

## Market Commentary

**Recap:** Oil futures pared early gains after the EIA report showed U.S. crude oil stockpiles increasing by the most since March. Futures in New York climbed as much as 1.5% earlier in the session on Thursday. Domestic crude inventories increased more than 6 million barrels last week as refineries decreased operating rates, according to an EIA report. The industry-funded American Petroleum Institute had reported a 5.21 million-barrel gain in crude inventories. Meanwhile, supplies at the nation's biggest storage hub at Cushing, OK, slid by the most since June. The International Energy Agency became the latest to say natural gas shortages are boosting demand for crude. November WTI rose 87 cents, or 1.1%, to settle at \$81.31 a barrel after hitting a high at \$81.68. December Brent added 82 cents, or 1%, to \$84 a barrel, down from an intraday high of \$84.50. The RBOB crack spread surged to its highest level since early September on Wednesday, while the ICE gasoil crack rallied to its strongest since March 2020. Higher crude prices will lead to growing backwardation, while a lack of producer hedging will help push up longer-dated prices. November gasoline edged up by 1.2% to \$2.435 a gallon, marking the sixth straight session of gains. November heating oil added 1.6% to \$2.561 a gallon.

**Technical Analysis:** Once again, WTI re-entered the upper trend line on the ascending channel that can be depicted on a daily spot continuation chart and failed to settle below it. Despite a two-day pullback, the oil market remains well supported by increasing demand expectations. Bulls are betting that soaring natural gas prices will force power generators to switch from natural gas to oil in order to meet demand for the winter heating season. The upside momentum for this market remains strong, which could push prices to fresh seven-year highs. At this point, it doesn't seem like the Biden Administration's pressure on U.S. oil and gas producers to bring down rising fuel costs is going to work because the energy crunch is a global issue. Therefore, we remain bullish on this market and look for WTI to reach the \$85 level. Support is seen at \$79 and below that at \$75.

**Fundamental News:** The International Energy Agency said a global energy crunch is expected to increase oil demand by 500,000 bpd and could stoke inflation and slow the world's recovery from the COVID-19 pandemic. It stated that "record coal and gas prices as well as rolling blackouts are prompting the power sector and energy-intensive industries to turn to oil to keep the lights on and operations humming". It also stated that "higher energy prices are also adding to inflationary pressures that, along with power outages, could lead to lower industrial activity and a slowdown in the economic recovery". As a result, global oil demand next year is now projected to recover to pre-pandemic levels. The IEA said the natural gas, LNG and coal shortages could keep the oil market in deficit to at least the end of the year. The IEA estimated that OPEC+ is set to pump 700,000 bpd below the estimated demand for its crude in the fourth quarter of this year, meaning demand will outpace supply at least until the end of 2021. It also stated that OPEC+ effective spare capacity could fall below 4 million bpd by the second quarter of 2022 from 9 million bpd in the first quarter of 2021. It stated that shrinking global spare capacity underscores the need for increased investment to meet future demand. It revised its 2021 and 2022 oil demand forecast upwards by 170,000 bpd to 5.5 million bpd and by 210,000 bpd to 3.3 million bpd, respectively. Demand in 2021 is forecast to increase to 96.3 million bpd, compared with a previous estimate of 96.1 million bpd. Oil demand is expected to exceed pre-pandemic levels in 2022, increasing to 99.6 million bpd. The IEA said OECD stocks fell by 23 million barrels in September and are at their lowest level since March 2015. Saudi Energy Minister, Prince Abdulaziz bin Salman, said the OPEC+ group stuck to its previous agreement on raising output last week as it wants to gradually reduce excess oil production capacity left after the pandemic. Saudi Arabia dismissed calls for speedier oil output increases, saying its efforts with allies were enough and protecting the oil market from the wild price swings seen in natural gas and coal markets. Diesel imports into Europe were set to reach 3.5 million tons in October, sharply down from September's 4.48 million tons.

**Early Market Call - as of 8:20 AM EDT**  
 WTI - Nov \$ 81.89 up 0.59  
 RBOB - Nov \$2.4683 up 0.0333  
 HO - Nov \$ 2.5927 up 0.0312

## All NYMEX | Prior Settlements

Month	USLD (HO)	Prior Settle	Change In
	Close	Change	One Week
Nov-21	\$2.5614	\$0.0403	\$0.1018
Dec-21	\$2.5498	\$0.0386	\$0.0975
Jan-22	\$2.5356	\$0.0374	\$0.0951
Feb-22	\$2.5157	\$0.0358	\$0.0929
Mar-22	\$2.4884	\$0.0338	\$0.0897
Apr-22	\$2.4554	\$0.0313	\$0.0841
May-22	\$2.4317	\$0.0291	\$0.0805
Jun-22	\$2.4142	\$0.0269	\$0.0788
Jul-22	\$2.4035	\$0.0254	\$0.0776
Aug-22	\$2.3942	\$0.0242	\$0.0761
Sep-22	\$2.3871	\$0.0231	\$0.0690
Oct-22	\$2.3812	\$0.0223	\$0.0734
Nov-22	\$2.3748	\$0.0216	\$0.0724
Dec-22	\$2.3682	\$0.0213	\$0.0721
Jan-23	\$2.3606	\$0.0207	\$0.0713
Feb-23	\$2.3460	\$0.0201	\$0.0698
Mar-23	\$2.3261	\$0.0194	\$0.0680

### Settlements

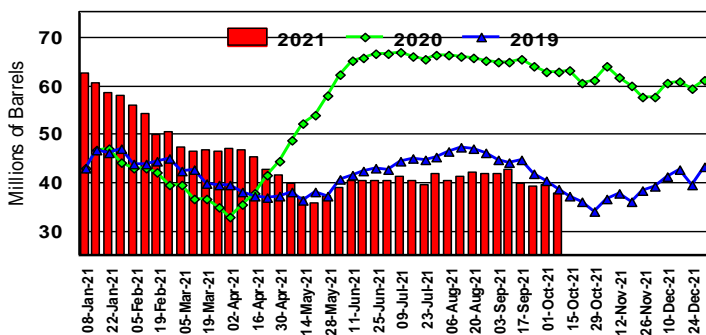
		Close	Change
Crude - WTI	Dec Brent-WTI Spread \$3.23	\$80.7700	\$0.9500
Crude - Brent		\$84.0000	\$0.8200
Natural Gas		\$5.6870	\$0.0970
Gasoline		\$2.4350	\$0.0295

### EIA Working Gas Storage Report

	08-Oct-21	01-Oct-21	Change	08-Oct-20
East	834	810	24	906
Midwest	997	971	26	1,078
Mountain	210	206	4	240
Pacific	251	248	3	320
South Central	1,079	1,054	25	1,325
Salt	269	259	10	366
Nonsalt	810	795	15	959
Total	3,369	3,288	81	3,870

## Weekly EIA Petroleum Status Report for the Week Ending October 8, 2020

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Up 6.088 million barrels  
 Cushing, OK Crude Stocks Down 1.958 million barrels  
**Gasoline Stocks** Down 1.958 million barrels  
**Distillate Stocks** Down 24,000 barrels  
**Refinery % Operated** 86.7%, Down 2.9%

### PADD #1

Distillate Stocks (in million bbls)	Week Ending Oct 8, 2021	Week Ending Oct 1, 2021	Week Ending Oct 9, 2020
New England	6.6	6.9	11.7
Central Atlantic	19.2	20.5	35.9
Total PADD #1	37.9	39.4	63.1
Distillate Imports (thousands b/d)	174	276	109