

Market Commentary

Recap: The oil market posted an inside trading day on Wednesday after failing to breach Tuesday's trading range. The market traded higher early in the session as Saudi Arabia and other OPEC producers were seeking to persuade Russia to join them in an additional oil output cut. However, a panel of several ministers from OPEC, Russia and other producers failed to agree on whether to make additional oil output cuts as Russia's Energy Minister, Alexander Novak, left the OPEC+ joint meeting in Vienna. The crude market, which posted a high of \$48.41, erased its gains and sold off to a low of \$46.65 as the market also shrugged off a smaller than expected build in crude stocks of 785,000 barrels. The oil market later bounced off its low and traded mostly sideways ahead of the close. The April crude contract settled down 40 cents at \$46.78, while the May Brent contract settled down 73 cents at \$51.13. The product markets settled in positive territory, with the heating oil market settling up 2 points at \$1.5332 and the RBOB market settling up 2.42 cents at \$1.5555.

Technical Analysis: The crude market on Thursday is initially seen trading higher as the OPEC ministerial meeting begins. However, the market's gains will likely be limited as the market has likely already priced in an output cut of 1 million bpd following the technical panel's recommendation. The market is seen finding resistance at \$48.66, \$48.71 and the \$50.00 level. Meanwhile, support is seen at \$46.65, \$46.47, \$45.00 and \$43.32.

Fundamental News: Saudi Arabia and other OPEC members will seek to persuade Russia on Wednesday to join them in large additional oil output cuts to support prices. Later on Wednesday, an OPEC source said that a panel of several ministers from OPEC, Russia and other producers failed on Wednesday to agree on whether to make additional oil output cuts.

Iran's Oil Minister, Bijan Zanganeh, arrived in Vienna on Wednesday to attend the OPEC meeting scheduled for Thursday and Friday. He said the oil market is facing a surplus and needs to be balanced. He said based on the recommendations of the Joint Technical Committee and the secretariat, there must be a decrease of at least 500,000 bpd in oil production.

The Deputy Head of National Iranian Oil Co, Farokh Alikhani, said the coronavirus has not had any effect on oil and gas production in Iran.

Goldman Sachs lowered its Brent price outlook, saying OPEC+ output cuts and interest rate reductions by central banks would not be enough to stem a large inventory build caused by declining demand due to the coronavirus outbreak. The bank stated that Brent prices could fall to \$45/barrel in April from a previous estimate of \$53/barrel, before gradually recovering to \$60/barrel by year-end. In its second downward revision in less than a month, Goldman Sachs lowered its third- and fourth-quarter Brent price forecasts to \$53/barrel and \$59/barrel, respectively, from a previous estimate of \$60/barrel and \$65/barrel. The bank also lowered its 2020 demand forecast to show that consumption will contract by 150,000 bpd from a year ago, the lowest growth rate since the 2008 financial crisis. It is down from a previous estimate of 550,000 bpd. It cut its US shale production forecast by 150,000 bpd and 250,000 bpd in the third and fourth quarter, respectively.

Morgan Stanley cut its second quarter 2020 Brent price forecast to \$55/barrel and its WTI forecast to \$50/barrel on expectations that China's 2020 oil demand growth would be close to zero and that demand elsewhere may weaken because of the virus.

Early Market Call - as of 8:55 AM EDT

WTI - Apr \$46.55, down 23 cents

RBOB - Apr \$1.5522, up down 32 cents

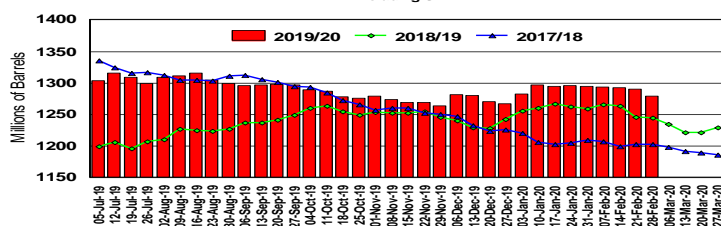
HO - Apr \$1.5160, down 1.70 cents

All NYMEX | Prior Settlements

| Month | ULSD (HO) Close | Prior Settle Change | Change In One Week |
|--------|--------------------|------------------------|-----------------------|
| Apr-20 | 1.5332 | 0.0002 | -0.0358 |
| May-20 | 1.5273 | 0.0015 | -0.0311 |
| Jun-20 | 1.5276 | 0.0025 | -0.0278 |
| Jul-20 | 1.5337 | 0.0033 | -0.0258 |
| Aug-20 | 1.5442 | 0.0037 | -0.0237 |
| Sep-20 | 1.5570 | 0.0039 | -0.0217 |
| Oct-20 | 1.5696 | 0.0041 | -0.0200 |
| Nov-20 | 1.5808 | 0.0045 | -0.0187 |
| Dec-20 | 1.5898 | 0.0050 | -0.0171 |
| Jan-21 | 1.5989 | 0.0053 | -0.0160 |
| Feb-21 | 1.6044 | 0.0056 | -0.0152 |
| Mar-21 | 1.6066 | 0.0060 | -0.0156 |
| Apr-21 | 1.6037 | 0.0062 | -0.0157 |
| May-21 | 1.6062 | 0.0064 | -0.0149 |
| Jun-21 | 1.6099 | 0.0064 | -0.0137 |
| Jul-21 | 1.6185 | 0.0065 | -0.0134 |
| Aug-21 | 1.6273 | 0.0063 | -0.0132 |

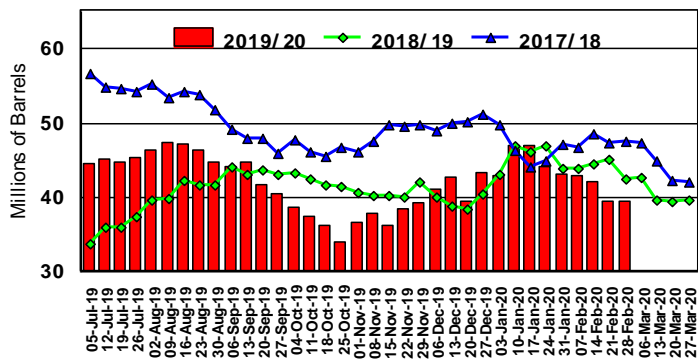
| Other Front Month NYMEX | Close | Change |
|-------------------------|-----------|-----------|
| Crude - WTI | \$46.9500 | -\$0.3800 |
| Crude - Brent | \$51.1300 | -\$0.7300 |
| Natural Gas | \$1.8270 | \$0.0270 |
| Gasoline | \$1.5555 | \$2.4200 |

Total U.S. Oil Stocks Excluding SPR



Weekly EIA Petroleum Status Report for the Week Ending February 28, 2020

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 785,000 barrels

Cushing, OK Crude Stocks Down 1.97 million barrels

Gasoline Stocks Down 4.3 million barrels

Distillate Stocks Down 4 million barrels

Refinery % Operated 86.9%, down 1%

PADD #1

| Distillate Stocks (in million bbls) | Week Ending Feb 28, 2020 | Week Ending Feb 21, 2020 | Week Ending March 1, 2019 |
|--|-----------------------------|-----------------------------|------------------------------|
| New England | 6.4 | 6.5 | 7.5 |
| Central Atlantic | 20.6 | 21.9 | 23.0 |
| Total PADD #1 | 39.4 | 39.4 | 42.4 |
| Distillate Imports (thousands b/d) | 95 | 164 | 192 |