

Market Commentary

Recap: Oil futures fell Wednesday after U.S. government data showed an unexpected climb in domestic supplies of crude oil, as well as sizable gains in gasoline and distillate stockpiles. Also adding pressure to the market is the anticipation of a fresh round of U.S. tariffs expected to be imposed on Chinese goods this coming Sunday. January WTI, which was already trading lower on the day, fell to a session low of \$58.11 a barrel, down 1.13, or 1.9%, while February Brent slipped \$1.33, or 2%, to a low of \$62.19 a barrel. Losses were pared after the U.S. Federal Bank decided to leave interest rates unchanged. January WTI declined 48 cents, or 0.8%, to settle at \$58.76 a barrel. February Brent lost 62 cents, or 1%, to end at \$63.72 a barrel. January RBOB fell 1.6¢ to \$1.6261 a gallon and January heating oil shed 1.9¢ to \$1.9288 a gallon.

Technical Analysis: It appears that the upside momentum in WTI has once again stalled just below \$60.00. At this point, we would look for a test at the channel bottom currently set at \$58.08. A failure to break below this level should be met with light short covering, but we do not see this market going far beyond the \$59.00 level for now. Just below the channel, support is set at the 50-day moving average, which stands at \$57.47 for Thursday's session.

Fundamental News: According to the EIA, US East Coast crude oil stocks fell by 901,000 barrels in the week ending December 6th to 10.1 million barrels, the lowest level since October 2014. Crude inventories in Cushing, Oklahoma fell by 3.4 million barrels to 40.4 million barrels, the largest decline since February 2018. US gasoline stocks build by 5.405 million barrels on the week, the most since January.

OPEC on Wednesday pointed to a small deficit in the oil market next year due to restraint by Saudi Arabia even before the latest supply pact with other producers takes effect, suggesting a tighter market than previously expected. In its monthly report, OPEC said demand for its crude will average 29.58 million bpd next year. In November, OPEC output fell by 193,000 bpd to 29.55 million bpd as Saudi Arabia cut its supply. That suggests there would be a 2020 deficit of 30,000 bpd if OPEC kept pumping at November's rate and other factors remained equal, less than the 70,000 bpd surplus implied in November's report. According to the report, non-OPEC supply is expected to increase by 2.17 million bpd in 2020, unchanged from a previous forecast.

Iran's President, Hassan Rouhani, said Iran will overcome US sanctions by either bypassing them or through negotiations, and it will not cross its "red lines" in any talks with the US.

IIR Energy reported that US oil refiners are expected to shut in 268,000 bpd of capacity in the week ending December 13th, increasing available refining capacity by 279,000 bpd from the previous week. Offline capacity is expected to fall further to 62,000 bpd in the week ending December 20th.

The Federal Reserve held its benchmark interest rate steady. After lowering rates at their three previous meeting to guard the US economy from the effects of trade tensions and a global slowdown, Fed officials indicated comfort with leaving policy on hold through next year while keeping an eye on those risks. Their policy rate is in a range between 1.5% and 1.75%. Fed officials' new projections showed most officials believe rates are low enough to stimulate growth. They expect that if their economic outlook holds, they can keep rates steady through 2020.

US consumer prices increased more than expected in November, which could further support the Federal Reserve's intention not to cut interest rates again in the near term. The US Labor Department reported that its Consumer Price Index increased 0.3% in November as households paid more for gasoline. Excluding food and energy components, the CPI increased by 0.2%, matching October's increase.

Early Market Call - as of 8:25 AM EDT

WTI - Jan \$58.91, up 15 cents

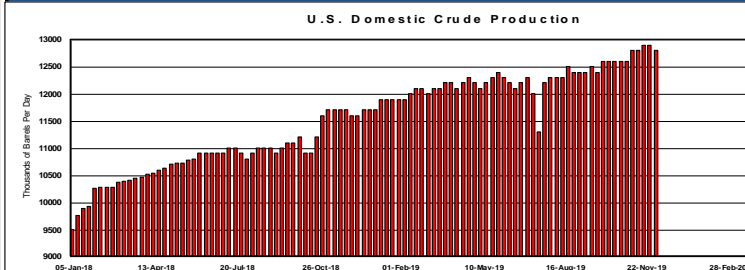
RBOB - Jan \$1.6337, up 79 points

HO - Jan \$1.9420, up 1.33 cents

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-20	1.9288	-0.0367	-0.0059
Feb-20	1.9281	-0.0355	-0.0001
Mar-20	1.9216	-0.0340	-0.0087
Apr-20	1.9068	-0.0328	-0.0092
May-20	1.8956	-0.0321	-0.0099
Jun-20	1.8869	-0.0315	-0.0098
Jul-20	1.8841	-0.0311	-0.0093
Aug-20	1.8825	-0.0307	-0.0086
Sep-20	1.8826	-0.0299	-0.0083
Oct-20	1.8827	-0.0296	-0.0076
Nov-20	1.8831	-0.0291	-0.0070
Dec-20	1.8828	-0.0286	-0.0065
Jan-21	1.8827	-0.0282	-0.0052
Feb-21	1.8765	-0.0276	-0.0042
Mar-21	1.8652	-0.0270	-0.0032
Apr-21	1.8472	-0.0264	-0.0023
May-21	1.8349	-0.0264	-0.0016

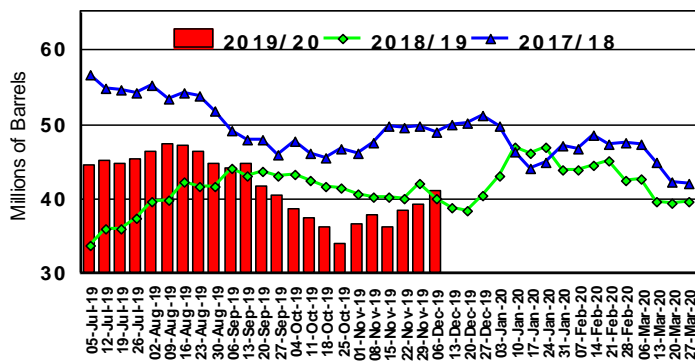
Other Front Month NYMEX		Close	Change
Crude - WTI	Feb Brent-	\$58.6500	-\$0.4900
Crude - Brent	WTI Spread	\$63.7200	-\$0.6200
Natural Gas	\$5.07	\$2.2430	-\$0.0210
Gasoline		\$1.6261	-\$0.0264



Weekly EIA Petroleum Status Report for the Week Ending December 6, 2019

Distillate Stocks

PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 822,000 barrels

Cushing, OK Crude Stocks Down 3.393 million barrels

Gasoline Stocks Up 5.405 million barrels

Distillate Stocks Up 4.118 million barrels

Refinery % Operated 90.6%, down 1.3%

PADD #1

Distillate Stocks (in million bbls)	Week Ending Dec 6, 2019	Week Ending Nov 29, 2019	Week Ending Dec 7, 2018
New England	8.0	8.1	6.6
Central Atlantic	21.8	19.8	21.9
Total PADD #1	41.1	39.2	40.0
Distillate Imports (thousands b/d)	144	129	121