

Market Commentary

Recap: Oil futures extended their gains on Wednesday after the EIA reported a 4.7 million barrel draw in U.S. crude oil inventories and as traders shook off worries about the likely hit to economic activity from the spread of the Omicron variant of coronavirus. The oil market's rally may also be buoyed in part by European utilities switching their power source to heating oil from natural gas due to record-high prices on the continent. Oil prices initially pared gains, and then pushed to fresh session highs after the release of the EIA report. February WTI settled at \$72.76 a barrel, up \$1.64, or 2.3%. That's the highest closing price since Nov. 24, which was the trading session immediately preceding the day-after-Thanksgiving market collapse when omicron was first detected and announced. Brent for February delivery added \$1.31, or 1.8%, to settle at \$75.29 a barrel. January gasoline futures rose 0.7% to settle at \$2.168 a gallon, while January heating oil rose 2.2% to \$2.3078 a gallon.

Technical Analysis: Activity was quiet during the trading session on Wednesday, as prices pushed toward four-week highs. For now, we are still looking to sell this market on signs of exhaustion. We would look for resistance up around the \$73.58 level, which is the 50% retracement set by the August low of \$61.74 a barrel and the October high of \$85.41. Failed attempts to break above this level will provide good selling opportunities. Resistance is set at \$75 and above that at \$76.37. To the downside, support is seen at \$70.41 and \$69.54.

Fundamental News: The EIA reported that U.S. crude stocks in the SPR in the week ending December 17th fell by 2.536 million barrels to 596.4 million barrels, the lowest since November 2002 last week. Crude stocks fell by 4.7 million barrels to 423.6 million barrels, which was driven by a decline in the U.S. Gulf Coast stocks amid stronger refinery runs. Meanwhile, gasoline stocks increased more than expected, with a build of 5.5 million barrels and distillate stocks increased by 396,000 barrels to 124.2 million barrels.

Vortexa reported that Europe is seen importing more WTI crude as availability increases because of a slowdown in Chinese buying. For December, U.S. crude oil arrivals in Europe are expected to reach "record" levels of 1.2 million bpd compared with under 1 million bpd in November. Overall, U.S. crude exports are off to a strong start in December at 3.2 million bpd, slightly below the multi-year high of 3.4 million bpd set in November. Total loadings via VLCC and suezmax tankers have slowed to around 1.8 million bpd in December, down 300,000 bpd on the month.

Royal Dutch Shell halted crude shipments from Nigeria's Forcados export terminal. Shell issued a notice of force majeure on Forcados crude shipments on Tuesday.

IIR Energy reported that U.S. oil refiners are expected to shut in 285,000 bpd of capacity in the week ending December 24th, increasing available refining capacity by 111,000 bpd. Offline capacity is expected to remain at 285,000 bpd in the week ending December 31st.

U.S. economic growth slowed sharply in the third quarter amid an increase in COVID-19 infections, however activity has since increased, putting the economy on track to record its best performance this year since 1984. The U.S. Commerce Department reported that GDP increased at a 2.3% annualized rate in the July-September quarter. That was up from the 1.2% pace estimated last month but was still the slowest since the second quarter of 2020, when the economy suffered a historic contraction in the wake of tough mandatory measures to contain the first wave of coronavirus cases. The economy grew at a 6.7% rate in the second quarter.

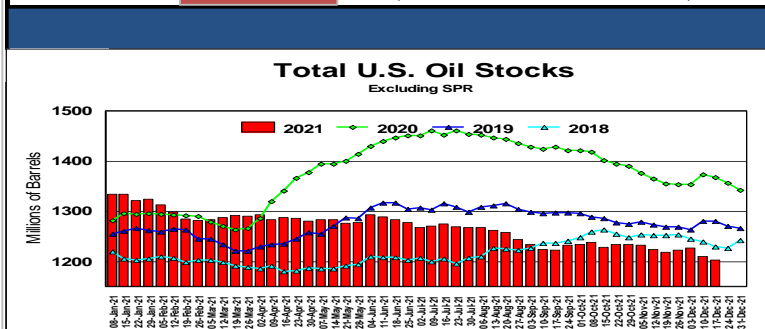
Early Market Call - as of 8:55AM EDT

WTI - Feb \$73.08, up 32 cents
 RBOB - Jan \$2.1880, up 1.96 cents
 HO - Jan \$2.3171, up 96 points

All NYMEX | Prior Settlements

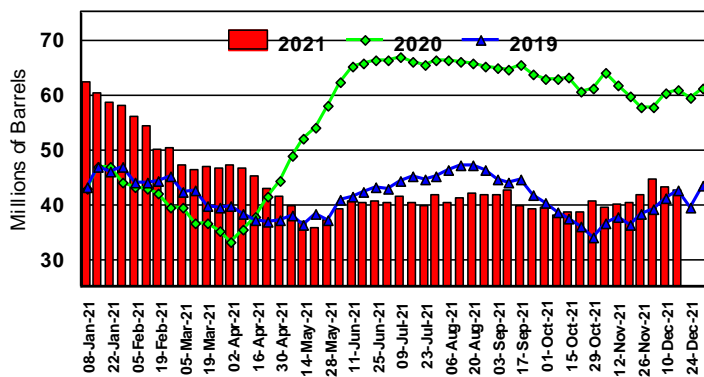
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-22	2.3078	0.05	0.0874
Feb-22	2.2992	0.0478	0.0823
Mar-22	2.2786	0.0458	0.0758
Apr-22	2.2529	0.044	0.0724
May-22	2.2334	0.0419	0.0687
Jun-22	2.2198	0.04	0.0641
Jul-22	2.2132	0.038	0.0608
Aug-22	2.2087	0.0361	0.0579
Sep-22	2.2071	0.0343	0.0563
Oct-22	2.2057	0.033	0.054
Nov-22	2.2041	0.032	0.0535
Dec-22	2.2018	0.0307	0.0535
Jan-23	2.1992	0.03	0.0533
Feb-23	2.1923	0.0288	0.052
Mar-23	2.1812	0.0275	0.0509
Apr-23	2.1655	0.0265	0.0498
May-23	2.1541	0.0251	0.0478

Settlements			
		Close	Change
Crude - WTI	Feb Brent-WTI Spread \$2.53	\$72.7600	\$1.6400
Crude - Brent		\$75.2900	\$1.3100
Natural Gas		\$3.9760	\$0.1070
Gasoline		\$2.1680	\$0.0158



Weekly EIA Petroleum Status Report for the Week Ending December 17, 2020

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 4.715 million barrels
 Cushing, OK Crude Stocks Up 1.463 million barrels
Gasoline Stocks Up 5.533 million barrels
Distillate Stocks Up 396,000 barrels
Refinery % Operated 89.6%, Down 0.2%

PADD #1

Distillate Stocks (in million bbls)	Week Ending Dec 17, 2021	Week Ending Dec 10, 2021	Week Ending Dec 18, 2020
New England	6.8	7.1	12.1
Central Atlantic	23.2	22.9	34.0
Total PADD #1	42.7	43.1	59.3
Distillate Imports (thousands b/d)	176	429	434