

Market Commentary

Recap: Oil futures climbed again on Wednesday to settle at their highest level in more than seven years, after a pipeline fire temporarily disrupted crude flows from Iraq to Turkey and the International Energy Agency raised its forecast for 2022 demand. Supply concerns also mounted this week after Yemen's Houthi group attacked the UAE, while Russia has built up a large troop presence near Ukraine's border, raising fears of an invasion. Some industry sources are anticipating that oil could top \$100 a barrel due to recovering demand despite the spread of the Omicron coronavirus variant. However, the IEA said the oil market was due to flip into surplus in the first quarter as some producers are set to pump at or above all-time highs. An oil surplus should also lead to a build-up in inventories, as the IEA reported that commercial stocks in OECD countries were below pre-pandemic levels at around seven year lows. February WTI added \$1.53, or 1.8%, to settle at \$86.96 a barrel, after trading as high as \$87.92. The most actively traded March contract, which becomes the front month after Thursday's session, rose 97 cents, or 1.1%, to \$85.80 a barrel. March Brent rose 93 cents, or 1.1%, to \$88.44 a barrel, after hitting a high of \$89.17. February RBOB added 1% to \$2.457 a gallon and February heating oil climbed 0.7% to \$2.692 a gallon.

Market Outlook: Oil futures continue its climb that began at the onset of the new year. Besides the surging omicron variant having a much smaller negative impact on global consumption it's the realization that several countries within OPEC+ group are struggling to raise production to the agreed levels that has been driving the energy sector in recent weeks. This combined with the IEA lowering its forecast for supply surpluses during the first and second quarter after saying that the global surplus is shrinking and oil demand is on track to hit pre-pandemic levels. WTI is closing in on a long standing upward trend line that dates back to 2015. The break out point on this line is set at \$90.87. We would expect to see a push past this level and then for WTI to fall into a period of consolidation. Buying dips continues to feel like a good move above \$80.

Fundamental News: The International Energy Agency said oil supply will soon overtake demand as some producers are set to produce at or above all-time highs, while demand holds up despite the spread of the Omicron coronavirus variant. The IEA said "The steady rise in supply could see a significant surplus materialize in 1Q22 and going forward," with the United States, Canada and Brazil set to pump at all-time highs for the year while Saudi Arabia and Russia also likely to surpass their output records. The IEA added "World oil supply in 2022 has the potential for a massive Saudi-driven gain of 6.2 million bpd, provided the OPEC+ alliance continues to unwind the remainder of its record 2020 supply cut." The IEA added that eased lockdown measures mean mobility remains robust, leading it to increase its oil demand estimate for last year and 2022 by 200,000 bpd to 5.5 million bpd and 3.3 million bpd, respectively. This will take total demand above pre-Covid levels in 2022 of 99.7 million bpd. Meanwhile, non-OPEC supply is seen up 1.8 million bpd, with most of the growth coming from U.S. producers. However, the IEA warned that with commercial oil and fuel stocks in OECD countries at their lowest levels in seven years, any cut in supply could render the oil market in 2022 volatile. It estimated that OPEC produced 27.99 million bpd in December, up 190,000 bpd on the month, led by Saudi Arabia's output increase.

UAE Energy Minister, Suhail al-Mazrouei, said he was, "not worried about the short term" when asked about analyst predictions for oil prices to rise above \$100/barrel. He said "We will continue to do our work of increasing the supply of 400,000 bpd." He added "I am worried about the long term if there are voices saying we should not invest." He said the country is committed to support OPEC+ in achieving balance in the oil market.

Early Market Call - as of 8:25 AM EDT

WTI - Feb \$86.17, down 79 cents

RBOB - Feb \$2.4514, down 56 points

HO - Feb \$2.6496, down 4.28 cents

All NYMEX | Prior Settlements

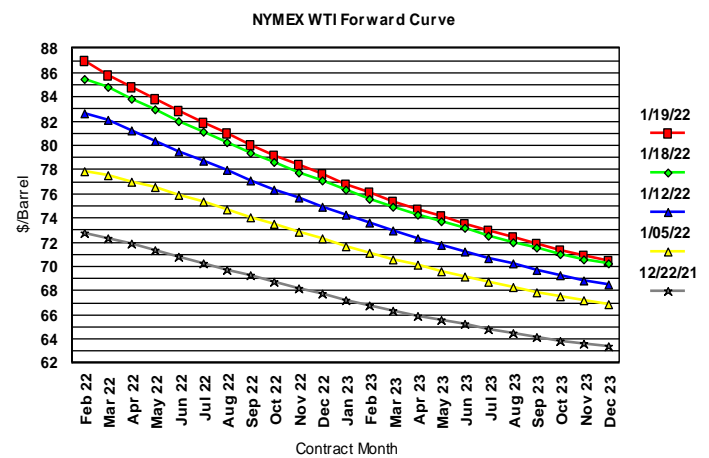
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-22	2.6923	0.0183	0.0981
Mar-22	2.6364	0.0164	0.0927
Apr-22	2.564	0.015	0.0721
May-22	2.5268	0.016	0.0649
Jun-22	2.5072	0.0155	0.0644
Jul-22	2.4939	0.0151	0.0634
Aug-22	2.4835	0.0142	0.0619
Sep-22	2.4765	0.0134	0.0549
Oct-22	2.47	0.0131	0.0594
Nov-22	2.4626	0.0131	0.0576
Dec-22	2.4541	0.0131	0.0553
Jan-23	2.445	0.0129	0.0529
Feb-23	2.4297	0.0121	0.0502
Mar-23	2.4096	0.0115	0.0481
Apr-23	2.3849	0.0104	0.0458
May-23	2.365	0.0097	0.0442
Jun-23	2.3491	0.0086	0.0428

Settlements			
		Close	Change
Crude - WTI	Mar Brent-WTI Spread \$2.64	\$85.8000	\$0.9700
Crude - Brent		\$88.4400	\$0.9300
Natural Gas		\$4.0310	-\$0.2520
Gasoline		\$2.4570	\$0.0252

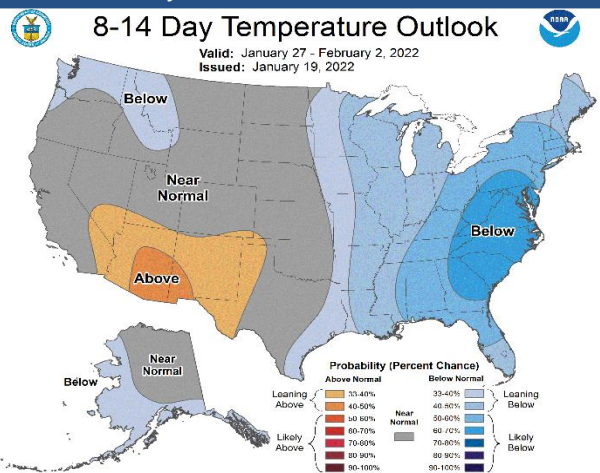
API Report for the Week Ending January 14, 2022

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Up 1.404 million barrels	Down 800,000 barrels
Cushing, OK Crude Stocks	Down 1.5 million barrels	
Gasoline Stocks	Up 3.5 million barrels	Up 2.1 million barrels
Distillate Stocks	Down 1.2 million barrels	Down 700,000 barrels
Refinery Runs		Down 0.2%, 88.2%

WTI Forward Curve



8-14 Day Weather Forecast



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