



Market Headline: Crude oil awaits OPEC+ decision after reserves supply releases

A Mid-Morning Market Commentary

Summary

- Brent Crude slips awaiting OPEC+ response to U.S.-led crude release.
- OPEC panel estimates SPR releases will swell global oil surplus in Q1 -Bloomberg
- Wednesday's weekly EIA report was mixed for energy prices.

Brent Crude Oil prices were little change on Thursday morning in Asia with investors waiting to see how major producers respond to the emergency crude release by major consuming countries designed to cool the market, even as data pointed to healthy U.S. fuel demand.

Brent crude futures were up 17 cents to \$82.42 a barrel 1100 SGT after losing 6 cents on Wednesday. The Jan Brent contract crude had settled at \$82.25 a barrel while the Nymex WTI January Crude Oil contract closed - \$0.11 at \$78.39 a barrel on Wednesday. Nymex is closed today for the Thanksgiving holidays.

A rally in the dollar index to a 16-month high Wednesday weighed on energy prices along with the worsening pandemic in Europe that may lead to tighter restrictions that curb energy demand. Losses in crude were limited by concern that OPEC+ may not raise its crude production levels when they meet on Dec 2 after the world's largest crude-consuming countries released crude supplies from their strategic reserves.

All eyes are now on the Organization of the Petroleum Exporting Countries, Russia and allies, together called OPEC+, who are due to meet next week to discuss oil demand and supply.

The group has been adding 400,000 barrels per day of supply each month unwinding record output cuts made last year when pandemic curbs slammed demand. OPEC+ is not discussing pausing its oil output increases, despite the decision by the United States, Japan, India and others to release emergency oil stocks - market whispers said.

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Traders are also looking out for whether China will follow through on plans to release oil from its reserves. China, the world’s largest crude importer, was non-committal about its intentions to release oil from its reserves as requested by the United States.

The advisory body of the Organization of the Petroleum Exporting Countries expects that a release of oil stockpiles by the United States and other consuming nations will expand a projected global surplus of oil early next year, Bloomberg reported on Wednesday. OPEC’s Economic Commission Board projects that the excess in world crude oil markets would grow by 1.1 million barrels per day to 2.3 million bpd in January and 3.7 million bpd in February if consumer nations enacted their promised releases during those months, Bloomberg reported.

Wednesday’s weekly EIA report was considered mixed for energy prices. On the bearish side, weekly EIA crude inventories unexpectedly rose +1.02 million bbl versus expectations of a draw of -1.5 million bbl. Also, crude supplies at Cushing, the delivery point of WTI futures, rose +787,000 bbl. On the bullish side, EIA gasoline inventories fell -603,000 bbl to a 4-year low, a bigger draw than expectations of -400,000 bbl. Also, EIA distillate stockpiles fell -1.97 million bbl to a nearly 2-year low, a bigger draw than expectations of -1.05 million bbl.

Market View

In the short-term oil market may be volatile with frequent pull-back and rallies. Crude prices may feel the effects of demand destruction at high prices but as yet there are highly any signs that demand is waning. Although there is a possibility of additional OPEC+ barrels or a release from the SPR flooding the market. We can expect overall global GDP growth to hold up energy demand amid the energy crunch in Europe and China. Expectations of air travel picking up and increased number of vaccinations negating the spread of the Delta variant coronavirus is generally expected to hold up demand. On the supply-side OPEC+ have no stated plans to increase output beyond their agreements even amid the energy crises. Oil prices even though are at technically overbought levels, prices can rise higher on tight fundamentals. The major trend up is still intact but the main protagonists in the crude oil picture, from consuming and producing countries seem comfortable with lower oil prices.

IFEU Brent Crude Oil January22 Daily



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