

## Market Commentary

**Recap:** Oil futures jumped by almost 2% on Thursday, as record U.S. implied demand, falling crude stockpiles and an upbeat economic outlook from the Federal Reserve trumped fears of the omicron variant of coronavirus hurting global consumption. Crude and other risk assets such as equities also got a boost after the Fed gave an upbeat economic outlook, lifting investor spirits even as the U.S. Central bank flagged a long-awaited end to monetary stimulus. Demand has been rising in 2021, as the number of COVID-19 cases began to drop off. According to the EIA, product supplied by refiners, a proxy of demand, surged in the latest week to 23.2 million barrels per day. January WTI gained \$1.51, or 2.13, to settle at \$72.38 a barrel, up two consecutive sessions. February Brent added \$1.14, or 1.54%, to settle at \$5.02 a barrel. January RBOB tacked on 2.03 cents per gallon, or 2.4%, to settle at \$2.178 a gallon and January heating oil added 2.1%, to settle at \$2.266 a gallon.

**Technical Analysis:** Thursday's move higher was most likely tied to Wednesday's rebound after WTI bounced off of the 200-day moving average and gained strength on record U.S. implied demand and falling crude oil stockpiles. However, traders are being cautious as the withdrawal of economic support by the U.S. Federal Reserve combined with the omicron variant can develop into two major headwinds for this market to contend with. At this point, traders will be focused on the spread of the omicron variant, which could slow economic growth, and hinder demand. WTI has been up at the \$73.58 level, which is the 50% retracement provided by the October high of \$85.41 and the August low of \$62.43 only to fail at this level. A push above this level provides an opportunity for this market to trade up to \$75. On the downside, support is seen at the 200-day moving average, which is currently set at \$69.49.

**Fundamental News:** Europe's crude imports from the U.S. Gulf are expected to increase to a six-month high in December as wide WTI-Brent spread last month increased buying interest from Europe. According to tanker tracking data compiled by Bloomberg, 30 tankers carrying about 19.2 million barrels of oil have arrived in Europe so far this month after loading crude from terminals in the U.S. Gulf. Another 24 tankers, hauling 17.4 million barrels are expected to arrive by the end of December. Total imports in December are estimated at 36.6 million barrels or 1.8 million bpd, the highest level since June, compared with a revised 1.03 million bpd in November.

Diesel and gasoil arrivals in Europe from the East of Suez, Russia, Baltic ports and the United States for December are currently expected to total 4.3 million tons.

About half of U.S. oil pipeline space is sitting unused, increasing competition for barrels in higher-output areas like the Permian Basin in Texas. According to consultancy Wood Mackenzie, overall U.S. pipeline capacity utilization is at around 50%, compared with a range of 60% to 70% headed into early 2020 before the coronavirus pandemic hit. Pipelines overall are now half-full, as production, which increased to 13 million bpd in early 2020 to make the United States the top oil producer, has averaged just 11 million bpd in 2021.

The Environmental Protection Agency reported that about 1.26 billion ethanol (D6) blending credits were generated in November, up from 1.20 billion in October. About 464 million biodiesel (D4) blending credits were generated in November, up from 431 million in October.

**Early Market Call - as of 9:30 AM EDT**

WTI - Jan \$71.23, down \$1.14  
 RBOB - Jan \$2.1325, down 4.56 cents  
 HO - Jan \$2.22891, down 3.72 cents

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-22	2.2663	0.0459	0.016
Feb-22	2.2628	0.0459	0.0194
Mar-22	2.2478	0.045	0.0188
Apr-22	2.2243	0.0438	0.017
May-22	2.2074	0.0427	0.0163
Jun-22	2.1963	0.0406	0.016
Jul-22	2.1913	0.0389	0.0148
Aug-22	2.1882	0.0374	0.0136
Sep-22	2.1877	0.0363	0.0131
Oct-22	2.1866	0.0349	0.0115
Nov-22	2.1844	0.0338	0.0102
Dec-22	2.1811	0.0328	0.0089
Jan-23	2.1782	0.0323	0.008
Feb-23	2.1717	0.0314	0.008
Mar-23	2.1612	0.0309	0.008
Apr-23	2.1462	0.0305	0.0073
May-23	2.1358	0.0295	0.0059

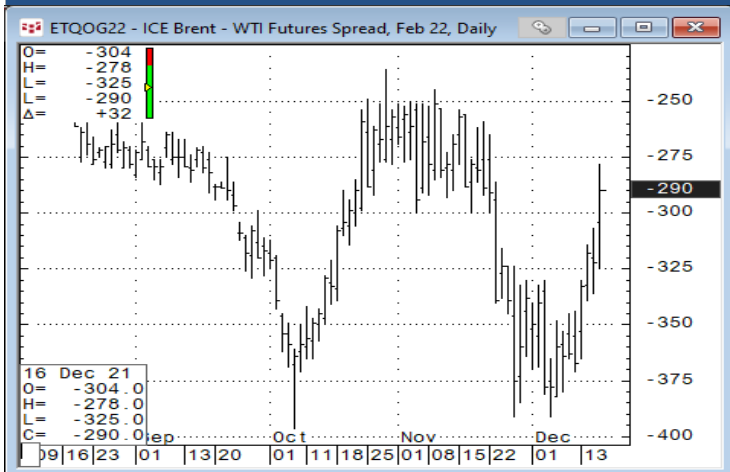
### Settlements

		Close	Change
Crude - WTI	Feb Brent- WTI Spread \$2.87	\$72.1500	\$1.4900
Crude - Brent		\$75.0200	\$1.1400
Natural Gas		\$3.7660	-\$0.0360
Gasoline		\$2.1778	\$0.0503

### EIA Working Gas Storage Report

	10-Dec-21	03-Dec-21	Change	10-Dec-20
East	818843	25886		
Midwest	9821,019	371,064		
Mountain	199206	7224		
Pacific	261266	5307		
South Central	1,1581,171	131,261		
Salt	3283280	350		
Nonsalt	829842	13912		
Total	3,4173,505	883,743		

## ICE February Brent-WTI Spread



## 8-14 Day Weather Forecast

