Energy Directions, Inc.

Energy Market Assessment

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Wednesday, November 18, 2026

Oil Cost Relief Is Indicating Peace Being Achieved Plus Temporary Weather Respite. It Is Providing Buy Oil & Natural Gas Low Opportunity.

Figure 1
Near Month Closing Futures Contract Price of WTI Crude Oil
(Src: Wall Street Journal)
$'s per barrel

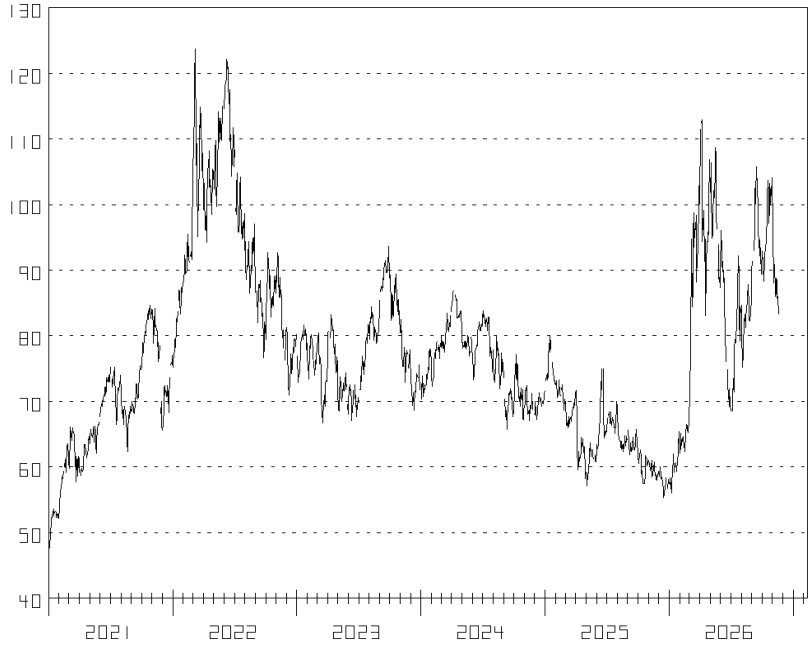
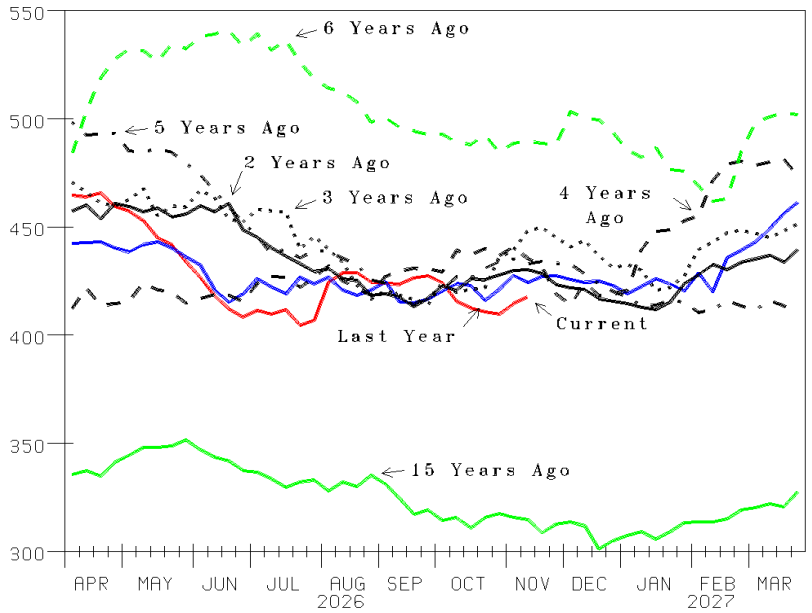


Figure 2
U.S. Commercial Crude Oil Inventory
(Src: Department of Energy)
Million barrels

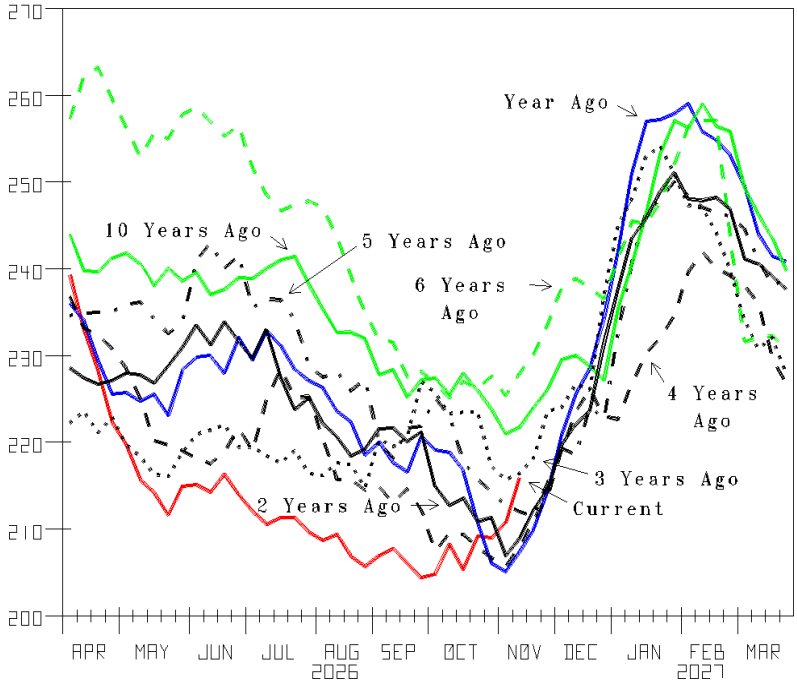


The price of crude oil down to 74% of its "Finally-End-The-War" actions high indicate Peace, finally, the goal and being achieved. $123.70 per barrel was the closing, crude-oil futures contract high when Russia invaded Ukraine (Figure 1). $112.95 was its early April high with the effort, finally, underway to end the 40+ year War by those dedicated to Rule Iran and many others. $83.26 today is $29.69 per barrel lower than (74% of) the Finally-End-The-War high. It is down $40.44 from (67% of) its Russia invasion high. We see it as indicating success pursuing true peace. Those still Ruling Iran's death and destructions and their capabilities being eliminated/destroyed.

WTI down to $83.26 today is helped by U.S. Commercial crude oil inventory increasing 8.0 mmb the last two weeks. U.S. commercial crude oil inventory, an important supply/demand measure, is evident in the closing futures price jumping to $112.95 early April (Figure 1) as the Strait of Hormuz suddenly closed dropped oil supply, evident in U.S. Commercial inventory dropping from 465 million barrels (mmb) in April to 405 in July (Figure 2, red line). The price jumped to determine who would sell the supply they would have to who greatly needed what would not be arriving. The price drop to $83 today is helped by today's news, that commercial inventory increased 3.4 mmb last week after up 4.7 the week before.

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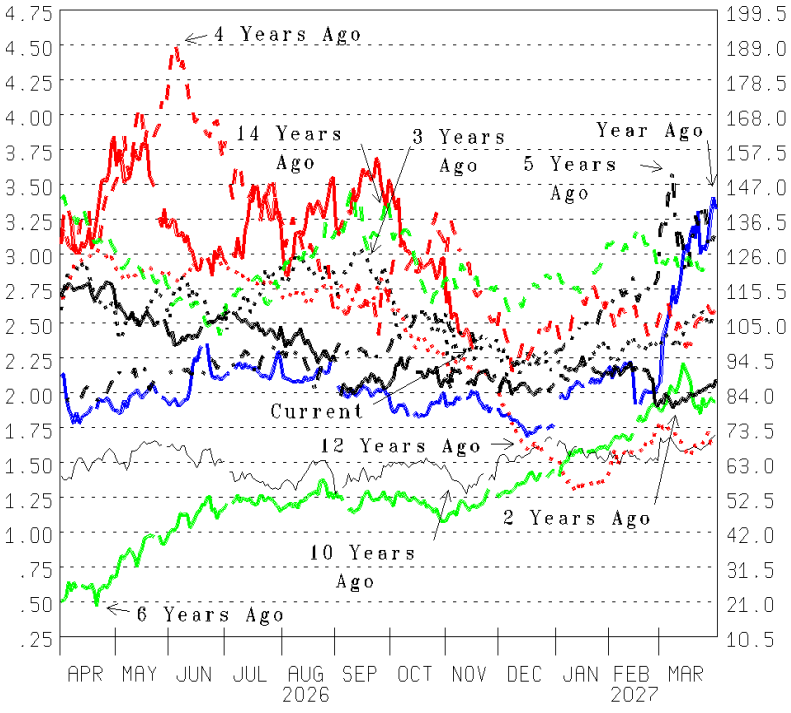
Figure 3
U.S. Gasoline Inventory
(Src: Department of Energy)
Million barrels



Oil data indicating what/how and why is evident in U.S. gasoline inventory switched from down 16.3 mmb YOY late September to up 8.6 now.

Back in September the spot market price of RBOB gasoline reached a high of $3.686 per gallon (Figure 4). It occurred as U.S. gasoline inventory was declining another 3.3 mmb to the year's 204.4 end-of-September low (Figure 3, red line). That compared to 220.7 the year before (blue line), a 16.3 year-over-year (YOY) decline, highlighted Summer active needing much. However, up since to 215.9 last week, to an 8.6 mmb YOY increase highlights prices reducing demand and having the oil industry increasing supply.

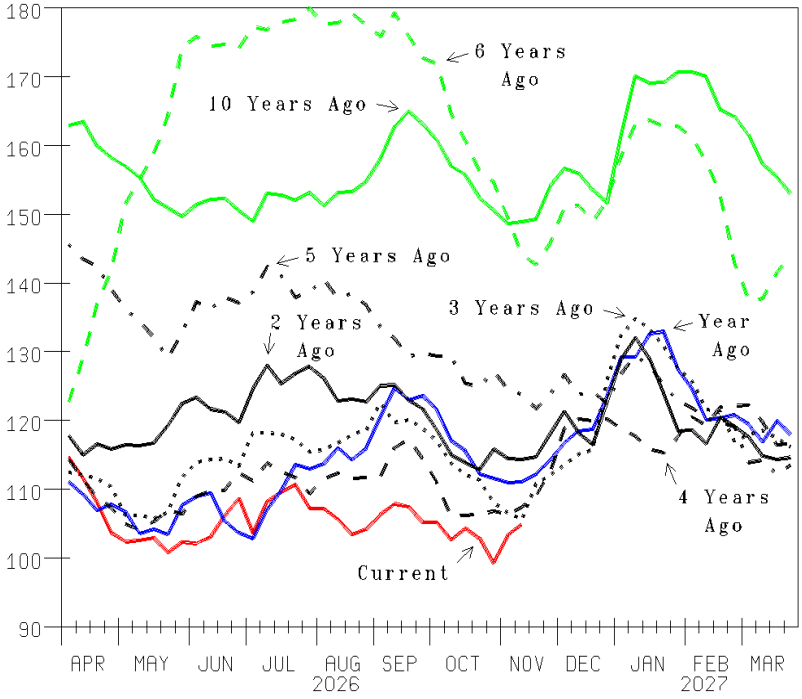
Figure 4
Regular unleaded gasoline price, New York Harbor cargo, spot and RBOB closing futures price 12/14/15 to 12/29/23 (Src: Platt's Oilgram data, NYMEX via CME Group & DOE since 1/2/24)
Cents per gallon **$'s per barrel**



Markets and how things work has gasoline prices falling much, like they did after Russia-invading highs.

U.S. gasoline inventory falling to very low at the end of September had the spot market price of RBOB gasoline rising to its $3.686 per gallon, end-of-September high (Figure 4, red line). Then, 1) Summer over, 2) the switch from Summer grade required to easier/cheaper to produce Winter grade and 3) the oil industry striving to produce distillate oil (diesel and heating), over producing gasoline, has inventory up (Figure 3) and the spot price down to $2.328 per gallon Tuesday. These are the same factors that reduced this price from above $3.25 per gallon to less than $2.25 as year 2022 was ending (red dash). It is more affordability help, fueling movement and growth to come.

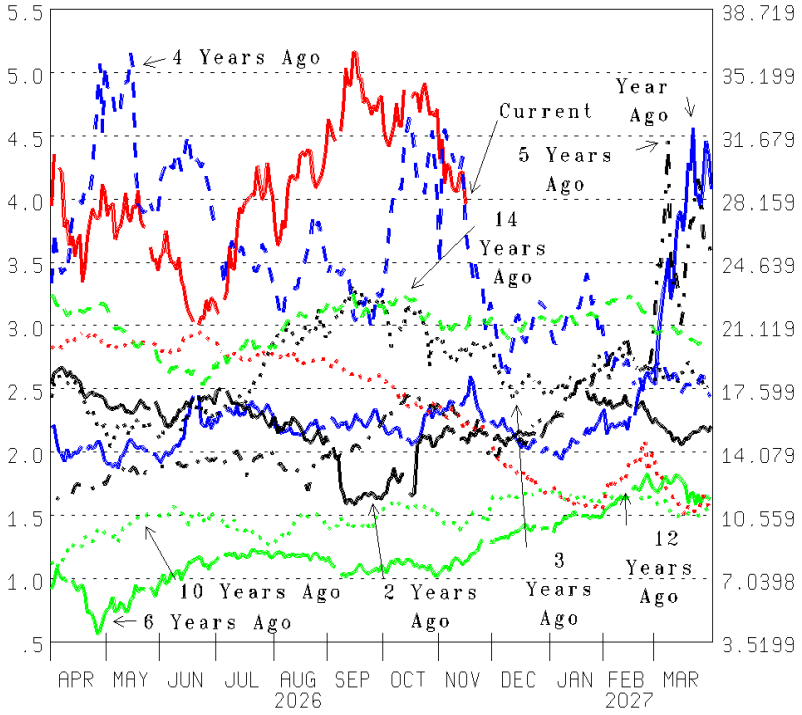
Figure 5
U.S. Distillate Oil (Diesel and Heating Oil) Inventory
(Src: Department of Energy)
Million barrels



The rest of the world, most fueled by distillate oil having it very tight, is helping more here learn how dependent everyone is on this very precious energy source.

Americans Wonderfully Blessed having cars, but many, many fewer having them providing movement everywhere else has distillate oil (diesel and heating) the world's dominant and most valuable energy source. All effort to end the Rulers of Iran's decades-long war and Ukraine striving to end Russia's war with it, has notably reduced world distillate oil production. That plus a brief cold air incursion is evident in U.S. inventory declining from its multi-year high at the end of last January (Figure 5, blue line) to a low in May and notable YOY decline (red versus blue lines) since July. However, the oil industry working hard has inventory up 5.6 mmb the last two weeks.

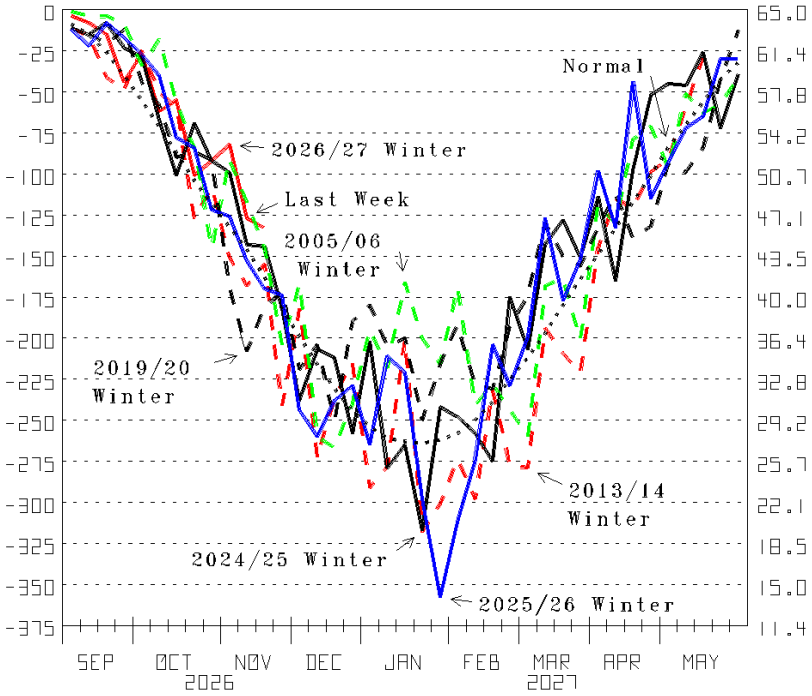
Figure 6
Average East Coast Spot Distillate Oil Price and
Heating oil closing futures price 12/14/15 to 12/31/19 (Src: Platt's Oilgram data, NYMEX via CME Group & DOE since 1/2/20)
$'s per barrel **$'s per mmBtu**



Distillate inventory up the last two weeks has the spot price finally just under $4.

A couple of weeks of cold weather here and the effort to finally end Iran's Rulers war jumped the East Coast spot market price of distillate oil from just under $2 per gallon to above $4.50 last March (Figure 6, blue line). World supply disrupted, and Summer movement Over-There mostly diesel fueled, tugged it up from $3 mid-June to $5.163 mid-September (red line). We credit efforts to finally achieve peace, and the oil industry working hard to supply more, for $3.960 Tuesday's price. This price high October into November now and back in 2022 (blue dash) also reflects the oil markets preparing to fuel the Northern Hemisphere's Winter here and Over There. Helped by short-squeeze highs as October and November futures contracts expire.

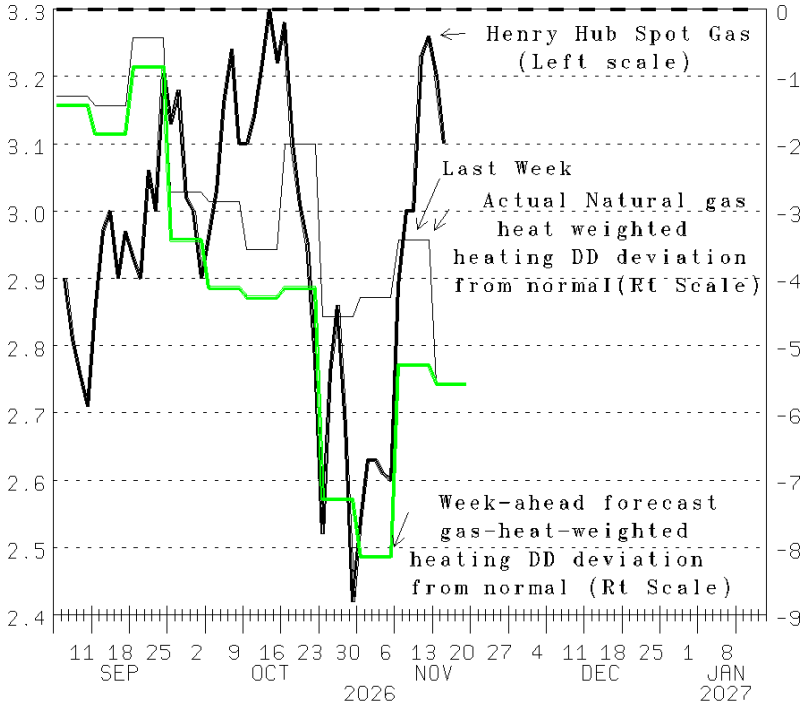
Figure 7
U.S. Weekly Heating Degree Days-Oil Heat Weighted
(Src: National Oceanic and Atmospheric Administration [NOAA])
Negative Heating Degree Days Average Daily Temperature °F



The distillate spot market price finally under $4 is greatly helped by the Fall fall in temperatures taking its time.

Since the beginning of October, the oil-heat weighted degree day temperature (Figure 7, red line) has averaged 53.9 °F, 3.4 warmer than normal (bold dot). That notably minimizing heating oil demand has helped inventory increase the last two weeks (Figure 6).

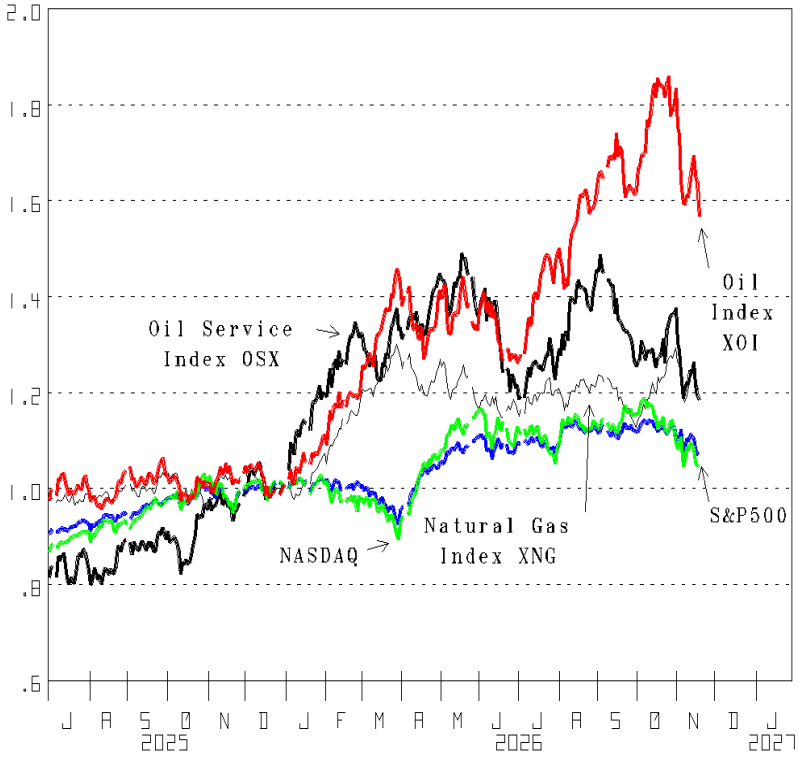
Figure 8
Henry Hub Spot Gas Price versus Weekly,
Gas Weighted Heating Degree Day Deviation from Normal
Beginning of Week Temperature Forecast and Actual Deviation
(Src: Gas Prices-DOE & NYMEX; Deg Day-Calc from NOAA data)
$/mmBtu Negative Weekly Degree Day Temperature Deviation °F



Temperatures falling taking their time has the Henry Hub spot price of natural gas averaging $2.962 since the beginning of October, $0.368 less than (89% of) last year.

Natural gas demand fluctuating with temperatures and mild temperatures minimizing demand is evident in the Henry Hub spot market price of natural gas deflated down toward $2.40 per mmBtu as October ended (Figure 8, bold line, left scale) and averaging $2.962 since October 1st. Weekly, natural gas heat weighted degree temperatures (line right scale) have averaged 56.8 °F, 3.3 warmer than normal. Colder last year (Figure 7, blue line) than this, but still warmer than normal, had the Henry Hub spot price average $3.330 last year.

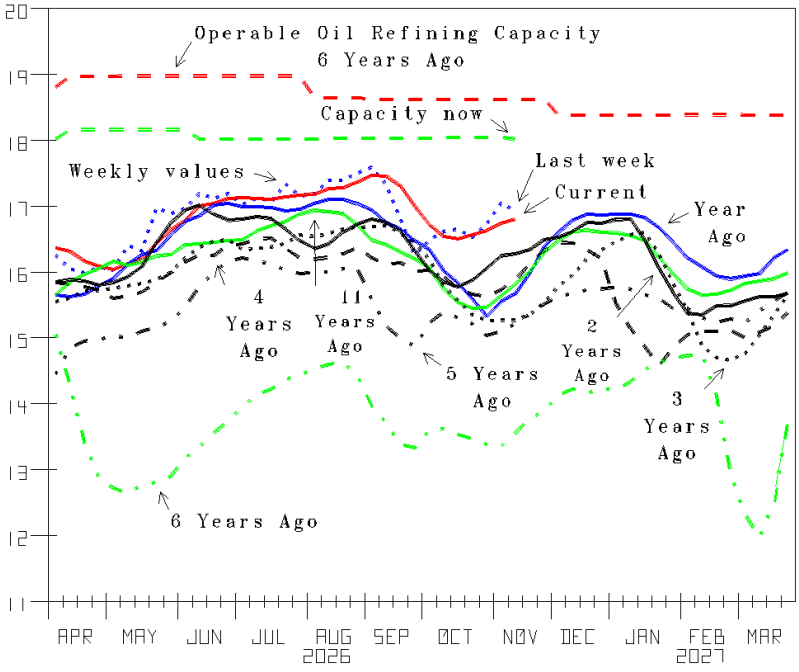
Figure 9
Stock Price Index (*) Comparisons
(Indexed to 1.0 12/31/2025, last trading day of 2025)
Index



Efforts to finally end War and temperatures nicely warm are providing another Buy-Energy-Stocks-Low opportunity.

Factors of life and affordability getting better has dropped the performance of the Oil Index (XOI) from up more than 80% year to date (YTD) to up 56.7% today (Figure 9, red line). The Oil Service (OSX, bold line) and Natural Gas Index's (XNG, line) are also down from highs, but still up 18.3% and 20.5% YTD. All compare well to the S&P 500 (blue line) up only 7.0% and the NASDAQ (green line) 5.1%. With most people living in the Northern Hemisphere and the official start of Winter still a month away, we view now as another attractive Buy-Energy-Low opportunity. More living better and very much needing to be done require the energy industry diligently working to provide much more high value fuel. Especially here in the U.S.

Figure 10
U.S. Oil Refinery Runs – 4-weeks averages and the latest weeks
(Src: Department of Energy data and calculated from it)
Million barrels per day



Profitable prices needed and having the oil industry working very hard is evident in good YOY growth in U.S. oil refinery runs.

More petroleum products needed, what really fuels mankind, is evident in gasoline inventory (Figure 3) and distillate oil inventory (Figure 5) declining low and profitable prices (Figures 4 and 6) calling for more. Plus, oil refinery runs (Figure 10, red line) showing very good YOY increase (versus blue line). What is much needed to make up for the long-lead-time capacity Over There needing repair, replacement and increase.

Figure 11
U.S. Lower-48 State Weekly Crude Oil Production
(Src: Department of Energy data)
Million barrels per day

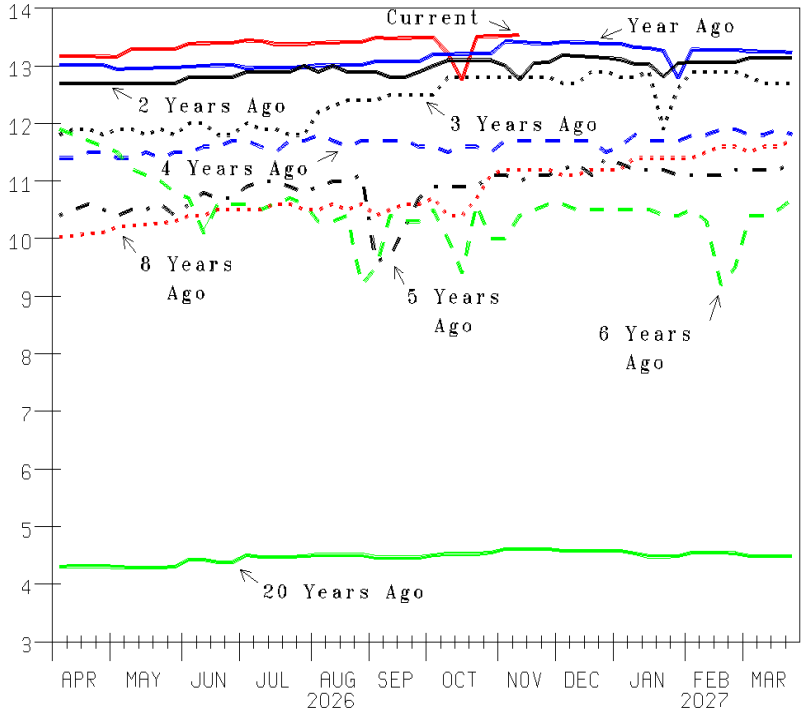
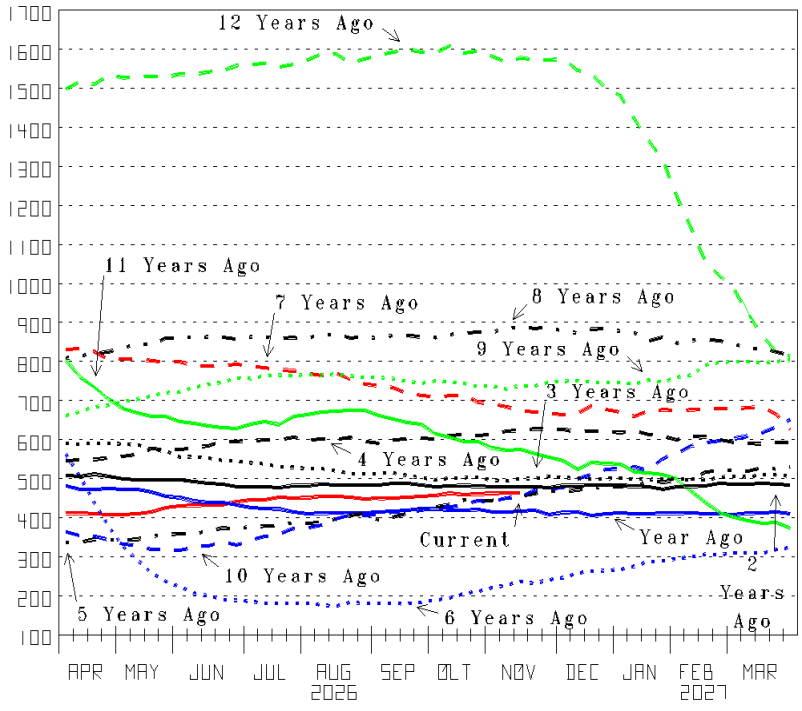


Figure 12
U.S. Rotary Rigs Drilling for Oil—Weekly
(Src: Baker Hughes)
Number of rigs running



A multi-year Drilling Boom needed is evident in crude oil inventory low and U.S. production growth shrinking. Signs of depletion showing up. Prior to the Fracking Revolution made to work here in the U.S. for oil, lower-48-state crude oil production was down near 4.0 million barrels per day (mmbd, Figure 11, green line). The revolution had it up to 11.5 mmb in 2019 (red dot). Then the Coronavirus Recession dictated in 2020 collapsing prices and pursuit (Figure 12) reduced it toward 10.0 (green dash). Pursuit rebounding with more rigs running has it up at 13.543 mmbd last week (red line). However, that only 0.134 (1.0%) more than last year (blue line) has us conclude another multi-year Drilling Boom is needed. 13.543 is rapidly depleting production with technology advances longer in life.

11% more rigs drilling for oil having U.S. production up setting new record highs but YOY growth only 1.0% powers our bullish outlook. The Fracking Revolution working for oil had 1,600 rigs drilling for oil in 2014 (Figure 12, green dash). Fewer than 200 in 2020 had production decline. While 463 last week (red line) is 46 (11%) more than last year (blue line), production growth slowing needs more going to work. That without a big inventory now of equipment and workers to draw from needs a nicely profitable Drilling Boom. **Much of late minimizing, infrastructure trends, AI activity increasing, Over There growing too with work to end/restore war destruction, conventional energy expectations low, + much poorly understood has conventional-energy-Bullish happening. We rate natural gas, crude oil, oil-focused E&P, Oil Refining and Drilling & Oil Service Overweight Strong Buy.**