

## Market Commentary

**Recap:** Oil futures rose sharply on Wednesday after the EIA showed draws across the board in U.S. inventories. While inventories for crude oil showed a smaller than expected decline, stockpiles for gasoline and distillates fell more than expected, raising trader's hopes that demand is slowly returning. Adding support to the market was a weak dollar and favorable geopolitical developments which appear to be clearing roadblocks that have been snarling demand. February WTI added \$1.10, or 2.3%, to settle at \$48.12 a barrel, following Tuesday's 2% drop. February Brent closed up \$1.12, or 2.2%, to settle at \$51.20 a barrel. WTI is on track for a weekly slide of 2.5%, while Brent is on track for a weekly decline of 2.1%. January RBOB added 4.25 cents, or 3.2%, to settle at \$1.3820 a gallon, while January heating oil tacked on 3.59 cents, or 2.5%, to close at \$1.4975 a gallon.

**Technical Analysis:** WTI pulled back early in the session, only to find buyers underneath. At this point, traders seem determined to get this market up to the psychological resistance level of \$50, so we would expect to see buyers underneath. WTI remains in an uptrend, with a trade above \$49.43 needed for the uptrend to resume. A trade below \$45.20 will shift the short term trend to the downside, with a break below \$44.17, shifting the major trend to the downside. We would keep a close on the dollar, which has recently fallen, supporting dollar denominated commodities.

**Fundamental News:** U.S. energy firms this week added oil and natural gas rigs for a fifth consecutive week. Baker Hughes reported that the oil and gas rig count increased by 2 to 348 in the week ending December 23<sup>rd</sup>. U.S. oil rigs increased to 264 this week, the highest since mid-May, while gas rigs increased to 83, the highest since the end of April.

IIR Energy reported that U.S. oil refiners are expected to shut in 3.8 million bpd of capacity in the week ending December 25<sup>th</sup>, increasing available refining capacity by 316,000 bpd from the previous week. Offline capacity is expected to fall to 3.6 million bpd in the week ending January 1, 2021.

Mexico's Energy Ministry has approved a 60-day extension for talks between Pemex and a private consortium led by U.S.-based Talos Energy Inc over the future of a shared crude deposit. Mexico's Energy Ministry has agreed to let the parties continue negotiating through March 25<sup>th</sup>, which would determine who operates the project as well as a preliminary split of the reservoir, among other development details.

On Wednesday, the U.S. faced the prospect of a year-end government shutdown after President Donald Trump threatened to not sign an \$892 billion coronavirus relief bill, saying it should be amended to increase the amount in the stimulus checks. U.S. government operations are being funded on a temporary basis through December 28<sup>th</sup>, waiting for the \$1.4 trillion in federal spending for fiscal 2021 that is also part of the bill. Failure to either pass another stopgap bill or override a possible Trump veto of the legislation could result in a partial government shutdown. The U.S. House of Representatives and the Senate both passed the legislation overwhelmingly on Monday night. President Trump said he wants Congress to increase the amount in the stimulus checks to \$2,000 for individuals or \$4,000 for couples, instead of \$600 for individuals that is in the bill. President Trump did not say whether he would actually veto the legislation. Meanwhile, House Speaker, Nancy Pelosi, said the House could vote to increase those payments on Thursday if House Republican Leader, Kevin McCarthy, agreed to do so.

**Early Market Call - as of 8:45 AM EDT**

WTI - Feb \$47.77, down 35 cents

RBOB - Jan \$1.3724, down 96 points

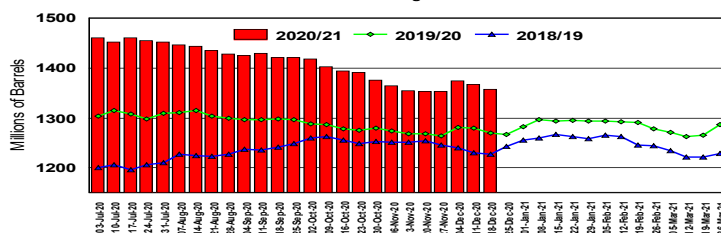
HO - Jan \$1.4869, down 1.06 cents

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-21	1.4975	0.0359	-0.0196
Feb-21	1.4979	0.0349	-0.0172
Mar-21	1.4957	0.0323	-0.0126
Apr-21	1.4935	0.0307	-0.0100
May-21	1.4934	0.0306	-0.0085
Jun-21	1.4956	0.0308	-0.0077
Jul-21	1.5002	0.0304	-0.0082
Aug-21	1.5051	0.0300	-0.0083
Sep-21	1.5104	0.0295	-0.0082
Oct-21	1.5165	0.0289	-0.0079
Nov-21	1.5228	0.0285	-0.0080
Dec-21	1.5276	0.0281	-0.0084
Jan-22	1.5335	0.0276	-0.0088
Feb-22	1.5347	0.0270	-0.0090
Mar-22	1.5315	0.0262	-0.0097
Apr-22	1.5226	0.0252	-0.0100
May-22	1.5196	0.0246	-0.0117

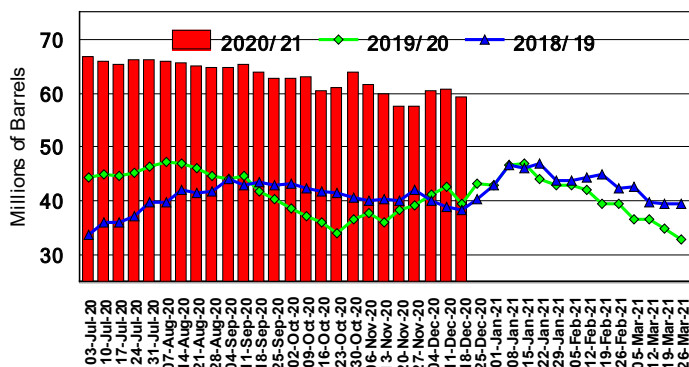
		Close	Change
Crude - WTI	Feb Brent- WTI Spread \$3.08	\$48.1200	\$1.1000
Crude - Brent		\$51.2000	\$1.1200
Natural Gas		\$2.6080	-\$0.1720
Gasoline		\$1.3820	\$0.0425

**Total U.S. Oil Stocks**  
Excluding SPR



## Weekly EIA Petroleum Status Report for the Week Ending December 18, 2020

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Down 562,000 barrels

Cushing, OK Crude Stocks Down 26,000 barrels

**Gasoline Stocks** Down 1.125 million barrels

**Distillate Stocks** Down 2.325 million barrels

**Refinery % Operated** 78%, Down 1.1%

### PADD #1

Distillate Stocks (in million bbls)	Week Ending Dec 18, 2020	Week Ending Dec 11, 2020	Week Ending Dec 19, 2019
New England	12.1	12.0	7.6
Central Atlantic	34.0	34.3	20.8
Total PADD #1	59.3	60.9	39.4
Distillate Imports (thousands b/d)	434	404	237