

Market Commentary

Recap: Oil prices were mixed on Wednesday with WTI posting losses after the EIA reported an unexpected 3.5 million barrel increase in U.S. crude oil inventories, the largest increase since November. Meanwhile, Brent held on to gains on the back of reported conflicts in the Middle East. Softening U.S. refinery demand due to poor margins is having a negative effect on prices, while Brent is gaining on the heels of attacks on Aramco and by a fire on a tanker in the region. March WTI fell 15 cents, or 0.3%, to settle at \$53.33 a barrel, while March Brent, which expires at Friday's settlement, tacked on 30 cents, or 0.5%, to end at \$59.81 a barrel. February RBOB rose 1.8¢ to \$1.5308 a gallon, while February heating oil lost 0.7¢ at \$1.7035 a gallon. The February contracts expire at the settlement on Friday.

Technical Analysis: Despite the lower settlement, March WTI continues to find support above \$52.00. Given the sharp move to the downside, we expect this market to rebound, with the \$57.00 our upside target. All things considered, and as long as this market remains above \$50.00, we expect to see WTI trade within the \$50.00 and \$58.00 range. Resistance is set at \$55.46, the current 10-day moving average and above that \$57.04, the 200-day moving average. Support is found at \$52.00 and \$50.18.

Fundamental News: The EIA reported that US crude oil stocks increased more than expected last week as refiners cut runs on the back of weakened demand for fuel, with gasoline stocks increasing to a record high. Crude inventories increased by 3.5 million barrels in the week ending January 24th to 431.7 million barrels. Refiners cut back runs sharply, with utilization rates falling by 3.3% last week to 87.2% of total capacity. US gasoline stocks built for a 12th consecutive week, increasing by 1.2 million barrels to a record high of 261.2 million barrels. Distillate stocks fell by 1.3 million barrels to 144.7 million barrels.

S&P Global Platts Analytics is forecasting a fall of 200,000 bpd in oil demand for the next two to three months, which is about 15% of the expected oil demand growth in 2020. Platts Analytics estimated that in a "worst case scenario" where the Wuhan coronavirus is as deadly and contagious as the 2003 SARS pandemic, global jet fuel demand could fall by 700,000 - 800,000 bpd. It said it is likely that the virus could cause a fall in global jet demand of 50,000 - 150,000 bpd in the next two months. Platts said global oil demand could fall by 700,000 - 800,000 bpd, reflecting more than half of the expected demand growth for 2020.

According to Platts Analytics, December was 7% warmer than the 10-year normal for the three major OECD markets of Japan, Europe and the US, cutting about 330,000 bpd of oil heat demand.

Algeria's Energy Minister, Mohamed Arkab, said it was "very possible that OPEC+ meeting could be advanced to February instead of scheduled meeting in March."

IIR Energy reported that US oil refiners are expected to shut in 578,000 bpd of capacity in the week ending January 31st, increasing available refining capacity by 505,000 bpd from the previous week. Offline capacity is expected to increase to 705,000 bpd in the week ending February 7th.

MPLX LP said the reversal of the Capline pipeline was progressing as planned, with the line on track to begin light crude service in mid-2021 and heavy crude service in 2022. The line is expected to increase flows of Canadian and Mid-Continent crude to the St. James, Louisiana market.

Early Market Call - as of 8:30 AM EDT

WTI - Mar \$52.37, down 96 cents

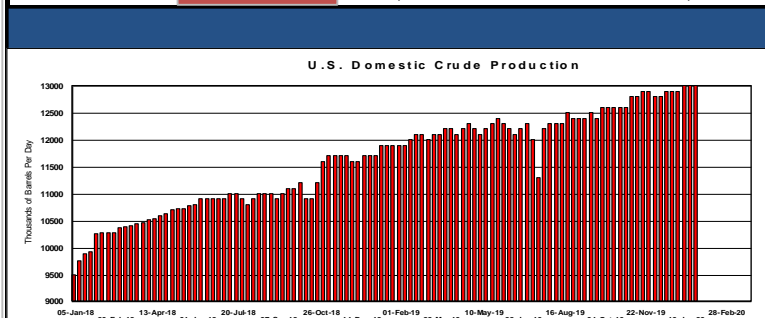
RBOB - Feb \$1.4908, down 4.02 cents

HO - Feb \$1.6637, down 3.88 cents

All NYMEX | Prior Settlements

| Month | ULSD (HO) Close | Prior Settle Change | Change In One Week |
|--------|--------------------|------------------------|-----------------------|
| Feb-20 | 1.7035 | -0.0124 | 0.0959 |
| Mar-20 | 1.7043 | -0.0119 | 0.1005 |
| Apr-20 | 1.7058 | -0.0114 | 0.1002 |
| May-20 | 1.7083 | -0.0105 | 0.0989 |
| Jun-20 | 1.7115 | -0.0094 | 0.0970 |
| Jul-20 | 1.7150 | -0.0082 | 0.0953 |
| Aug-20 | 1.7195 | -0.0069 | 0.0930 |
| Sep-20 | 1.7256 | -0.0056 | 0.0898 |
| Oct-20 | 1.7313 | -0.0045 | 0.0866 |
| Nov-20 | 1.7359 | -0.0036 | 0.0837 |
| Dec-20 | 1.7392 | -0.0033 | 0.0808 |
| Jan-21 | 1.7434 | -0.0030 | 0.0771 |
| Feb-21 | 1.7434 | -0.0029 | 0.0731 |
| Mar-21 | 1.7377 | -0.0024 | 0.0689 |
| Apr-21 | 1.7257 | -0.0017 | 0.0644 |
| May-21 | 1.7207 | -0.0009 | 0.0598 |
| Jun-21 | 1.7181 | -0.0004 | 0.0559 |

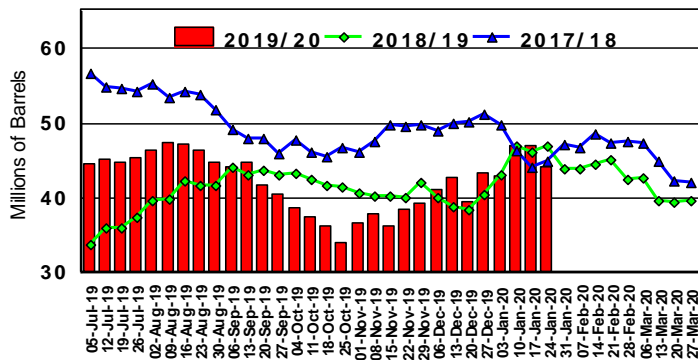
| Other Front Month NYMEX | | Close | Change |
|-------------------------|------------|-----------|-----------|
| Crude - WTI | Mar Brent- | \$53.3300 | -\$0.1500 |
| Crude - Brent | WTI Spread | \$59.8100 | \$0.3000 |
| Natural Gas | \$6.48 | \$1.8770 | -\$0.0570 |
| Gasoline | | \$1.5308 | \$0.0276 |



Weekly EIA Petroleum Status Report for the Week Ending January 24, 2020

Distillate Stocks

PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 3.548 million barrels

Cushing, OK Crude Stocks Up 758,000 barrels

Gasoline Stocks Up 1.203 million barrels

Distillate Stocks Down 1.289 million barrels

Refinery % Operated 87.2%, down 3.3%

PADD #1

| Distillate Stocks (in million bbls) | Week Ending Jan 24, 2020 | Week Ending Jan 17, 2019 | Week Ending Jan 25, 2019 |
|--|-----------------------------|-----------------------------|-----------------------------|
| New England | 7.1 | 8.1 | 8.6 |
| Central Atlantic | 24.6 | 25.2 | 25.6 |
| Total PADD #1 | 44.1 | 46.9 | 46.9 |
| Distillate Imports (thousands b/d) | 101 | 279 | 89 |