

Market Commentary

Recap: Oil prices fell 5% on Thursday, reaching their lowest level in a year. Prices tumbled as the stock market sank amid heightened concern over the global economy and its impact on demand. February WTI fell \$2.50 or 5.1% to a low of \$45.67 a barrel, while February Brent slipped \$2.71, or 4.7%, to a low of \$54.53 a barrel. A midsession rebound ensued, with prices erasing half their losses however; they could not sustain enough strength to hold onto gains and therefore reverted back to the downside. February WTI settled at \$45.88 a barrel, down \$2.29, or 4.75%, while Brent for February delivery settled at \$54.35 a barrel, down \$2.89, or 5%. Oil prices are on track to experience their largest quarterly loss in four years. January RBOB fell 4.6% to \$1.322 a gallon, while January heating oil dipped 3.1% to \$1.75 a gallon.

Technical Analysis: February WTI continued its down move after breaking out of the sideways pattern, falling within 10 cents of its projected down side objective of \$45.57. This prompted a technical bounce off of the lows of the day, which took February WTI to an intermediate session high of \$46.57. Although they are set deep in oversold territory, moving oscillators are still pointing to the downside, indicating the possibility for additional moves lower. Support is set at \$45.57 and below that at \$44.00. Resistance is set at \$46.57 and \$47.50.

Fundamental News: OPEC's Secretary General, Mohammad Barkindo, said the producer group plans to release a table detailing output cut quotas for its members and allies such as Russia in an effort to support oil prices. He said that in order to reach the proposed cut of 1.2 million bpd, the effective reduction for member countries was 3.02%. It is higher than the initially discussed 2.5% as OPEC seeks to accommodate Iran, Libya and Venezuela, which are exempt from any requirement to cut. He commended Saudi Arabia for pledging to cut its output to 10.2 million bpd from January, a deeper reduction than allocated.

Oil prices have declined in the two weeks since OPEC and non-OPEC producers announced they would cut production to prevent a surplus, in contrast to the rally that followed their previous intervention. Saudi Arabia's assurance that the agreed six months of cuts will probably be extended, a pledge that comes before the deal has even started, only underscored the prevailing anxiety. The head of the oil market research at Societe Generale, Mike Wittner, said the concern is that even if OPEC and non-OPEC producers implement those cuts, it still may not be enough. By the fourth quarter of 2019, the coalition may need to almost double their planned cutback just to keep markets in equilibrium. Barclays predicts the market will rebound as lower exports percolate into stockpile data next year. The IEA predicts history will repeat itself and next year's production cuts will be effectively doubled by unintentional losses from Venezuela and the impact of US sanctions on Iran.

The head of the IEA, Fatih Birol, said the oil markets have entered an unprecedented period of volatility. US oil production is seen accelerating while output from Venezuela will continue to decline. He said he expects serious growth in US oil production until 2025. The head of the IEA also stated that he does not expect a sharp increase in oil prices in the short term, unless there are geopolitical problems.

Libya's National Oil Corp said the Sharara oilfield remains closed amid protests. It said the company is working hard to find a common solution and create appropriate security conditions to guarantee worker safety at the field. This is contrary to reports that Libya was restarting production at the 315,000 bpd El Sharara oilfield. Libya's Tripoli-based government said production at the field would resume after the prime minister visited it and persuaded protesters to end a blockage.

Early Market Call - as of 8:55 AM EDT

WTI - Feb \$45.37 down 51 cents
RBOB - Jan \$1.3019 down 2.05 cents
HO - Jan \$1.7226 down 2.71 cents

All NYMEX | Prior Settlements

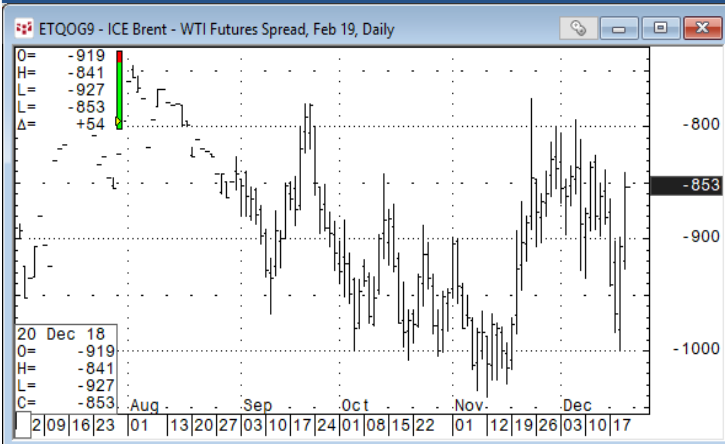
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-19	\$1.7497	-\$0.0557	-\$0.1268
Feb-19	\$1.7371	-\$0.0596	-\$0.1333
Mar-19	\$1.7229	-\$0.0595	-\$0.1384
Apr-19	\$1.7070	-\$0.0593	-\$0.1435
May-19	\$1.7046	-\$0.0589	-\$0.1445
Jun-19	\$1.7095	-\$0.0588	-\$0.1440
Jul-19	\$1.7211	-\$0.0582	-\$0.1414
Aug-19	\$1.7328	-\$0.0577	-\$0.1389
Sep-19	\$1.7452	-\$0.0571	-\$0.1369
Oct-19	\$1.7561	-\$0.0567	-\$0.1363
Nov-19	\$1.7649	-\$0.0565	-\$0.1369
Dec-19	\$1.7721	-\$0.0561	-\$0.1371
Jan-20	\$1.7789	-\$0.0555	-\$0.1361
Feb-20	\$1.7810	-\$0.0551	-\$0.1352
Mar-20	\$1.7806	-\$0.0546	-\$0.1343
Apr-20	\$1.7765	-\$0.0541	-\$0.1292
May-20	\$1.7801	-\$0.0521	-\$0.1227

Other Front Month NYMEX		Close	Change
Crude - WTI	Feb Brent-	\$45.8800	-\$2.2900
Crude - Brent	WTI Spread	\$54.3500	-\$2.8900
Natural Gas	\$8.47	\$3.5830	-\$0.1430
Gasoline		\$1.3224	-\$0.0639

EIA Working Gas Storage Report

	14-Dec-18	07-Dec-18	Change	Year Ago
East	692	732	-40	817
Midwest	841	885	-44	988
Mountain	153	160	-7	205
Pacific	227	238	-11	296
South Central	860	898	-38	1,164
Salt	262	271	-9	334
Nonsalt	598	627	-29	830
Total	2,773	2,914	-141	3,470

ICE February Brent-WTI Spread



NOAA 8-14 Day Temperature Outlook

