
Oil prices will continue to be under pressure

PROSPECTS OF INCREASING SUPPLY AND THE STRENGTH OF THE DOLLAR INDEX ARE KEEPING OIL PRICES IN CHECK

- ▲ WTI Crude oil futures are now trading at \$79.20 per barrel, a significant drop from the recent high of \$84.97 per barrel set on November 10th. Commodity prices are being held down by the strength of the dollar index. After reaching 96.267, the highest level in 16 months, the US Dollar index future contract is trading near 95.91, up substantially from last month's low of 93.265. The dollar index's strength was bolstered by hawkish remarks from St. Louis Fed President Bullard, who said the Fed could need to accelerate its QE tapering pace.
- ▲ Oil prices dropped as the United States and China agreed to release oil reserves in a coordinated move. Following a recent spike in US inflation, the Biden administration is facing mounting public pressure to consider releasing strategic oil reserves. Energy Secretary Granholm said on Monday that the President is evaluating the tools he has available, including a release of crude supplies from the SPR. The United States wants China to participate in the release of crude oil reserves.
- ▲ According to the CFTC Commitments of Traders report for the week ended November 9, net long of crude oil futures increased by 2019 contracts to 421312. Speculative longs increased by 3948 contracts while shorts gained by 1929 contracts.
- ▲ According to the International Energy Agency (IEA), global oil market tightness is beginning to lessen, which will likely keep the recent price increase in check. The IEA retained its prediction for oil demand growth at 5.5 million barrels per day for 2021 and 3.4 million barrels per day for 2022, roughly unchanged from last month. The International Energy Agency (IEA) predicted that worldwide oil output would increase by 1.5 million barrels per day in the final three months of the year, with the United States contributing for 400,000 barrels of that increase. According to their OPEC+ targets, Saudi Arabia and Russia will each account for 330,000 barrels per day of the increase. By December, Saudi Arabia and Russia are each set to pump over 10 million barrels per day for the first time since April last year, the IEA said.
- ▲ According to API publication, US crude supplies increased by 655,000 barrels for the week ended Nov. 12. The API also recorded a weekly inventory drop of 2.8 million barrels for gasoline, but a 107,000 barrel increase in distillate inventories. The Energy Information Administration will disclose inventory statistics later today. Crude inventories are anticipated to fall by 2.5 million barrels.
- ▲ On the economic front, US retail sales grew +1.7 percent m/m in October, beating expectations of +1.4 percent m/m for the first time in seven months. In addition, manufacturing production increased by +1.2 percent m/m in October, compared to estimates of +0.9 percent m/m. Furthermore, the NAHB housing market index surprisingly jumped +3 to a 6-month high of 83 in November, despite predictions of no change at 80. Energy demand was boosted by positive economic indicators from the United States.

- Last Friday, Baker Hughes announced that active US oil rigs increased by 4 rigs in the week ending November 12 to a 19-month high of 454 rigs.

Outlook

- WTI Crude oil prices are expected to remain under pressure as long as they remain below firm resistance between \$81.65-\$82.65 per barrel, with immediate support near \$78.74-\$76.68 per barrel.

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