

## Market Commentary

**Recap:** Oil futures continued to climb on Thursday, as concern over a potential default by property developer China Evergrande and its possible fallout on the world's second largest economy were pushed aside by growing fuel demand and a bigger than expected decrease in U.S. crude oil inventories. According to the EIA, East Coast refinery utilization rates in the United States rose to 93%, the highest since May 2019. Surging natural gas prices and a falling U.S. dollar were also being supportive. After jumping 2.5% on Wednesday, November WTI gained as much as 1.7%, before paring gains to settle at \$73.30 a barrel, up \$1.07, or 1.5%, while November Brent moved up \$1.06 or 1.3% to settle at \$77.25 a barrel. October RBOB added .0476 cents to settle at \$2.1715 a gallon, while October heating oil tacked on .0375 cents, to settle at \$2.2491 a gallon.

**Technical Analysis:** Investors remain optimistic about the prices of oil and continue to add to their positions on the premise of tight supplies and increasing demand. The buying is so strong that traders are shrugging off weaker U.S. economic data although a softer U.S. dollar could be helping to fuel expectations of increased foreign demand. One has to wonder as to whether or not prices will be able to reach the July high of \$76.98, as the market is moving higher on week old data on the supply side. Infrastructure in the Gulf of Mexico, which was hampered by Hurricane Ida, is slowly coming back on line, but it remains to be seen if it will be enough to offset increasing demand. For now, we continue to look for WTI to trade up at \$74, with resistance set above at \$75. Support is seen at \$71.43, and below that at \$69.37.

**Fundamental News:** The Bureau of Safety and Environmental Enforcement reported that 294,414 bpd or 16.18% of total Gulf of Mexico crude oil production remained shut as of Thursday. A cumulative total of 29.986 million barrels of crude production has been shut in following Hurricane Ida.

Vitol Group expects global crude demand to increase by an extra 500,000 bpd this winter as a gas-led energy crunch drives a rush for other fuels. Vitol's Chief Executive Officer, Russell Hardy, said oil is most likely headed above \$80/barrel, partly as higher gas prices increase demand. He said this could force OPEC+ producers to add more supply into the market. He said that while global oil demand is still about 4 million bpd below 2019 level, mainly due to lower jet-fuel demand, the gap will narrow steadily. He expects demand to return to 2019 levels by the middle of next year, while peak demand will arrive closer to 2030.

Facts Global Energy reported that there could be up to 500,000 bpd of extra oil demand this winter as a result of increasing natural gas prices. It said switching from natural gas to oil is now very attractive in countries exposed to extremely high gas prices. The majority of this switching will occur in Asia, also potentially with some additional oil demand in parts of Europe and elsewhere.

Deutsche Bank strategist, Michael Hsueh, said increasing prices for gas, electricity and coal create the potential for fuel switching in power plants during the coming winter and that may postpone an oil surplus until the second quarter of next year. He said the greatest chance for increased oil demand for power generation is in Asia. Switching is unlikely in the Middle East, where associated gas supplies will increase with oil production and North America, where generation costs favor gas and coal. Economics favor switching from gas to fuel in Europe, however capacity is limited. He said increased use of oil in power generation may postpone the oil surplus until gas prices decline seasonally, but possible larger than expected output increases by OPEC in coming months could make the eventual surplus even greater.

**Early Market Call - as of 8:15 AM EDT**

WTI - Nov \$73.10, down 20 cents

RBOB - Oct \$2.1568, down 1.46 cents

HO - Oct \$2.2401, down 90 points

## All NYMEX | Prior Settlements

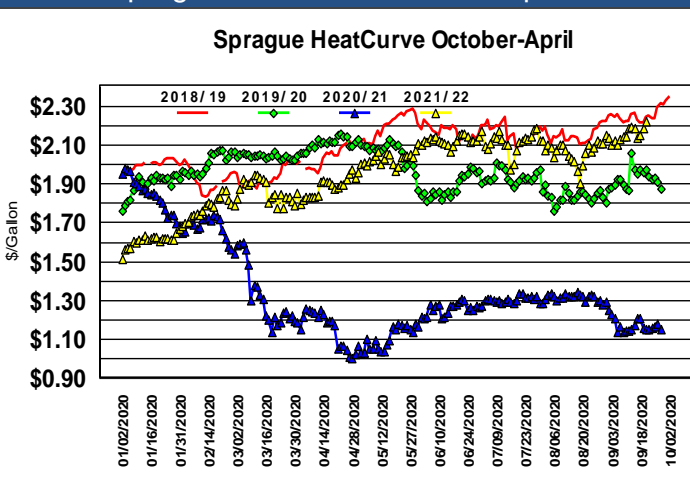
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Oct-21	\$2.2491	\$0.0375	\$0.0381
Nov-21	\$2.2464	\$0.0377	\$0.0374
Dec-21	\$2.2399	\$0.0379	\$0.0361
Jan-22	\$2.2297	\$0.0364	\$0.0329
Feb-22	\$2.2129	\$0.0344	\$0.0279
Mar-22	\$2.1909	\$0.0328	\$0.0235
Apr-22	\$2.1678	\$0.0316	\$0.0210
May-22	\$2.1522	\$0.0312	\$0.0191
Jun-22	\$2.1404	\$0.0312	\$0.0181
Jul-22	\$2.1341	\$0.0306	\$0.0162
Aug-22	\$2.1294	\$0.0297	\$0.0141
Sep-22	\$2.1261	\$0.0287	\$0.0108
Oct-22	\$2.1240	\$0.0276	\$0.0101
Nov-22	\$2.1211	\$0.0267	\$0.0082
Dec-22	\$2.1165	\$0.0256	\$0.0060
Jan-23	\$2.1118	\$0.0239	\$0.0035
Feb-23	\$2.1021	\$0.0223	\$0.0015

Sprague HeatCurve October 2021-April 2022			\$2.2202
		Close	Change
Crude - WTI	Nov Brent-	\$73.3000	\$1.0700
Crude - Brent	WTI Spread	\$77.2500	\$1.0600
Natural Gas	\$3.95	\$4.9760	\$0.1710
Gasoline		\$2.1715	\$0.0760

### EIA Working Gas Storage Report

	17-Sep-21	10-Sep-21	Change	17-Sep-20
East	751	732	19	847
Midwest	904	876	28	1,005
Mountain	196	193	3	224
Pacific	240	240	0	312
South Central	990	965	25	1,282
Salt	228	217	11	349
Nonsalt	762	748	14	933
Total	3,082	3,006	76	3,671

## Sprague HeatCurve October-April



## ICE November Brent-WTI Spread

