



## Market Headline: OPEC+ pushes technical meeting forward on Omicron variant

### A Mid-Morning Market Commentary

#### Summary

- OPEC+ meetings moved to Wednesday/Thursday, policy decision likely on Thursday at OPEC+ meeting, crude oil had plunged on Friday on demand destruction fears.
- Crude oil regains some composure Monday morning after Omicron battering
- U.S. drillers add oil and gas rigs for record 16th month -Baker Hughes

Crude oil and Asian equity markets have regained some composure on Monday morning after being battered by concerns over the spread of the Omicron variant in developed nations. The new development may be expected to derail or slow down economic recoveries and the tightening plans of some central banks. Crude Oil prices also recouped some losses after Friday's sell-off when oil prices experienced one of their worst trading days in recent memory, plunging across the board by over 10%. With major importers releasing some of their reserves, major producers in OPEC+ have moved their monthly meetings to ascertain and re-evaluate supply demand dynamics amid the expectations that inventories would swell.

Brent crude futures were up \$3.48 to \$71.59 a barrel 1100 SGT on Monday morning after losing \$9.33 on Friday. The Feb Brent contract crude had settled at \$71.59 a barrel while the Nymex WTI January Crude Oil contract closed -\$10.24 at \$68.15 a barrel.

Meanwhile OPEC+ have postponed the monthly technical meetings to later this week to allow for more time to assess the impact of the new Omicron coronavirus variant on oil demand and prices after oil prices crashed by more than 10%, their largest one-day drop since April 2020, as the new variant spooked investors and added to concerns that a supply surplus could swell in the first quarter. OPEC members were already sounding out warnings before the spread of the new variant came to light that surplus would grow steeply after the United States and other major consumers decided to release oil stocks to help cool down prices. The joint ministerial monitoring committee will now meet on Thursday instead of Tuesday, OPEC+ will also meet the same day, when a policy decision will likely be announced according to sources close to Reuters.

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Britain called an urgent meeting of G7 health ministers on Monday to discuss developments on the virus, although a South African doctor who had treated cases said symptoms of Omicron were so far mild. Pfizer expects to know within two weeks if Omicron is resistant to its current vaccine, others suggest it may take several weeks. Until then markets are likely to remain jittery."

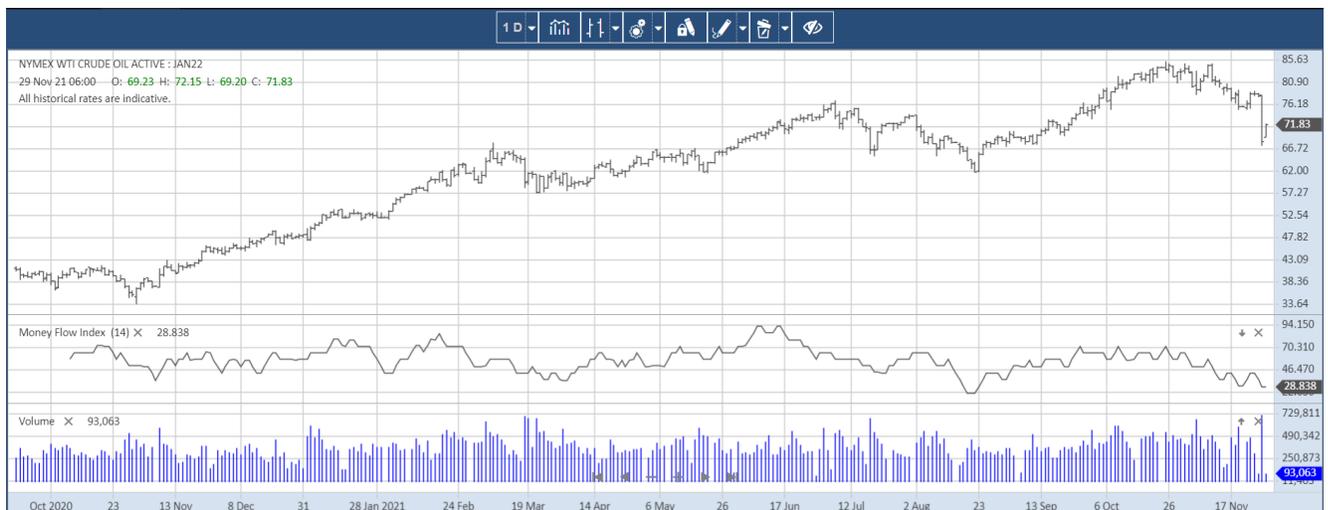
U.S. energy firms added oil and natural gas rigs for a record 16 months in a row as crude prices in recent weeks rose to a seven-year high, as some drillers to return to the wellpad. The oil and gas rig count rose six to 569 in the shortened week to Nov. 24, its highest since April 2020, energy services firm Baker Hughes Co.

On the slow pace of supply recovery in the U.S. despite high prices, a Reuters market analyst opined that U.S. shale producers have added extra drilling rigs much more slowly than during the recoveries that followed the last two oil price slumps, limiting output and helping push local prices to their highest level for seven years. But the number of active rigs and total production are likely to climb next year as the recovery matures and producers unwind some of the disinvestment measures, they employed to cut costs in 2020/21.

## Market View

In the short-term oil market may be volatile with frequent pull-back and rallies. Crude prices may have to face the effects of demand destruction with the spread of the new Omicron variant. At high prices, 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 with a surplus expected next year. The expected overall global GDP growth which was expected to hold up energy demand may not happen. Oil prices are off technically overbought levels. Major producers are meeting on Thursday for a policy decision on the new supply demand dynamics and expectations that could change the outlook for crude oil again.

### Nymex WTI Crude Oil January22 Futures



(Courtesy of Phillip Nova)

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