

## Market Commentary

**Recap:** Oil futures ended lower on Tuesday, marking the second straight day of losses, as a new strain of COVID-19 reignited concerns over demand and a global economic recovery. Due to the discovery of the mutation in the UK, several countries have closed their borders with Great Britain. Meanwhile, OPEC and other major producers are set to increase output by 500,000 barrels per day starting in January, with no sign of the recent drop in prices influencing this decision. February WTI lost 95 cents, or 2%, to settle at \$47.02 a barrel, while Brent for February delivery slipped 83 cents, or 1.5%, to settle at \$50.08 a barrel. Products were also on the losing side, with January RBOB falling 2.09 cents, or 1.5%, to settle at \$1.3395 a gallon. January heating oil shed 1.58 cents, or 1.1%, to close at \$1.4616 a gallon.

**Market Outlook:** For the second straight session, February WTI came down to set the 50-day moving average, with a lack of follow through selling prompting light short covering. This moving oscillator is currently set at \$46.30, which has held a position of key support. A clean break below this technical indicator sets up for a run toward a sideways trading pattern that dates back to the beginning of June. WTI traded above this sideways channel back on November 23, and has remained above it ever since. The top of this formation is \$44.83 and the bottom is set at \$36.17. A break below \$44.83 will put us right back in this formation, with a settlement below \$44.83 opening up the opportunity to trend within the channel. \$50 remains the psychological target of resistance.

**Fundamental News:** U.S. oil and gas shares and drilling activity are increasing, however the spending cuts that came with the collapse in fuel demand and oil prices due to the COVID-19 pandemic have ended an era that put the U.S. atop the ranks of the world's biggest producers. The shale industry will start the New Year producing 7.44 million bpd, down nearly 20% from the beginning of 2020. Shale producers were hit hard after borrowing to expand production and slashed spending and output to cut losses. Rising demand for cleaner fuels means global consumption may never return to its prior peak. As growth resumes, OPEC and allies plan to increase their output, undercutting efforts to restart some shale fields. IHSMarkit estimates that company outlays next year will reach \$54 billion, up slightly from 2020 but well below 2019's \$104 billion. Top independent shale producers Pioneer Natural Resources, Diamondback Energy and ConocoPhillips forecast output flat to slightly above current levels. Analysts forecast that U.S. oil output could fall by 1 million bpd next year, in addition to a 670,000 bpd decline this year, as production cuts and wells age.

Iran's Oil Minister, Bijan Zanganeh, said OPEC policies have helped to balance the oil market so far, adding that he was hopeful that the group could maintain prices at "suitable" levels.

On Monday, the U.S. Senate passed an \$892 billion coronavirus aid package, throwing a lifeline to the nation's pandemic-battered economy, while also funding federal government activities through September 2021. The House of Representatives passed the measure earlier on Monday. It now heads to President Donald Trump to sign into law.

The U.S. Commerce Department reported that the U.S. economy grew at a record pace in the third quarter, fueled by more than \$3 trillion in pandemic relief. GDP rebounded at a 33.4% annualized rate last quarter. That was revised slightly up from the 33.1% pace reported last month. It followed a 31.4% rate of contraction in the April-June quarter, the deepest since the government started keeping records in 1947.

### Early Market Call - as of 9:00 AM EDT

WTI - Feb \$47.22, up 20 cents

RBOB - Jan \$1.3499, up 1.04 cents

HO - Jan \$1.47, up 84 points

## All NYMEX | Prior Settlements

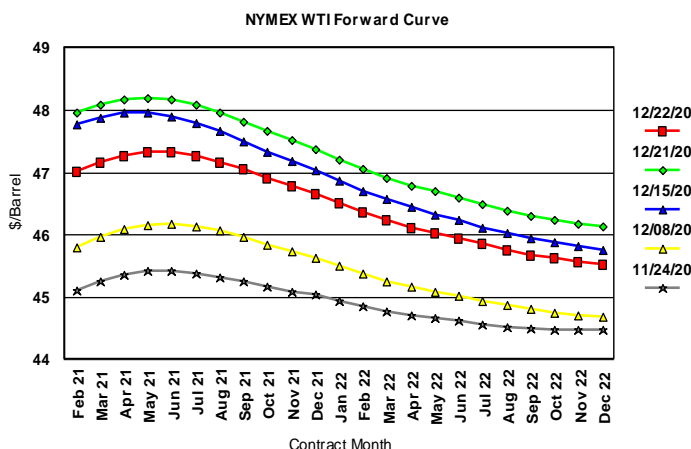
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-21	\$1.4616	-\$0.0158	\$0.0028
Feb-21	\$1.4630	-\$0.0152	\$0.0050
Mar-21	\$1.4634	-\$0.0151	\$0.0075
Apr-21	\$1.4628	-\$0.0150	\$0.0091
May-21	\$1.4628	-\$0.0151	\$0.0112
Jun-21	\$1.4648	-\$0.0154	\$0.0124
Jul-21	\$1.4698	-\$0.0154	\$0.0121
Aug-21	\$1.4751	-\$0.0156	\$0.0118
Sep-21	\$1.4809	-\$0.0157	\$0.0116
Oct-21	\$1.4876	-\$0.0155	\$0.0113
Nov-21	\$1.4943	-\$0.0155	\$0.0104
Dec-21	\$1.4995	-\$0.0153	\$0.0093
Jan-22	\$1.5059	-\$0.0150	\$0.0083
Feb-22	\$1.5077	-\$0.0145	\$0.0075
Mar-22	\$1.5053	-\$0.0137	\$0.0063
Apr-22	\$1.4974	-\$0.0129	\$0.0054
May-22	\$1.4950	-\$0.0122	\$0.0029

		Close	Change
Crude - WTI	Feb Brent-	\$47.0200	-\$0.9500
Crude - Brent	WTI Spread	\$50.0800	-\$0.8300
Natural Gas	\$3.06	\$2.7800	\$0.0750
Gasoline		\$1.3395	-\$0.0209

### API Report for the Week Ending December 18, 2020

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Up 2.7 million barrels	Down 3.2/4.7 million barrels
Cushing, OK Crude Stocks	Up 300,000 barrels	
Gasoline Stocks	Down 200,000 barrels	Up 1.2/1.4 million barrels
Distillate Stocks	Up 1 million barrels	Down 1.1 million barrels
Refinery Runs	Up 76,000 bpd	Up 0.7% , 79.8%
Crude Imports	Up 92,000 bpd	

## WTI Forward Curve



## 8-14 Day Weather Forecast

