

## Market Commentary

## All NYMEX | Prior Settlements

**Recap:** Oil futures rose to a two-month high on Wednesday on tight supplies, as U.S. crude oil inventories fell to their lowest level since 2018, a weaker dollar and easing concerns about the Omicron coronavirus variant. The 4.6 million barrel draw in crude oil stockpiles, a much larger than expected draw put U.S. stockpiles at their lowest level since October 2018. Although the draw was more than expected, the falling dollar was the main force behind the higher move some analysts said. February WTI added \$1.42, or 1.75%, to settle at \$82.64 a barrel, while Brent for March delivery tacked on 95 cents, or 1.13%, to settle at \$84.67 a barrel. Petroleum products also gained, with February RBOB adding .0334 cents to settle at \$2.3908 a gallon and February heating oil up .0306 cents at \$2.5942 a gallon.

**Technical Analysis:** WTI is persistent in its higher move, as it continues to hold above the 10-day moving average. While we have written about the February contract breaking above the upper line on a symmetrical triangle on a daily bar chart, when looking at a spot continuation chart, the symmetrical triangle remains intact. The breakout point for this formation is set at \$83.46 for Thursday's session. We would look for traders to push above this line, with \$85 within their sight. The US dollar is also getting hammered so it does make quite a bit of sense that we would see oil continue to go higher due to the fact that the US dollar fell. However, this market may be a bit overdone to the upside and therefore we would not be surprised to see a dip and for buyers to be waiting down below.

**Fundamental News:** The EIA said U.S. crude oil stockpiles fell more than expected to their lowest levels since October 2018, but gasoline inventories increased due to weak demand. Crude inventories fell by 4.6 million barrels in the week ending January 7<sup>th</sup> to 413.3 million barrels. The crude drawdowns came even as refiners cut activity, with runs down by 294,000 bpd and utilization rates falling 1.4 percentage points in the week. Meanwhile, U.S. gasoline stocks increased by 8 million barrels in the week to 240.8 million barrels, compared with expectations for a 2.4 million barrel increase. Gasoline product supplied fell last week to 7.9 million bpd, its lowest level since February 2021. The four-week moving average fell to 8.7 million bpd. Distillate stockpiles increased by 2.5 million barrels.

Analysts predict that oil prices that which 50% in 2021 will increase further this year, stating that a lack of production capacity and limited investment in the sector could lift crude above \$100/barrel. Jeffrey Halley, senior market analyst at OANDA said "Assuming China doesn't suffer a sharp slowdown, that Omicron actually becomes Omi-gone, and with OPEC+'s ability to raise production clearly limited, I see no reason why Brent crude cannot move towards \$100 in Q1, possibly sooner." Morgan Stanley predicts that Brent crude will reach \$90/barrel in the third quarter of this year. Meanwhile, Standard Chartered has raised its 2022 Brent forecast by \$8 to \$75/barrel and its 2023 Brent forecast by \$17 to \$77/barrel. J.P. Morgan analysts also expects oil prices to increase as high as \$90/barrel by the end of the year.

According to sources, the Biden administration is considering lowering the 2022 ethanol blending mandate below the proposed 15 billion gallons amid backlash from the oil refining lobby and unions arguing the U.S. ethanol industry can no longer support the target.

IIR Energy reported that U.S. oil refiners are expected to shut in 490,000 bpd of capacity in the week ending January 14<sup>th</sup>, increasing available refining capacity by 142,000 bpd.

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

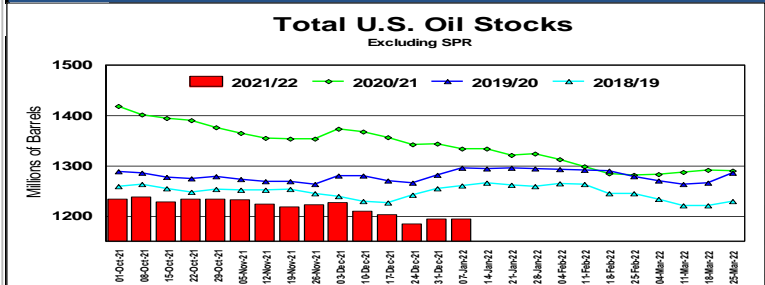
WTI - Feb \$82.21, down 43 cents

RBOB - Feb \$2.3860, down 48 points

HO - Feb \$2.5954, up 14 points

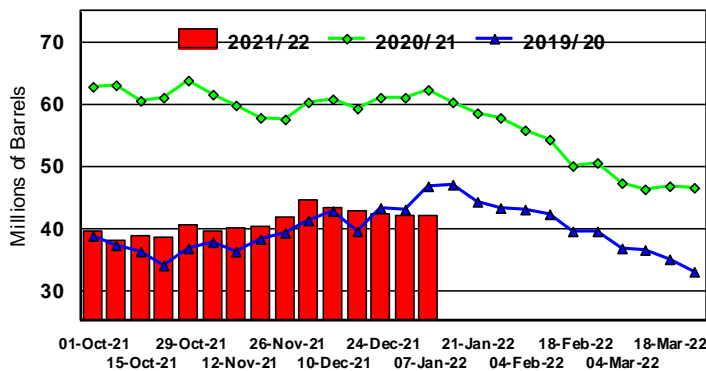
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-22	2.5942	0.0306	0.1481
Mar-22	2.5437	0.0221	0.1245
Apr-22	2.4919	0.0163	0.1050
May-22	2.4619	0.0155	0.0971
Jun-22	2.4428	0.0151	0.0924
Jul-22	2.4305	0.0144	0.0885
Aug-22	2.4216	0.0135	0.0861
Sep-22	2.4159	0.0120	0.0804
Oct-22	2.4106	0.0108	0.0816
Nov-22	2.4050	0.0094	0.0792
Dec-22	2.3988	0.0084	0.0773
Jan-23	2.3921	0.0076	0.0752
Feb-23	2.3795	0.0066	0.0719
Mar-23	2.3615	0.0050	0.0678
Apr-23	2.3391	0.0045	0.0635
May-23	2.3208	0.0042	0.0583
Jun-23	2.3063	0.0039	0.0543

Settlements		Close	Change
Crude - WTI	Mar Brent- WTI Spread \$2.65	\$82.0200	\$1.3500
Crude - Brent		\$84.6700	\$0.9500
Natural Gas		\$4.8570	\$0.6080
Gasoline		\$2.3908	\$0.0334



## Weekly EIA Petroleum Status Report for the Week Ending January 7, 2022

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Down 4.553 million barrels  
 Cushing, OK Crude Stocks Down 2.468 million barrels  
**Gasoline Stocks** Up 7.961 million barrels  
**Distillate Stocks** Up 2.537 million barrels  
**Refinery % Operated** 88.4%, Down 1.4%

#### PADD #1

Distillate Stocks (in million bbls)	Week Ending Jan 7, 2021	Week Ending Dec 31, 2021	Week Ending Jan 8, 2021
New England	6.7	6.7	12.1
Central Atlantic	21.3	21.5	34.4
Total PADD #1	41.9	42.0	62.4
Distillate Imports (thousands b/d)	207	174	331