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Crude oil is supported by a weaker dollar and rising risk appetite

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## CRUDE OIL IS SUPPORTED BY A WEAKER DOLLAR AND RISING RISK APPETITE

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- Oil prices are modestly higher, owing to a weaker dollar index and rising appetite in nations. Crude oil prices rose after a Chinese state planner stated that the country would aim to boost economic growth by increasing government investment, improving support for manufacturers, and stabilizing industry supply chains.
- WTI Crude is now trading at \$71.28, up from a low of \$66.04 on Monday. Brent oil is now trading at \$73.94 a barrel, up from a low of \$69.28 on Monday. The US Dollar index is currently trading at 96.55, somewhat lower from the recent high of 96.914, but prices are still much higher than last month's low of 93.82, and are currently trading at multi-month highs.
- Today's weekly inventory data is anticipated to give crude oil prices a new direction. Last week, US crude supplies declined by 3.67 million barrels, according to the American Petroleum Institute (API). The consensus is that the weekly EIA oil inventories would fall by 2.5 million barrels on Wednesday. According to an EIA report released last week, US crude oil stockpiles were -7.2 percent below the seasonal 5-year average as of December 10, gasoline inventories were -6.1 percent below the seasonal 5-year average, and distillate inventories were -9.1 percent below the seasonal 5-year normal.
- Crude prices have support from reduced supplies from Libya which has declared a force majeure on oil exports. National Oil Corp said that Libya's oil production has fallen by more than 300,000 bpd after militias shut down crude flows from Libya's Sharara oil field to ports in Zawiya and Mellitah.
- The rapid spread of the omicron variant is expected to tighten travel restrictions and reduce oil demand. In several parts of Europe, new pandemic limitations have been enforced. On Monday, the seven-day average of new Covid infections in the United States reached a three-month high of 140,194, while weekly Covid infections in the United Kingdom increased by 52% to 547,606.
- Last Friday, Baker Hughes announced that active U.S. oil rigs increased by 4 rigs in the week ending December 17 to a 1-3/4-year high of 475 rigs.
- The net long position in crude oil futures fell by 20,095 contracts to 3,47,137, according to the CFTC Commitments of Traders report for the week ended December 14. The number of speculative longs fell by 9,352 contracts, while the number of speculative shorts increased by 10,743 contracts.

### Outlook

- WTI Crude oil prices are expected to trade upward as long as they remain above critical support levels of \$96.2-\$67.42, with immediate resistance approaching \$73.4-75.25.

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