

## Market Commentary

## All NYMEX | Prior Settlements

**Recap:** Oil futures fell sharply on Tuesday, as the World Health Organization said the new omicron variant poses a high global risk, and a major pharmaceuticals company said currently available COVID-19 vaccines are less effective against it. Almost all of the partial gains made on Monday were eliminated, bringing current levels close to the November 26 close. The main trigger for the more bearish sentiment was comments made by Moderna's chief regarding current vaccines' efficacy being limited against the omicron variant, adding that development and production of a more effective version could take months. WTI dipped below \$65 a barrel for the first time since August after Federal Reserve Chair Jerome Powell said the strong U.S. economy may warrant ending the central bank's asset purchases sooner than planned next year. Losses were slightly pared, with January WTI settling at \$66.18 a barrel down \$3.77, or 5.4%, while January Brent went off the board trading at \$70.57 a barrel, down \$2.87, or 3.9%. While expiry-day pricing is often highly volatile, the wider forward curve has also weakened noticeably, giving traders seeking yield by holding long positions less incentive to be invested. While much of the curve remains backwarddated – where nearer-term prices trade above longer-dated ones – gaps between monthly contracts have narrowed. December RBOB expired at \$1.9801 a gallon, down .0970, or 4.7%, down 19.57% on the month, the largest one month net and percentage decline since March 2020. December heating oil fell .0833 cents, to settle at \$2.0638 a gallon.

**Market Outlook:** Fear of demand destruction continues to drive oil prices, giving the risk-off sentiment more momentum, as investors and hedge fund managers evaluate the potential risk of the Omicron variant. At the same time, all eyes were on the OPEC+ meeting Dec. 2, which could decide not to increase further crude supply temporarily according to the previously decided levels. As of now, this market stands a good chance of testing the August low of \$61.74. Should we break this level, this market could go a lot further. To the upside, resistance is set at \$69.44 and above that at \$70.78.

**Fundamental News:** White House Press Secretary, Jen Psaki, said the White House hopes OPEC+ member countries will decide to release oil supplies to meet demand when they meet this week and said it was frustrating to see oil prices go down without a corresponding drop in gasoline prices at the pump.

The U.S. EIA reported that the U.S. SPR could fall by nearly 50% by the start of fiscal 2032, the lowest level since March 1983, after taking into account newly passed legislation and the White House's recent announcement of a coordinated release. It estimated that SPR inventories could fall to about 314 million barrels in 2032 from 618 million barrels as of October 1st following the White House plans to release 50 million barrels of crude into the market through exchanges and the acceleration of sales. The Infrastructure Investment and Jobs Act passed in early November includes provision to draw down 87.6 million barrels from the SPR in fiscal years 2028 through 2031.

IEA Executive Director, Fatih Birol, said OPEC+ should keep increasing oil production to safeguard the global economic recovery.

The U.S. EIA reported that U.S. oil production in September fell by 380,000 bpd to 10.809 million bpd from a revised level in August of 11.189 million bpd. U.S. crude oil exports fell to 2.667 million bpd in September, down from 2.996 million bpd in August.

According to a Reuters survey, the increase in OPEC's oil output in November has again undershot the increase planned under a deal with allies. OPEC produced 27.74 million bpd in November, up 220,000 bpd from the previous month but below the 254,000 increase allowed under the supply deal.

**Early Market Call - as of 9:00 AM EDT**

WTI - Jan \$67.72, up \$1.55

RBOB - Jan \$1.9913, up 5.12 cents

HO - Jan \$2.1200, up 5.93 cents

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Dec-21	2.0638	-0.0883	-0.3205
Jan-22	2.0603	-0.0879	-0.322
Feb-22	2.0528	-0.0898	-0.3237
Mar-22	2.0419	-0.0913	-0.3217
Apr-22	2.0242	-0.0924	-0.3168
May-22	2.0127	-0.0915	-0.3103
Jun-22	2.0065	-0.0895	-0.3024
Jul-22	2.0041	-0.0881	-0.2973
Aug-22	2.003	-0.0869	-0.2926
Sep-22	2.004	-0.0861	-0.2916
Oct-22	2.0056	-0.0856	-0.2854
Nov-22	2.0063	-0.0855	-0.2835
Dec-22	2.0057	-0.0862	-0.2825
Jan-23	2.0051	-0.0859	-0.2805
Feb-23	1.9988	-0.0851	-0.2775
Mar-23	1.9878	-0.0845	-0.2739
Apr-23	1.9738	-0.0831	-0.269

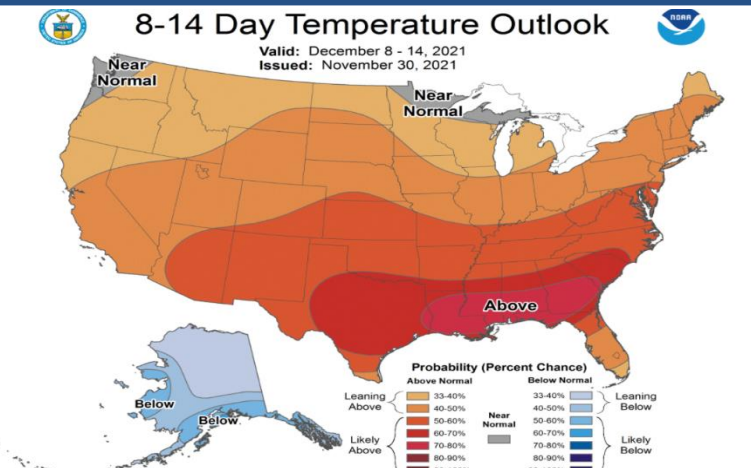
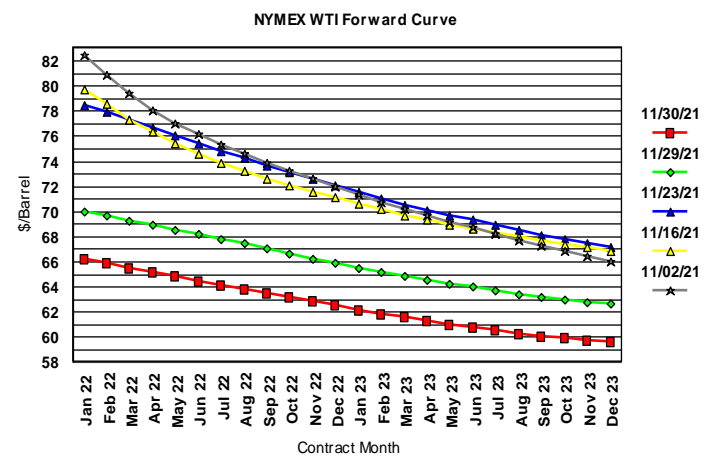
Settlements		Close	Change
Crude - WTI	Jan Brent- WTI Spread \$4.39	\$66.1800	-\$3.7700
Crude - Brent		\$70.5700	-\$2.8700
Natural Gas		\$4.5670	-\$0.2870
Gasoline		\$1.9801	-\$0.0970

### API Report for the Week Ending November 26, 2021

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Down 747,000 barrels	Down 1.2 million barrels
Cushing, OK Crude Stocks	Up 1 million barrels	
Gasoline Stocks	Up 2.2 million barrels	Unchanged
Distillate Stocks	Up 800,000 barrels	Up 500,000 barrels
Refinery Runs		Up 0.6%

## WTI Forward Curve

## 8-14 Day Weather Forecast



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