

Market Commentary

Recap: Oil futures turned higher on Thursday, boosted by weakness in the dollar and signs of healthy imports by China, but concern over demand kept limited moves to the upside. China's imports rose 7.3% in 2020, reaching record levels, as refiners ramped up production and lowered prices, which encouraged stockpiling. Despite the jump in imports, the number of COVID-19 cases jumped to their highest level in 10-months. The U.S. dollar fell after comments from U.S. Federal Reserve Chair Jerome Powell on interest rates. February WTI added 66 cents, or 1.25% to settle at \$53.57 a barrel, while Brent for March delivery ended at \$56.42 a barrel, up 36 cents, or 0.64%. Among the petroleum products, February RBOB rose 0.3% to \$1.5539 a gallon and February heating oil added 1.3% to \$1.6194 a gallon.

Technical Analysis: Oil prices seasawed on Thursday, as traders try to sort through an array of market influences. This week's EIA report seemed a bit confusing as mentioned in Wednesday's report, while demand across the globe remains low. At this point in time, near-term demand should continue to suffer, as COVID-19 restrictions remain in effect. The U.S. dollar continues to encounter pressure, which will support the price of oil. For now, we would look for this market to seasaw in an effort to determine future direction. In the near-term we would look for WTI to trade within the \$50 to \$55 range. Below \$50, additional support is set at \$49.52. Above \$55, there is resistance set at \$56.90.

Fundamental News: OPEC said the supply outlook for U.S. shale oil is slightly more "optimistic" due to rising crude prices and output will recover further in the second half of this year. U.S. total oil supply will increase by 370,000 bpd in 2021 to 17.99 million bpd, up 71,000 bpd from the previous forecast. A significant increase in shale output could hamper efforts by OPEC and its allies to support the market. OPEC stated that oil supply by non-OPEC countries may increase by 800,000 bpd in 2021. Oil supplies by non-OPEC countries fell to 62.7 million bpd in 2020. In its monthly report, OPEC left its forecast for world demand unchanged, saying oil use will increase by 5.9 million bpd this year to 95.91 million bpd following a record 9.75 million bpd contraction last year due to the pandemic. The report showed that OPEC output increased by 280,000 bpd to 25.36 million bpd in December, driven by Libya. OPEC forecast demand for its crude will be 27.2 million bpd this year, unchanged from last month.

Russia's Deputy Prime Minister, Alexander Novak, said the country's compliance with an OPEC+ deal to cut oil supply was 95-96% in December. He said Russia would produce more oil this year than in 2020.

The Trump administration on Thursday will offer the oil and gas industry a final chance to secure federal acreage before the inauguration of President-elect Joe Biden, who has pledged to ban new drilling on public lands. The U.S. Bureau of Land Management will auction 37 parcels on 6,851 acres in New Mexico, Texas, Oklahoma and Kansas through the online auction site EnergyNet.

The U.S. EPA has proposed further extending the deadlines for oil refiners to prove they have complied with the country's biofuel blending laws after the agency delayed enforcement because of the effects of the coronavirus pandemic. The agency said it is proposing to extend the compliance deadline for 2019 to November 30, 2021 and an associated deadline for submission of attest engagement reports to June 1, 2022. The EPA is also proposing to extend the 2020 deadlines to January 31, 2022 and June 1, 2022.

Early Market Call - as of 9:00 AM EDT

WTI - Feb \$52.73, down 84 cents

RBOB - Feb \$1.5370, down 1.67 cents

HO - Feb \$1.5964, down 2.3 cents

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-21	1.6194	0.0205	-0.0813
Mar-21	1.6205	0.0203	-0.0812
Apr-21	1.6173	0.0205	-0.0792
May-21	1.6157	0.0211	-0.0776
Jun-21	1.6157	0.0213	-0.0753
Jul-21	1.6191	0.0213	-0.0741
Aug-21	1.6226	0.0210	-0.0726
Sep-21	1.6268	0.0210	-0.0711
Oct-21	1.6311	0.0214	-0.0694
Nov-21	1.6341	0.0210	-0.0674
Dec-21	1.6353	0.0206	-0.0651
Jan-22	1.6380	0.0204	-0.0627
Feb-22	1.6368	0.0197	-0.0602
Mar-22	1.6294	0.0191	-0.0583
Apr-22	1.6158	0.0184	-0.0555
May-22	1.6094	0.0177	-0.0536
Jun-22	1.6059	0.0173	-0.0523

		Close	Change
Crude - WTI	Mar Brent-	\$53.6200	\$0.6600
Crude - Brent	WTI Spread	\$56.4200	\$0.3600
Natural Gas	\$2.80	\$2.6660	-\$0.0610
Gasoline		\$1.5539	\$0.0051

EIA Working Gas Storage Report

	08-Jan-21	01-Jan-21	Change	01-Jan-20
East	726	765	-39	727
Midwest	879	923	-44	861
Mountain	188	196	-8	162
Pacific	278	282	-4	238
South Central	1,126	1,163	-37	1,082
Salt	327	333	-6	321
Nonsalt	799	830	-31	761
Total	3,196	3,330	-134	3,070

ICE March Brent-WTI Spread

