

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil futures extended their gains in a lightly traded market on Thursday on signs that the worst effects of the Omicron variant might be more containable than previously feared, even as countries imposed travel restrictions on surging infection levels. The oil market has wavered in recent days over how seriously to take the threat of another slump in fuel demand. The Omicron variant is more transmissible than previous coronavirus variants, but early data suggests it causes a milder level of illness. February Brent futures settled up \$1.56, or 2.1%, at \$76.85 a barrel, the highest close since Nov. 26, and a gain of 4.5% on the week. WTI for February delivery futures ended up \$1.03, or 1.4%, at \$73.79 a barrel, to rise 4.1% on the week. Volume was light on Thursday, with just 244,000 front-month contracts trading, according to Refinitiv Eikon data, compared with a daily average of 381,000 contracts over the last 200 days. RBOB futures rose after a fire at ExxonMobil Corp's Baytown, Texas refinery was extinguished. January RBOB rose 1.8%, to settle at \$2.2061 a gallon, its highest finish since Nov. 24. January heating oil settled at \$2.3314 a gallon, up 1%.

Technical Analysis: WTI futures continue to inch higher, following Wednesday surge after the EIA report put U.S. crude oil inventories down 4.7 million barrels, though that is in part due to year-end-tax considerations that encourage companies not to store crude barrels. Meanwhile, it is still unclear whether the Omicron variant is more deadly than Delta, the strain which has been dominant in recent month. Traders are viewing this news as optimistic and seizing upon the opportunity to cover recently implemented short positions. Thursday's push through \$72.82 turned the main trend of this market to the upside. WTI's settlement above \$73.58 sets this market up for a run at \$75 with successful pushes through this level allowing for a run at \$80. Top the downside support is seen at \$65.

Fundamental News: U.S. energy firms this week added oil and natural gas rigs for a third consecutive week. Baker Hughes reported that the oil and gas rig count rose by seven to 586 in the week ending December 23rd, its highest since April 2020. U.S. oil rigs increased by five to 480 this week, their highest since April 2020, while gas rigs increased by two to 106, their highest since March 2020.

South Korea's Industry Ministry said the country decided to release 3.17 million barrels of oil reserves throughout January to March 2022 in a globally coordinated effort to stabilize prices and stimulate economic recovery. The decision comes a month after the country agreed to participate in the joint release of oil reserves in response to a request from the United States. The United States said last month it would release 50 million barrels, while India pledged to release 5 million barrels. Separately, Britain said it would allow the voluntary release of 1.5 million barrels from privately held reserves.

Iran's Foreign Minister, Hossein Amirabdollahian, said European negotiators in talks to salvage Iran's 2015 nuclear deal with world powers presented no "new practical initiatives" and were not constructive in the last round that paused on December 17th. Talks to salvage the 2015 Iran nuclear deal will resume on Monday, according to two parties to the talks. Mikhail Ulyanov, Russia's top envoy to the talks, said "usually it isn't popular to engage in serious business between the Catholic Christmas and the New Year". However he added that "in this particular case this is an indication that all negotiators don't want to waste time and aim at speediest restoration of the Joint Comprehensive Plan of Action." The European Union's Foreign Service said the meeting would be attended by representatives of China, France, Germany, Russia, Britain and Iran.

Three people were flown to hospital and a fourth taken by ambulance when a fire erupted at Exxon's Baytown, Texas refining and petrochemical complex, which houses a chemical plant, an olefins plant and a 560,500 bpd oil refinery. Exxon said the fire was extinguished and added that an investigation is underway into the cause of fire.

Early Market Call - as of 8:25 AM EDT

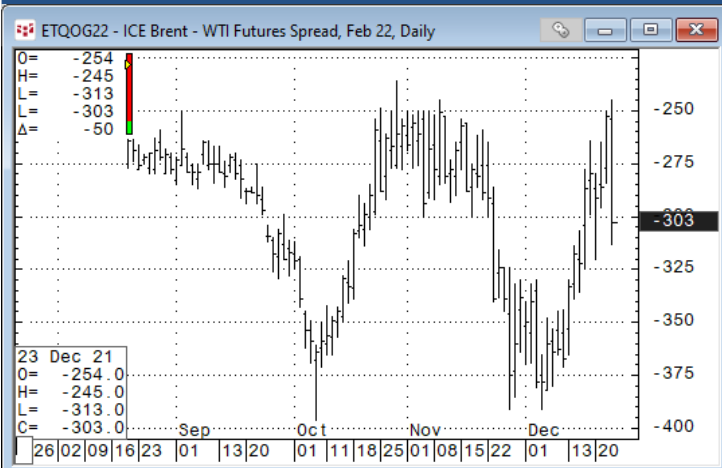
WTI - Feb \$73.03, down 76 cents
 RBOB - Jan \$2.1942, down 1.2 cents
 HO - Jan \$2.3133, down 1.87 cents

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-22	2.3314	0.0236	0.0651
Feb-22	2.3234	0.0242	0.0606
Mar-22	2.3032	0.0246	0.0554
Apr-22	2.2783	0.0254	0.054
May-22	2.2595	0.0261	0.0521
Jun-22	2.2465	0.0267	0.0502
Jul-22	2.2397	0.0265	0.0484
Aug-22	2.2347	0.026	0.0465
Sep-22	2.2329	0.0258	0.0447
Oct-22	2.2313	0.0256	0.0447
Nov-22	2.2294	0.0253	0.045
Dec-22	2.2268	0.025	0.0457
Jan-23	2.2238	0.0246	0.0456
Feb-23	2.2162	0.0239	0.0445
Mar-23	2.2045	0.0233	0.0433
Apr-23	2.1883	0.0228	0.0421
May-23	2.1768	0.0227	0.041

Settlements			
		Close	Change
Crude - WTI	Feb Brent- WTI Spread \$3.06	\$73.7900	\$1.0300
Crude - Brent		\$76.8500	\$1.5600
Natural Gas		\$3.7310	-\$0.2450
Gasoline		\$2.2061	\$0.0381

EIA Working Gas Storage Report				
	17-Dec-21	10-Dec-21	Change	17-Dec-20
East	809	818	-9	849
Midwest	963	982	-19	1,021
Mountain	188	199	-11	214
Pacific	247	261	-14	297
South Central	1,155	1,158	-3	1,214
Salt	334	328	6	339
Nonsalt	820	829	-9	875
Total	3,362	3,417	-55	3,596

ICE February Brent-WTI Spread



WTI Forward Curve

