

## Market Commentary

**Recap:** Oil futures fell on Friday, as the rise in the number of COVID-19 cases across the globe continues to weigh on demand. OPEC and its ally producers including Russia, fear a prolonged second wave of the pandemic and a jump in Libyan output could push the oil market into surplus next year, according to a confidential document seen by Reuters, a much gloomier outlook than just a month ago. However, oil prices found support for the week after Saudi Arabia and Russia reportedly reiterated their commitment to the OPEC+ production cut agreement. November WTI fell 8 cents, or 0.2%, to \$40.88 a barrel, but posted a weekly gain of 0.7%. December Brent lost 23 cents, or 0.5%, to settle at \$42.93 a barrel, up 0.2% on the week. November RBOB settled at \$1.1688 a gallon, down almost 1% and falling 2.9 on the week. November heating oil fell 0.8%, to settle at 41.1791 a gallon, down 1.1% on the week.

**Technical Analysis:** After pulling back a bit during the week, and having found support below \$40, WTI rebounded, showing continued signs of life. Although this is a supportive move, one must keep in mind longer term demand, as we approach the winter flu season, combined with the increase in the number of COVID-19 cases. Global economies are once again starting to slow, while a number of countries impose lock downs. Basis a weekly spot continuation chart, there is resistance set at \$42.47, the 50% retracement set by the April low of \$8.40 and the January high of \$76.53. Above this level, additional resistance is set at \$43.50. To the downside, support is set at \$40 and below that at \$37.50.

**Fundamental News:** U.S. energy firms this week added the most oil and natural gas rigs since January. Baker Hughes reported that the oil and gas rig count increased by 13 to 282 in the week ending October 16<sup>th</sup>. U.S. oil rigs this week posted their largest build since January, increasing by 12 to 205 this week. The number of rigs searching for gas increased by 1 to 74.

The U.S. Bureau of Safety and Environmental Enforcement said 146,866 bpd or about 8% of crude oil production in the Gulf of Mexico remained shut in after Hurricane Delta made landfall in southwest Louisiana. It also reported that 160.6 mmcf/d or 6% of natural gas output remains shut in. Between October 6<sup>th</sup> and Friday, a cumulative total of 12 million barrels of crude oil production and 11.4 billion cubic feet of natural gas has been shut due to the hurricane.

North Dakota's Industrial Commission reported that oil production in North Dakota increased by 122,000 bpd to 1.164 million bpd in August.

OPEC and its allies fear a prolonged second wave of the COVID-19 pandemic and an increase in Libya's output could push the oil market into surplus next year. A surplus could threaten plans by OPEC, Russia and allies to taper record output cuts made this year by adding 2 million bpd of oil to the market in 2021. Under its worst case scenario, the market could flip into a surplus of 200,000 bpd in 2021. It sees Libya's oil production increasing to as much as 1.1 million bpd. Under its base case, OECD oil stocks are expected to stand slightly above the five-year average in the first quarter of 2021, before falling below that level for the rest of the year. A ministerial OPEC+ panel, known as the Joint Ministerial Monitoring Committee, will consider the outlook when it meets on Monday. OPEC+ Oil Ministers are scheduled to meet again on November 30<sup>th</sup>-December 1<sup>st</sup>.

IIR Energy reported that U.S. oil refiners are expected to shut in 4.7 million bpd of capacity in the week ending October 16<sup>th</sup>, cutting available refining capacity by 133,000 bpd from the previous week. Offline capacity is expected to fall to 4.4 million bpd in the week to October 23<sup>rd</sup> and drop further to 3.7 million bpd in the subsequent week.

**Early Market Call - as of 8:35 AM EDT**

WTI - Nov \$40.70, down 18 cents

RBOB - Nov \$1.1582, down 1.06 cents

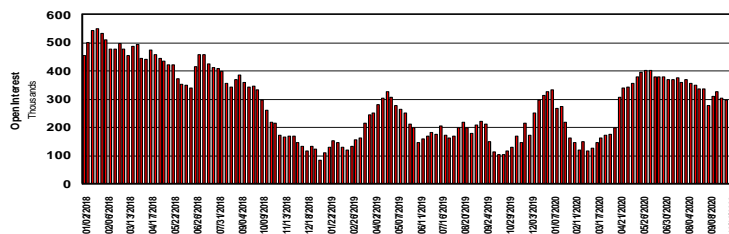
HO - Nov \$1.1690, down 1.01 cents

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Nov-20	1.1791	-0.0096	0.0142
Dec-20	1.1848	-0.0093	0.0171
Jan-21	1.1962	-0.0090	0.0182
Feb-21	1.2085	-0.0087	0.0184
Mar-21	1.2192	-0.0082	0.0180
Apr-21	1.2267	-0.0077	0.0169
May-21	1.2377	-0.0072	0.0154
Jun-21	1.2486	-0.0069	0.0150
Jul-21	1.2615	-0.0071	0.0158
Aug-21	1.2734	-0.0073	0.0165
Sep-21	1.2852	-0.0077	0.0172
Oct-21	1.2964	-0.0080	0.0174
Nov-21	1.3069	-0.0080	0.0167
Dec-21	1.3154	-0.0083	0.0163
Jan-22	1.3263	-0.0084	0.0158
Feb-22	1.3337	-0.0086	0.0152
Mar-22	1.3367	-0.0088	0.0154

		Close	Change
Crude - WTI	Dec Brent- WTI Spread \$1.81	\$41.1200	-\$0.1200
Crude - Brent		\$42.9300	-\$0.2300
Natural Gas		\$2.7730	-\$0.0002
Gasoline		\$1.1688	-\$0.0112

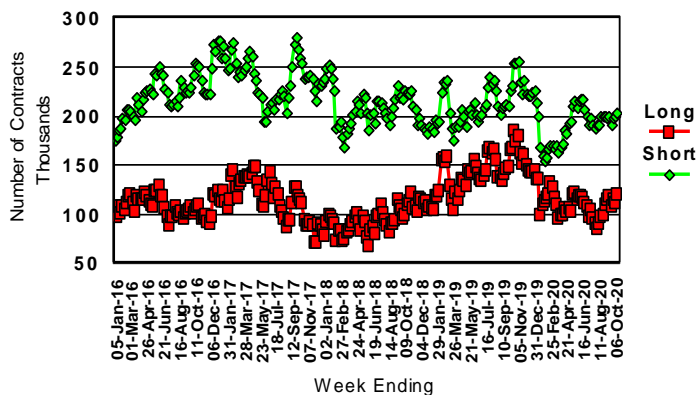
WTI Futures & Options: NYMEX & ICE Combined Managed Money Reportable Positions



## Commitment of Traders Report for the Week Ending October 13, 2020

### Producer/Merchant Heat Positons

CFTC Commitment of Traders Report



### Managed Money Heat Positons

CFTC Commitment of Traders Report

