$0.0068	\$0.0384
Nov-22	\$2.2934	\$0.0073	\$0.0378
Dec-22	\$2.2902	\$0.0074	\$0.0378
Jan-23	\$2.2857	\$0.0074	\$0.0375
Feb-23	\$2.2739	\$0.0074	\$0.0376
Mar-23	\$2.2569	\$0.0077	\$0.0375
Apr-23	\$2.2361	\$0.0083	\$0.0380

Settlements			
		Close	Change
Crude - WTI	Jan Brent-	\$80.4200	\$0.3600
Crude - Brent	WTI Spread	\$82.8700	\$0.2300
Natural Gas	\$2.45	\$5.1490	\$0.2690
Gasoline		\$2.3178	\$0.0206

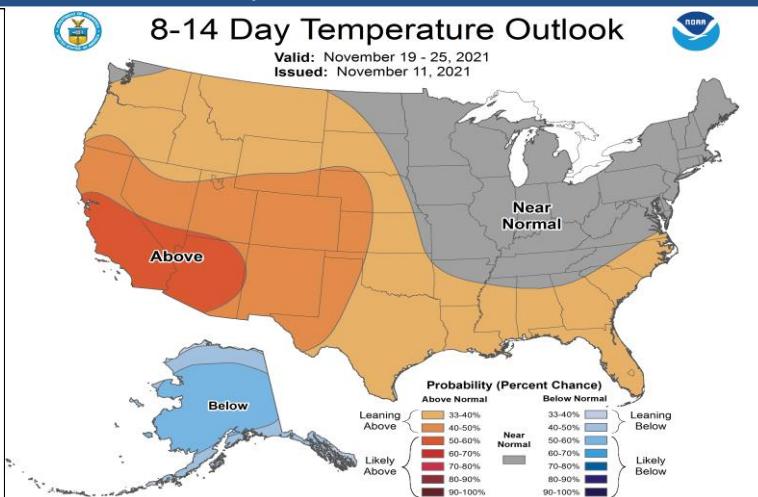
### ICE January Brent-WTI Spread



## WTI Forward Curve



## 8-14 Day Weather Forecast



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