

Market Commentary

Recap: After falling sharply on Monday, oil prices reversed course on Tuesday, spurred higher by U.S. imposed sanctions against Venezuela and Saudi Arabia's pledge to restore balance in the oil market. The Saudi Energy Minister stated on Tuesday that his country would be cutting deeper than required in the OPEC deal to reduce output. These two factors pushed oil prices higher by as much as 3.7 percent, with March WTI reaching a high of \$53.93 and March Brent peaking the session at \$61.79, as the upward move gained strength in afternoon trading. Gains were pared, with March WTI settling at \$53.31 a barrel, up \$1.32, or 2.54 percent and March Brent rose \$1.39, or 2.3%, to \$61.32 a barrel. It fell 2.8% to \$59.93. February RBOB tacked on 1.3% to \$1.351 a gallon and February heating oil rose 3.3% to \$1.898 a gallon.

Technical Analysis: Oil prices continue to consolidate below the neck line of the inverse head and shoulders pattern we have been following. Trading has been choppy during the formation of the right shoulder, with spot WTI bouncing between \$50.00 and \$55.00. A break above the neck line would most likely result in a push toward the \$60.00 level. Resistance remains set at \$54.51 and above that at \$55.33. To the downside, support is set at \$50.89 and \$50.00.

Fundamental News: Venezuela's opposition leader, Juan Guaido said the opposition movement can achieve a peaceful transition from President Nicolas Maduro and eventually hold free elections. He spoke after the US on Monday imposed sweeping sanctions on PDVSA as it pressured Maduro's socialist government. The US imposed restrictions on PDVSA, aimed at curbing its crude exports to the US and at pressuring President Nicolas Maduro to step down. Venezuela's opposition leader also stated that he had spoken with US President Donald Trump several times. CNN reported that when asked about a military option in Venezuela, Guaido said all options were on the table.

The Trump administration is considering tapping the country's emergency reserve of crude as it imposes new sanctions on Venezuela's PDVSA.

Russia's Foreign Minister, Sergei Lavrov, said US sanctions imposed on Venezuela's PDVSA are illegal and Russia will take all necessary steps to support the administration of Venezuela's President Nicolas Maduro. Separately, Russia's Deputy Foreign Minister, Sergei Storchak, said Russia expects Venezuela to have problems servicing its sovereign debt to Moscow after the US imposed sweeping sanctions on Venezuela's PDVSA in a move that Russia called illegal.

Five tankers moving towards the US are carrying what may be some of the last Venezuelan oil to reach the US for a while. The ships, which loaded a total of about 3 million barrels of crude in the days since US President Donald Trump recognized Juan Guaido as the interim leader of Venezuela.

Bloomberg reported that crude oil stocks held in Cushing, Oklahoma increased by 100,000 barrels to 41.43 million barrels in the week ending January 25th.

Saudi Arabia's Energy Minister, Khalid Al-Falih, said the country expects to reduce its oil output once again in February and pump for six months at levels well below the production limit accepted under OPEC's output cut agreement. Saudi Arabia targeted production of 10.2 million bpd in January and is aiming to pump about 10.1 million bpd in February. Saudi Arabia's limit under the December output cut deal with Russia and other producers was 10.33 million bpd.

The head of Libya's National Oil Corp said Libya's El Sharara oil field will remain shut until an armed group and protesters occupying the site leave. The 340,000 bpd oil field has been under force majeure since December. Libya now produces 900,000 bpd, below its average production in 2018 of 1.1 million bpd.

Early Market Call - as of 8:25 AM EDT

WTI - Mar \$53.77, up 46 cents

RBOB - Feb \$1.3689, up 1.89 cents

HO - Feb \$1.9055, up 80 points

All NYMEX | Prior Settlements

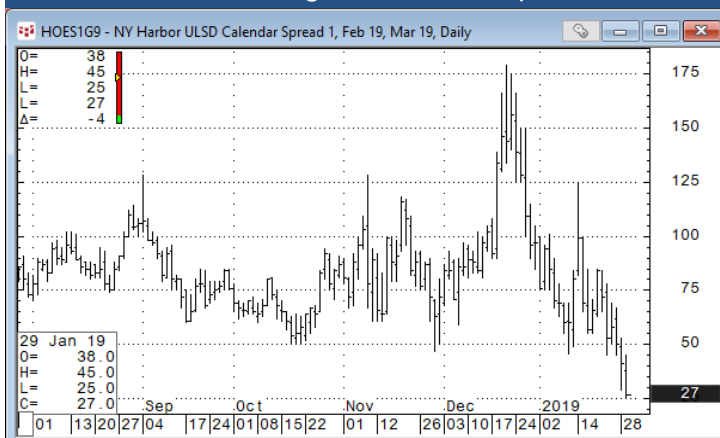
| Month | ULSD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
| | Close | Change | One Week |
| Feb-19 | \$1.8975 | \$0.0598 | -\$0.0036 |
| Mar-19 | \$1.8945 | \$0.0599 | \$0.0013 |
| Apr-19 | \$1.8865 | \$0.0591 | \$0.0072 |
| May-19 | \$1.8837 | \$0.0578 | \$0.0085 |
| Jun-19 | \$1.8862 | \$0.0561 | \$0.0086 |
| Jul-19 | \$1.8943 | \$0.0543 | \$0.0090 |
| Aug-19 | \$1.9025 | \$0.0526 | \$0.0093 |
| Sep-19 | \$1.9122 | \$0.0517 | \$0.0096 |
| Oct-19 | \$1.9215 | \$0.0515 | \$0.0094 |
| Nov-19 | \$1.9306 | \$0.0516 | \$0.0100 |
| Dec-19 | \$1.9389 | \$0.0521 | \$0.0111 |
| Jan-20 | \$1.9459 | \$0.0519 | \$0.0116 |
| Feb-20 | \$1.9471 | \$0.0518 | \$0.0123 |
| Mar-20 | \$1.9442 | \$0.0515 | \$0.0129 |
| Apr-20 | \$1.9351 | \$0.0505 | \$0.0122 |
| May-20 | \$1.9321 | \$0.0494 | \$0.0113 |
| Jun-20 | \$1.9315 | \$0.0482 | \$0.0108 |

| Other Front Month NYMEX | | Close | Change |
|-------------------------|------------|-----------|----------|
| Crude - WTI | Mar Brent- | \$53.3100 | \$1.3200 |
| Crude - Brent | WTI Spread | \$61.3200 | \$1.3900 |
| Natural Gas | \$8.01 | \$2.9500 | \$0.0390 |
| Gasoline | | \$1.3509 | \$0.0178 |

API Weekly Report for the Week Ending January 25, 2019

| | Actual | Mkt Expectations |
|----------------------------|------------------------|-----------------------------|
| Crude Oil Stocks(excl SPR) | Up 1.1 million barrels | Up 3.1/ 3.4 million barrels |
| Cushing, OK Crude Stocks | Down 682,000 barrels | Up 100,000 barrels |
| Gasoline Stocks | Up 2.2 million barrels | Up 2.8 million barrels |
| Distillate Stocks | Up 211,000 barrels | Down 2 million barrels |
| Refinery Runs | Down 468,000 bpd | Up 0.2%, 93.1% |

NYMEX Heating Oil Feb-Mar Spread



NYMEX RBOB Feb-Mar Spread

