

## Market Commentary

**Recap:** Oil futures rose as much as 4% on Tuesday, with WTI topping \$81 a barrel, and Brent topping \$83 a barrel. Prices were supported by tight supplies, testimony by U.S. Federal Reserve Chair Jerome Powell, and growing expectations that the omicron variant of coronavirus would not diminish demand. Markets advanced quickly during Powell's testimony as it became apparent the Fed would do little to alter current market consensus. With an interest rate hike largely priced in and not seen before March, the dollar sank, increasing the appeal of commodities priced in the currency. Traders were also more focused on a recovery in demand, rather than supplies. Global demand for oil remains robust across all modes of transportation. Tuesday's gains came despite reports that production in Libya had recovered and that activity at Kazakhstan's Tengiz oil field had returned to normal. Worries about hits to production in the two countries had helped to lift crude last week. February WTI rose \$2.99, or 3.8%, to \$81.22, the highest price for a front month contract since mid-November. March Brent gained \$2.85, or 3.52%, to \$83.72 a barrel, its highest price since early November. Both WTI and Brent have rallied nearly 8% so far in 2022. Among the petroleum products, February gasoline rose 3.6% to \$2.357 a gallon and February heating oil added 3.1% to \$2.564 a gallon.

**Market Outlook:** WTI is closing in on recent highs, as it remains in an uptrend. Now that we have taken out the \$80 and settled above \$81, we would look for a push toward \$85. We remain comfortable buying dips down toward the pivot level of \$80.39, but would reconsider letting up on some length with a break below \$80. Support below \$80 is seen at \$79.19 and below that at \$77.16.

**Fundamental News:** In its Short Term Energy Outlook, the EIA reported that world petroleum demand in 2022 is expected to increase by 3.62 million bpd to 100.52 million bpd and increase further by 1.75 million bpd in 2023 to 102.27 million bpd. Total world production is forecast to increase by 5.52 million bpd in 2022 to 101.05 million bpd. Output in 2023 is forecast to increase by 1.79 million bpd to 102.84 million bpd. OPEC crude oil production is forecast to increase by 2.49 million bpd to 28.75 million bpd in 2022, while OPEC's oil output in 2023 is forecast to increase by 160,000 bpd to 28.92 million bpd. The EIA also reported that U.S. oil production is forecast to increase in 2022 by 640,000 bpd on the year, up from a previous forecast of 670,000 bpd to 11.8 million bpd. U.S. crude oil output is expected to increase by 610,000 bpd to 12.41 million bpd in 2023. The EIA reported that U.S. petroleum demand in 2022 is expected to increase by 840,000 bpd on the year to 20.59 million bpd and by 330,000 bpd to 20.92 million bpd. U.S. gasoline demand in 2022 is estimated to increase by 270,000 bpd to 9.06 million bpd and increase by 90,000 bpd to 9.15 million bpd in 2023. Distillate demand is forecast to increase by 120,000 bpd in 2022 to 4.07 million bpd and by 60,000 bpd to 4.13 million bpd in 2023. In regards to prices, Brent crude oil prices will average \$75/barrel in 2022 and \$68/barrel in 2023.

Oman's Oil Minister, Mohammed al-Rumayh, said the oil market is facing a capacity problem amid low investment. He said OPEC+ wants to make sure the oil market does not overheat. He added that OPEC+ does not want oil to reach \$100/barrel. The Oil Minister added that OPEC+ supply increases of 400,000 bpd are at a good pace.

On Tuesday, Libya's National Oil Corp said it was suspending oil exports from Es Sider terminal citing bad weather and what it called a lack of storage capacity at the port caused by war damage to facilities and inadequate funds. It said in a statement that its Waha Oil Co, which exports oil through Es Sider, has reduced production by 50,000 bpd and that its total reduction in output may reach 105,000 bpd if the bad weather continues. Separately, the NOC media office said that Libya's total oil output is 896,000 bpd, up from the 729,000 bpd it said it was producing last week.

**Early Market Call - as of 8:25 AM EDT**

WTI - Feb \$82.19 UP \$0.97  
 RBOB - Feb \$2.3714 UP 0.0138  
 HO - Feb \$2.5997 UP 0.0367

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-22	2.5636	0.076	0.1541
Mar-22	2.5216	0.0738	0.1344
Apr-22	2.4756	0.0723	0.1169
May-22	2.4464	0.0701	0.1061
Jun-22	2.4277	0.0674	0.0987
Jul-22	2.4161	0.0658	0.0935
Aug-22	2.4081	0.0648	0.0906
Sep-22	2.4039	0.064	0.0864
Oct-22	2.3998	0.063	0.0869
Nov-22	2.3956	0.0617	0.0856
Dec-22	2.3904	0.0603	0.0846
Jan-23	2.3845	0.0595	0.0831
Feb-23	2.3729	0.0581	0.0804
Mar-23	2.3565	0.0567	0.077
Apr-23	2.3346	0.055	0.0724
May-23	2.3166	0.0525	0.0665
Jun-23	2.3024	0.0502	0.0621

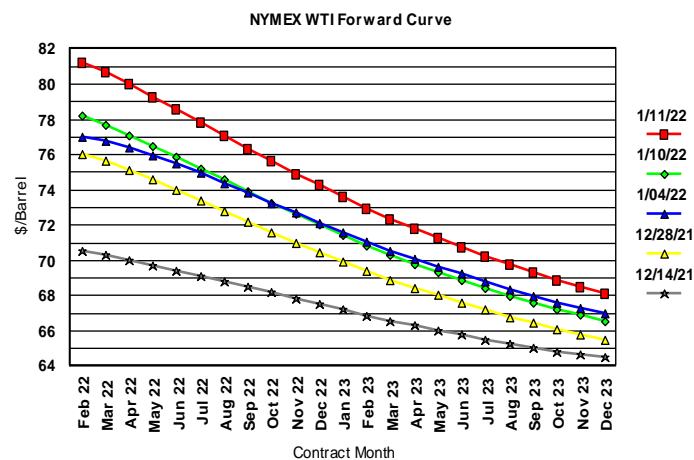
### Settlements

		Close	Change
Crude - WTI	Mar Brent- WTI Spread \$3.05	\$80.6700	\$2.9700
Crude - Brent		\$83.7200	\$2.8500
Natural Gas		\$4.2490	\$0.1700
Gasoline		\$2.3574	\$0.0820

### API Report for the Week Ending January 7, 2022

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Down 1.1 million barrels	Down 2.1 million barrels
Cushing, OK Crude Stocks	Up 2.3 million barrels	
Gasoline Stocks	Up 10.9 million barrels	Up 2.3 million barrels
Distillate Stocks	Up 3.0 million barrels	Up 1.2 million barrels
Refinery Runs		Down 0.1%, 89.7%

## WTI Forward Curve



## 8-14 Day Weather Forecast

