

Market Commentary

Recap: The oil market retraced Monday's losses as energy companies shut in their U.S. Gulf of Mexico oil production ahead of the Hurricane Zeta. However, its gains were limited by concerns that demand may weaken with COVID-19 cases rising. The market posted a low of \$38.51 early in the session before it bounced off that level and rallied higher, breaching Monday's high of \$39.74 as it posted a high of \$39.83 in afternoon trading. However it erased some of its gains later in the afternoon as the storm-induced rally in prices is seen short-lived and traders positioned themselves ahead of the weekly petroleum stock reports. The WTI crude contract settled at \$39.57, up \$1.01. The December Brent contract settled up 74 cents at \$41.20. Meanwhile, the heating oil market settled at \$1.1577, up 3.59 cents and the RBOB market ended the session up 3.18 cents at \$1.1434.

Market Outlook: The oil market will remain supported on Wednesday amid the shut in oil production in the Gulf of Mexico ahead of the Hurricane Zeta's landfall. The market is seen finding initial resistance at its high of \$39.74 followed by \$40.92 and \$41.02. Support is however seen at its low of \$38.51, \$38.28 followed by \$38.00 and \$37.00-\$36.93.

Fundamental News: Energy firms and ports along the U.S. Gulf Coast were bracing on Tuesday for another test as Hurricane Zeta, the 11th hurricane of the season, entered the Gulf of Mexico. BP, Chevron and Equinor evacuated oil workers and Royal Dutch Shell halted drilling as winds intensified to 85 mph. Royal Dutch Shell shut production and began evacuating non-essential workers from its Stones asset in the Gulf of Mexico as a precautionary measure. Pipeline operator Enbridge evacuated an offshore platform and on Tuesday plans to remove workers from a Louisiana natural gas processing plant. Murphy Oil Corp said it is evacuating and shutting certain facilities in the U.S. Gulf of Mexico ahead of Tropical Storm Zeta. Exxon Mobil Corp said operations are normal at its Gulf of Mexico facilities ahead of Tropical Storm Zeta. Energy ports from Baton Rouge to Pascagoula were operating under advisories warning of the potential for gale force winds. A Louisiana deep water oil port was implementing its inclement weather plan. The U.S. Bureau of Safety and Environmental Enforcement said Hurricane Zeta shut 49% or 914,811 bpd of offshore crude oil production in the U.S. -regulated northern Gulf of Mexico by midday on Tuesday. Also, 55% of natural gas output, or 1.5 billion cubic feet per day is shut in.

Saudi Arabia and Russia will probably agree to extend their oil production cuts and postpone planned increases when they meet for talks with their OPEC+ partners at the end of November. Both countries are trying to avoid committing to a rollover until the meeting is closer, seeking to keep their options open and secure adherence from other oil producers in the OPEC+ group. The current production schedule agreed by OPEC+ in April implies the group's output will increase by almost 2 million bpd starting in January. However, global inventories remain well above their five year average, consumption has recovered more slowly than expected and a resurgent COVID-19 pandemic threatens a double-dip recession and another decline in oil demand. There is no indication the market needs an extra 2 million bpd in the near future or would be able to absorb the extra crude without increasing inventories and causing prices to fall. Saudi Arabia and Russia will likely postpone the output increase for three months until April, with a review in March. The alternatives would be a shorter two-month postponement or a smaller output increase from the start of the year, with further increases subject to a review in March.

Early Market Call - as of 8:50 AM EDT

WTI - Dec \$37.71, down \$1.85

RBOB - Nov \$1.0962, down 4.72 cents

HO - Nov \$1.1236, down 3.41 cents

All NYMEX | Prior Settlements

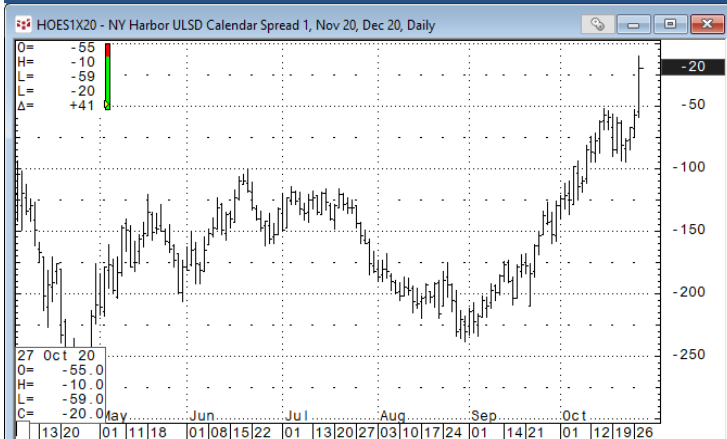
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Nov-20	1.1577	0.0359	0.0158
Dec-20	1.1590	0.0311	0.0212
Jan-21	1.1685	0.0280	0.0239
Feb-21	1.1797	0.0262	0.0258
Mar-21	1.1904	0.0251	0.0263
Apr-21	1.1977	0.0239	0.0267
May-21	1.2081	0.0227	0.0276
Jun-21	1.2188	0.0220	0.0281
Jul-21	1.2310	0.0210	0.0293
Aug-21	1.2423	0.0202	0.0305
Sep-21	1.2541	0.0196	0.0311
Oct-21	1.2659	0.0191	0.0312
Nov-21	1.2775	0.0191	0.0309
Dec-21	1.2868	0.0190	0.0305
Jan-22	1.2977	0.0187	0.0306
Feb-22	1.3052	0.0184	0.0305
Mar-22	1.3080	0.0182	0.0306

		Close	Change
Crude - WTI	Dec Brent-	\$39.5700	\$1.0100
Crude - Brent	WTI Spread	\$41.2000	\$0.7400
Natural Gas	\$1.63	\$3.0190	-\$0.0005
Gasoline		\$1.1434	\$0.0318

API Report for the Week Ending October 23, 2020

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Up 4.6 million barrels	Up 200,000/1.2 mln barrels
Cushing, OK Crude Stocks	Up 136,000 barrels	
Gasoline Stocks	Up 2.6 million barrels	Down 700,000/1 mln barrels
Distillate Stocks	Up 5.3 million barrels	Down 2.1/2.5 million barrels
Refinery Runs	Up 176,000 bpd	Up 0.5%, 72.4%
Crude Imports	Up 436,000 bpd	

November-December Heating Oil Spread



ICE December Brent-WTI Spread

