

Market Commentary

Recap: Early in the session Brent and WTI rose to their highest levels in a month, hitting \$62.34 and \$56.92 per barrel, respectively. Pressure came as weak economic data out of China dimmed hopes for rising oil demand. Monday's move stemmed four consecutive days of gains after OPEC+ expressed the possibility of additional output cuts, while trade tensions between the U.S. and China work to keep a lid on prices. December WTI finished the session at \$55.81 a barrel, down 84 cents, or 1.50%, while December Brent fell 45 cents, or 0.73%. December RBOB ended little changed at \$1.6728 a gallon, while December heating oil declined 0.9% to \$1.9618 a gallon.

Technical Analysis: After failing to gain momentum above \$56.90, its 200-day moving average and \$56.81, the 50% retracement provided by the range between \$62.74 and \$50.89, December WTI retreated from one month highs. It appears that this market is trying to build a base above \$55.00 while making a run at the 200-day moving average and the 50% retracement mentioned above. We would look for a continued push above these two technical numbers, with successful breaks leading to a push toward \$58.21. Support is set at \$55.00 and below that at \$54.27.

Fundamental News: Genscape reported that crude oil inventories in the week ending Friday, October 25th increased by 1,510,988 barrels and by 679,857 barrels from Tuesday, October 22nd to 47,176,479 barrels.

Saudi Arabia's Energy Minister, Prince Abdulaziz Bin Salman, and his US counterpart, Rick Perry, discussed the oil markets and coordinating production between OPEC and non-OPEC producers. They stated that the two countries would work together to ensure the security of the global energy supply.

Russia's Energy Ministry said that OPEC and its non-OPEC allies would factor in the decline in US oil output growth when they meet to discuss their output agreement in December. Russia's Deputy Energy Minister, Pavel Sorokin, said it is too premature to talk about deeper production cuts.

US President Donald Trump said he expected to sign a significant part of the trade deal with China ahead of schedule but did not elaborate on the timing. Leaders of the two countries are working to agree on the text for a Phase 1 trade agreement announced by Trump on October 11th. President Trump has stated that he hopes to sign the deal with China's President Xi Jinping next month at a summit in Chile.

US Treasury Secretary, Steven Mnuchin, said that the US will increase economic pressure on Iran over its nuclear program. He made the comments to reporters standing with Israeli Prime Minister, Benjamin Netanyahu, who urged him to increase pressure on Iran.

The largest banking lenders to the US oil and gas sector are becoming more cautious, cutting their expectations for oil and gas prices that underpin loans in a move expected to put further financial stress on producers. Major banks, including JPMorgan Chase, Wells Fargo and Royal Bank of Canada have as part of regular biannual reviews, cut their estimated values for oil-and-gas companies' reserves, which serve as the basis for those companies to receive reserve-based loans. While the size of the reserve based loans market is unclear, it is estimated that a few hundred companies take such loans, with the cumulative size in the billions of dollars. Eight sources indicated larger banks have set their price decks, the industry term for the value they ascribe to hydrocarbons behind the reserve based loans, with oil between \$46 and \$51/barrel for the next five years.

Early Market Call - as of 8:45 AM EDT

WTI - Dec \$54.96 down 85 cents

RBOB - Nov \$1.6648 down 80 points

HO - Nov \$1.9394 down 2.24 cents

All NYMEX | Prior Settlements

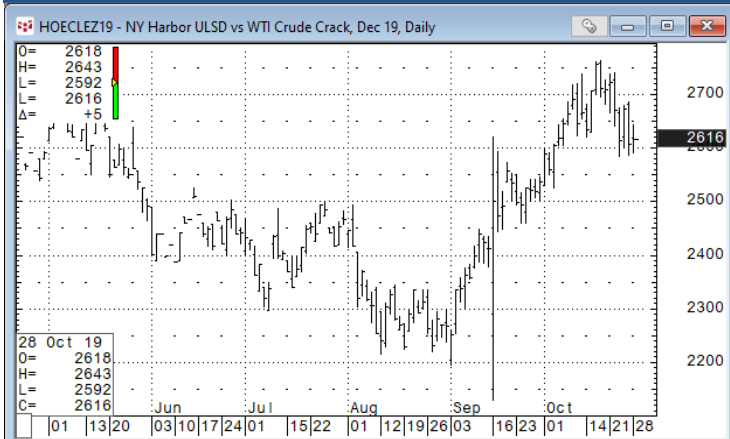
Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Nov-19	1.9618	-0.0178	-0.0212
Dec-19	1.9537	-0.0170	-0.0305
Jan-20	1.9461	-0.0163	-0.0369
Feb-20	1.9335	-0.0153	-0.0228
Mar-20	1.9154	-0.0150	-0.0415
Apr-20	1.8944	-0.0146	-0.0434
May-20	1.8806	-0.0147	-0.0440
Jun-20	1.8721	-0.0144	-0.0449
Jul-20	1.8694	-0.0142	-0.0448
Aug-20	1.8686	-0.0138	-0.0449
Sep-20	1.8695	-0.0135	-0.0448
Oct-20	1.8712	-0.0133	-0.0445
Nov-20	1.8731	-0.0132	-0.0443
Dec-20	1.8740	-0.0133	-0.0448
Jan-21	1.8739	-0.0134	-0.0440
Feb-21	1.8685	-0.0135	-0.0426
Mar-21	1.8581	-0.0137	-0.0413

Other Front Month NYMEX	Close	Change
Crude - WTI	\$55.8100	-\$0.8500
Crude - Brent	\$61.5700	-\$0.4500
Natural Gas	\$2.4460	\$0.1460
Gasoline	\$1.6728	-\$0.0002

ICE December Brent-WTI Spread



December Heating Oil Crack Spread



December RBOB Crack Spread

