

## Market Commentary

**Recap:** Oil prices fell to the lowest in more than a year on Monday, dragged down by concern over demand in China after the coronavirus outbreak, though the possibility of deeper crude output cuts by OPEC and its allies offered some price support. March WTI settled at \$50.11 a barrel, down \$1.45, or 2.8%, the lowest settlement for a front month contract since January 2019. In post settlement trading, this spot contract hit a new session low of \$49.91 a barrel, down \$1.56, or 3.2%. Brent for April delivery lost \$2.17, or 3.83%, to finish the session at \$54.45 a barrel, the lowest settlement for a front month contract since Dec. 31, 2018. March RBOB fell 2% to \$1.4737 a gallon, while March heating oil lost 3.1% to \$1.5779 a gallon, the lowest front-month contract finish since August 2017.

**Technical Analysis:** WTI has now broken below a triple bottom on a monthly spot continuation and having fallen by more than 20% from recent highs, has fallen into a bear market. Selling pressure is likely to continue as demand woes rise. We would look for the \$50.00 level to continue to be tested. Below \$50.00, additional support is set at \$49.40 and below that at \$48.50. Resistance is set at \$51.65 and above that at \$53.30.

**Fundamental News:** The Wall Street Journal reported that Saudi Arabia is pushing for a drastic, short-term oil production cut in response to China's coronavirus. The report said under one scenario, Saudi Arabia would lead a collective 500,000 bpd reduction until the crisis is over, and another option would involve a 1 million bpd decline. OPEC is scheduled to hold a smaller technical meeting in Vienna on Tuesday and Wednesday to assess the virus' impact and make recommendations on possible collective action later this week.

U.S. President Trump on Sunday appeared to downplay concerns about the impact of the coronavirus on the United States, saying his administration had "shut it down". The U.S. over the weekend declared a public health emergency and barred the entry to the U.S. by any foreign nationals who had recently visited China. Meanwhile U.S. citizen who have traveled to China with the past 14 days will be directed to one of eight airports for designated screenings.

Fitch said coronavirus could push the global oil market into a surplus. It said the virus outbreak could cut oil demand growth if it continues to spread, leading to extended production surplus as production grows in Brazil, Norway and the US. It expects oil prices to remain highly volatile in 2020, with geopolitical tensions, economic sentiment being other drivers apart from the coronavirus.

Iran's Oil Minister, Bijan Zanganeh, said that the spread of China's coronavirus had cut oil demand and called for an effort to stabilize oil prices. He also stated that Iran would agree to an earlier OPEC meeting if the rest of the group's members agreed to oil production cuts.

IIR estimated Monday that U.S. oil refiners are expected to have 734,000 b/d of refining capacity offline for the week ending February 7<sup>th</sup>, decreasing available refining capacity by 93,000 b/d from the prior week.

### Early Market Call - as of 8:20 AM EDT

WTI - Mar \$51.26, up \$1.15

RBOB - Mar \$1.4968, up 2.29 cents

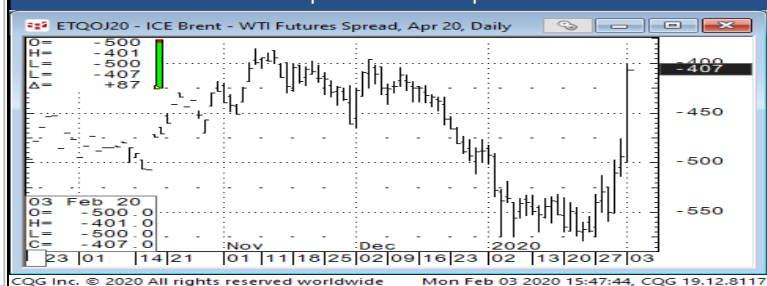
HO - Mar \$1.6055, up 2.77 cents

## All NYMEX | Prior Settlements

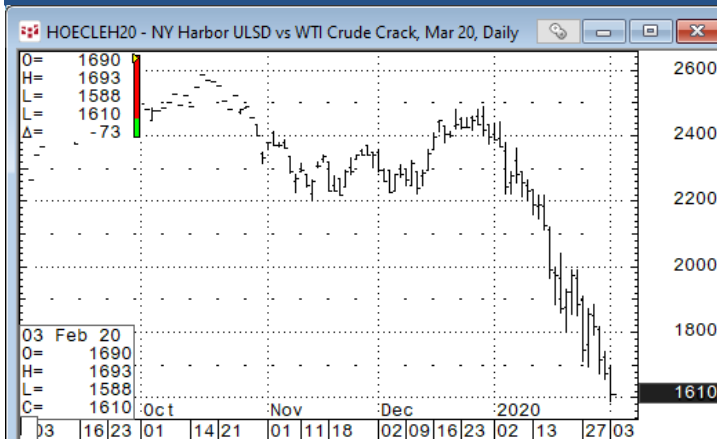
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Mar-20	1.5779	-0.0505	0.1050
Apr-20	1.5816	-0.0494	0.1043
May-20	1.5882	-0.0476	0.1018
Jun-20	1.5970	-0.0449	0.0974
Jul-20	1.6061	-0.0428	0.0930
Aug-20	1.6152	-0.0410	0.0890
Sep-20	1.6247	-0.0397	0.0858
Oct-20	1.6335	-0.0387	0.0828
Nov-20	1.6408	-0.0379	0.0807
Dec-20	1.6463	-0.0373	0.0793
Jan-21	1.6525	-0.0364	0.0780
Feb-21	1.6555	-0.0348	0.0757
Mar-21	1.6531	-0.0334	0.0726
Apr-21	1.6458	-0.0311	0.0677
May-21	1.6458	-0.0287	0.0626
Jun-21	1.6469	-0.0274	0.0591
Jul-21	1.6498	-0.0262	0.0570

Other Front Month NYMEX		Close	Change
Crude - WTI	Apr Brent-	\$50.2800	-\$1.4000
Crude - Brent	WTI Spread	\$54.4500	-\$2.1700
Natural Gas	\$4.17	\$1.8190	-\$0.0220
Gasoline		\$1.4737	-\$0.0304

### ICE April Brent-WTI Spread



## March Heating Oil Crack Spread



## March RBOB Crack Spread

