

Market Commentary

Recap: Oil futures held close to three month highs on Monday, gaining as the U.S. and China have come to an agreement on what is being referred to as phase-one of the trade talks between the two countries. January WTI held above \$60.00 for the second straight day, to close the session at \$60.21 a barrel, up 14 cents, or 0.23%. Brent for February delivery tacked on 12 cents, or 0.18% to settle at \$65.34 a barrel. January RBOB ended little changed, down 0.03% at \$1.6627 a gallon, while January heating oil added 0.9% at \$2.0045 a gallon—the highest finish for a front-month contract since Sept. 19.

Technical Analysis: WTI continues to gain ground on the 200-day moving average, which is currently set at \$60.48. We would look for the soon to expire January contract to make a run for this average. Successful breaks will open up the opportunity for a run at \$62.50, but we would expect a rough ride. Above \$62.50, additional resistance is set at \$63.64. Support is set at \$59.60 and below that at \$58.73.

Fundamental News: The EIA reported that US oil output from seven major shale formations is expected to increase about 29,000 bpd in January to about 9.14 million bpd. Output at the largest formation, the Permian Basin of Texas and New Mexico, is expected to increase by 48,000 bpd to 4.74 million bpd, while production declines are forecast in the Eagle Ford and Anadarko basins. Eagle Ford production for January is seen down 8,900 bpd at 1.357 million bpd. Bakken oil production for January is expected to increase by 3,000 bpd to 1.526 million bpd.

Four east Libyan oil terminals were reopened on Monday a day after weather conditions had forced them to be closed. The Zueitina, Brega, Ras Lanuf and Es Sider terminals were closed and reopened last week under similar conditions but production was not affected. A tanker docked at Es Sider port on Monday morning and will be loaded with a cargo of about 1 million barrels of crude oil while a gas tanker entered Zueitina port.

Libyan National Oil Corp said Libya's Al-Ghani oilfield resumed production on Monday with a rate of 5,000 bpd at the first stage. The oilfield was producing about 40,000 bpd before Islamist militants attacked in March 2015.

IIR Energy reported that US oil refiners are expected to shut in 62,000 bpd of capacity in the week ending December 20th, increasing available refining capacity by 274,000 bpd from the previous week. Offline capacity is expected to fall to 45,000 bpd in the week ending December 27th.

National Economic Council Director, Larry Kudlow, said the Phase One trade deal between the US and China has been "absolutely completed." He said US exports to China will double under the trade agreement. Under the trade agreement announced last week, the US will reduce some tariffs on Chinese imports in exchange for Chinese purchases of agricultural, manufactured and energy products increasing by about \$20 billion over the next two years.

China's State Council's customs tariff commission said it had suspended additional tariffs on some US goods that were meant to be implemented on December 15th. Separately, China's National Bureau of Statistics spokesman, Fu Linghui, said China and the US should continue bilateral trade talks and work towards removing all existing tariffs.

Early Market Call - as of 8:30 AM EDT

WTI - Jan \$60.51, up 30 cents

RBOB - Jan \$1.67, up 72 points

HO - Jan \$2.0175, up 1.32 cents

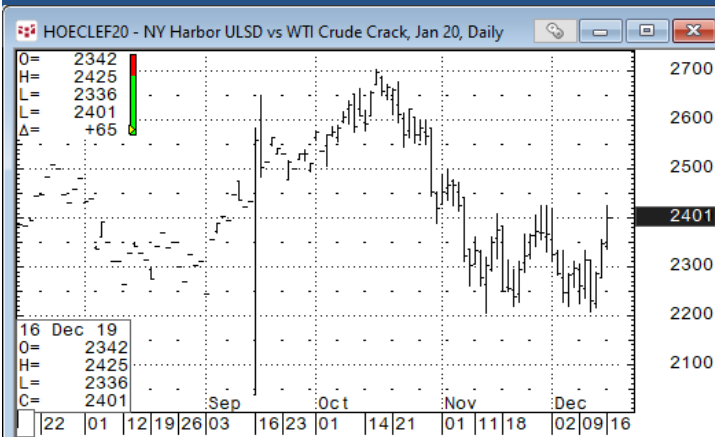
All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-20	2.0045	0.0181	-0.0603
Feb-20	2.0031	0.0171	-0.0511
Mar-20	1.9944	0.0159	-0.0581
Apr-20	1.9765	0.0153	-0.0547
May-20	1.9612	0.0139	-0.0509
Jun-20	1.9488	0.0124	-0.0474
Jul-20	1.9430	0.0113	-0.0442
Aug-20	1.9391	0.0107	-0.0417
Sep-20	1.9375	0.0105	-0.0401
Oct-20	1.9367	0.0103	-0.0393
Nov-20	1.9362	0.0100	-0.0387
Dec-20	1.9353	0.0098	-0.0382
Jan-21	1.9338	0.0096	-0.0367
Feb-21	1.9256	0.0093	-0.0346
Mar-21	1.9123	0.0090	-0.0324
Apr-21	1.8927	0.0087	-0.0305
May-21	1.8792	0.0086	-0.0285

Other Front Month NYMEX		Close	Change
Crude - WTI	Feb Brent-	\$60.1400	\$0.1600
Crude - Brent	WTI Spread	\$65.3400	\$0.1200
Natural Gas	\$5.20	\$2.3410	\$0.0450
Gasoline		\$1.6627	-\$0.0005



January Heating Oil Crack Spread



January RBOB Crack Spread

