

## **Oil and Gas Markets Brief**

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**1.) The closing bell:** oil futures contracts prices wrapped up session on Wednesday with mixed results but with minor moves as the West Texas Intermediate (WTI) jumped slightly to end up trading session at \$91.3 per barrel while the Brent closed trading session up to 100\$ after a significant build in US oil inventories was reported by the Energy Information Administration (EIA) while the Consumer Prices Index for July reported unchanged numbers and a slight ease of inflation for the month of July in the U.S and the Core CPI reported also no changes at 5.9% slightly down from previous month, being the first deceleration of inflation in the country in the last 3 months, just as China reported a slight increase in its CPI for July of 2.7% as the country still is struggling with the ongoing lockdowns and the zero covid policy remaining a top concern to the path of global oil demand being China one of the top oil importing country

On the other hand, the dollar fell over 1% in the dollar index as it wrapped up session at 104.9 against the major foreign currencies while the euro had another positive session to gain a slight bit against the dollar to end trading session at 1.03. Meanwhile, the Russian ruble fell a slight bit against the dollar to finalize trading session at 60.75 USD-RUB, the Japanese yen closed trading day at 132.5, gold had another positive day to gain around 1% wrapping up trading session at \$1813, silver dropped closed higher at \$20.45, and the sterling pound in the UK closed trading at GBP/USD 1.22, while the VIX reacted significantly to the recent data of the CPI falling over 8% to end up session at 19.8.

At the same time its important to add that Russia has resumed oil exports via the Druzhba pipeline to Hungary, Czech Republic and Slovakia after having settled issues of payments while also it was announced the resumption of gas exports to Latvia after having been interrupted as Moscow continues leveraging on the use of oil and gas supplies to European countries to gain influence and advance its goals regarding the war in Ukraine as the EU is still struggling to get full storage capacity before the arrival of the winter season and figuring out how to keep on purchasing gas from Russia without altering the ongoing financial sanctions against the Kremlin and searching for more alternatives for its gas purchases.

**2.) EIA numbers:** as for the data released in the Energy Information Administration report for the week ending August 5th, there was both significant build in oil inventories , another draw in the key reserves of the SPR while also an important draw in gasoline stocks as demand continues growing amid a progressive and sustained fall of gasoline prices in the last weeks in the US in the middle of the ongoing summer season where mobility is higher in the country as the White House continues its efforts to bring gas prices further down part of its political goal for the Midterms. Here are some of the key stats of the report and the full link here: <https://ir.eia.gov/wpsr/overview.pdf>

- Crude oil: + 5.5 MMB
- Domestic production: 12.2 MMBD
- Gasoline: -5.0 MMBD
- Refinery utilization: 94.3%
- Total exports: 8.5 MMBD
- SPR: -5.3 MM

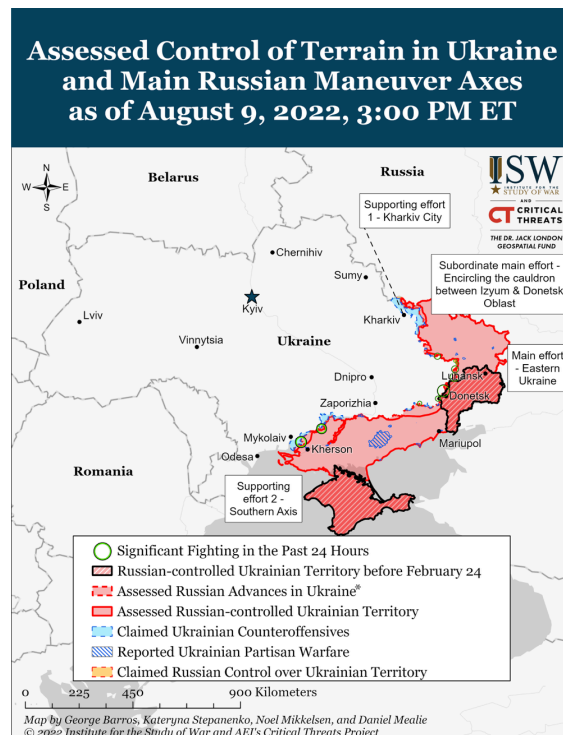
(Million Barrels)	week	7/29/22	Difference	Percent Change	8/6/21	Difference	Percent Change
	8/5/22						
Crude Oil .....	896.6	896.4	0.2	0.0	1,060.1	-163.5	-15.4
Commercial (Excluding SPR) <sup>1</sup> .....	432.0	426.6	5.5	1.3	438.8	-6.8	-1.5
Strategic Petroleum Reserve (SPR) <sup>2</sup> .....	464.6	469.9	-5.3	-1.1	621.3	-156.7	-25.2
Total Motor Gasoline <sup>3</sup> .....	220.3	225.3	-5.0	-2.2	227.5	-7.2	-3.1
Reformulated .....	0.0	0.0	0.0	50.0	0.0	0.0	28.6
Conventional .....	17.4	17.2	0.2	1.0	18.3	-0.9	-5.0
Blending Components .....	202.9	208.0	-5.2	-2.5	209.1	-6.3	-3.0
Fuel Ethanol .....	23.3	23.4	-0.1	-0.6	22.3	1.0	4.4
Kerosene-Type Jet Fuel .....	40.7	41.6	-1.0	-2.3	42.9	-2.2	-5.2
Distillate Fuel Oil <sup>3</sup> .....	111.5	109.3	2.2	2.0	140.5	-29.0	-20.7
15 ppm sulfur and Under <sup>3</sup> .....	101.8	99.8	2.0	2.0	127.3	-25.5	-20.0
> 15 ppm to 500 ppm sulfur .....	2.7	2.6	0.1	5.1	3.6	-0.9	-24.5
> 500 ppm sulfur .....	6.9	6.9	0.0	0.5	9.6	-2.6	-27.4
Residual Fuel Oil .....	29.1	28.2	1.0	3.4	28.9	0.3	1.0
Propane/Propylene <sup>4</sup> .....	65.7	63.6	2.1	3.2	65.3	0.3	0.5
Other Oils <sup>5</sup> .....	299.4	290.9	8.5	2.9	301.4	-2.0	-0.7
Unfinished Oils .....	85.9	86.2	-0.3	-0.3	90.4	-4.5	-5.0
Total Stocks (Including SPR) <sup>2,3,4</sup> .....	1,686.5	1,678.8	7.7	0.5	1,888.8	-202.3	-10.7
Total Stocks (Excluding SPR) <sup>3,4</sup> .....	1,221.9	1,208.9	13.0	1.1	1,267.5	-45.6	-3.6

Petroleum Supply (Thousand Barrels per Day)	Current Week	Week Ago		Year Ago		Four-Week Averages Week Ending			Cumulative Daily Average		
	8/5/22	7/29/22	Difference	8/6/21	Difference	8/5/22	8/6/21	Percent Change	8/5/22	8/6/21	Percent Change
<b>Crude Oil Supply</b>											
(1) Domestic Production <sup>6</sup> .....	12,200	12,100	100	11,300	900	12,075	11,275	7.1	11,826	10,965	7.9

**3.) Natural gas prices:** natural gas future prices jumped around 3% in today's trading session in the U.S. to wrap up at \$8.015 per MMBTU while the prices for the futures contracts of the Dutch TTF continue at record highs at 211 euros as there still remains fear over further cuts of gas by Russia and countries in Europe as the EU continues its policy of energy efficiency while despite US efforts to ramp up LNG exports to countries in Europe it has been clear that it is not enough to cover for all the gas needs of

the continent being Russia for years the most important and prominent gas exporter and seller to Europe via pipelines.

**3.) Geopolitical risks and developments:** It doesn't seem that the war in Ukraine will end anytime soon as there continues confrontation between Russian and Ukrainian forces for the control and recapture of the city of Kherson and also after the explosion in the city of Crimea of a Russian base allegedly being perpetrated by Ukrainian forces as Russia is also trying to mobilize forces from other central Asian republics to join the war and carrying out military drills in Belarus in order to ramp up attacks in different cities in Ukraine while there continues clashes over the control of the nuclear plant of Zaporizhzhia just as the EU officially imposed a ban on coal imports from Russia although still without any clear outlook on how this will work and if this can be sustainable as the war has the looks to last for more months if not years and become a low intensity war and lose completely the attention of the media due to exhaustion of the public opinion despite the ongoing consequences on the prices of food and energy not only in Europe but Africa, the Middle East, Latin America and carrying out important geopolitical implications.



**Updated map of current positions of Russia and Ukraine forces in terrain**

Source: <https://www.understandingwar.org/backgrounders/russian-offensive-campaign-assessment-august-9>

On the status of the nuclear talks, despite the recent allegations on EU officials having a final text ready of the deal to be signed while Washington demanding Iran to abide by all aspects of the deal to finally move ahead, the recent accusations over Iran providing with drones to Russia for the war in Ukraine might add further obstacles and setbacks to this process and potentially freeze again the talks.