

## Market Commentary

**Recap:** After climbing higher in overnight trading, oil prices slipped after the EIA report showed larger than expected builds in both gasoline and heating oil stockpiles. Gasoline stocks increase 7.5 million barrels and are now set at 255.6 million barrels, the highest weekly level since February 2017. Distillate stocks increased 3 million barrels. Blossoming product stockpiles negated the 2.7 million barrel draw in crude oil inventories.

February WTI slipped to a low of \$51.26, holding just above \$51.22, the 50-day moving average. With the February options expiring today, this spot contract gained traction to recapture the \$52.00 level, with put and calls for that strike holding a combined open interest of 17,277 contracts. A late session rally erased earlier losses, with February WTI settling at \$52.31 a barrel, up 20 cents, or 0.38%. March Brent added 68 cents, or 1.1%, to \$61.32 a barrel. February RBOB added 0.3% to \$1.416 a gallon, while February heating oil rose 1.2% to \$1.895 a gallon.

**Technical Analysis:** February WTI traded sideways for the 6<sup>th</sup> straight trading session, and continued to hold above the 10-day moving average as it appears to be forming the right shoulder of the inverse head and shoulders pattern we wrote about on Tuesday. Resistance is set at \$53.30 and \$54.55. To the downside support is set at \$51.22 and \$50.48, the current 50 and 10-day moving averages respectively.

**Fundamental News:** The EIA reported that the US will be a net exporter of crude and refined products as soon as September 2020 and by the end of next year will be shipping at least 1 million bpd more than it brings in.

Genscape reported that Canadian crude stocks, including diluent stocks, reached a record high of 37.078 million barrels in the week ending January 4<sup>th</sup>.

Goldman Sachs equity research forecast Brent crude prices at \$60 to \$65/barrel in 2019-2020.

Citi raised its 2019 Brent crude price forecast to \$62/barrel from \$60/barrel. The bank sees the potential for a tight moment at the end of 2019 due to new lows in global oil inventories. Analysts expect stock builds in 2020, however, even if OPEC maintains output cuts to the end of next year.

Mexico's President, Andres Manuel Lopez Obrador, said the country imported about 300,000 barrels of crude in December.

Rystad Energy stated that US shale production is expected to increase by 1.5 million bpd through 2020 amid a decline in drilling activity. Drilling activity was flat in 2018 and is forecast to fall by 10% on the year in 2019.

The research unit of China National Petroleum Corp said that the country's crude oil output is set to remain flat in 2019 while its natural gas demand is forecast to increase by 11%. China's crude oil output will stabilize at 190 million tons in 2019, unchanged on the year. Its apparent oil demand is expected to increase by 6.9% on the year to 668 million tons in 2019.

Meanwhile, diesel consumption is expected to fall to 158 million tons from 159.8 million tons last year, while gasoline demand is seen increasing by 3.6% to 131.9 million tons.

IIR Energy reported that US oil refiners are expected to shut in 660,000 bpd of capacity in the week ending January 18<sup>th</sup>, increasing available refining capacity by 37,000 bpd from the previous week. IIR expects offline capacity to increase to 1.2 million bpd in the week ending January 25<sup>th</sup>.

**Early Market Call - as of 8:20 AM EDT**

WTI - Feb \$51.16, down \$1.16

RBOB - Feb \$1.3848, down 3.1 cents

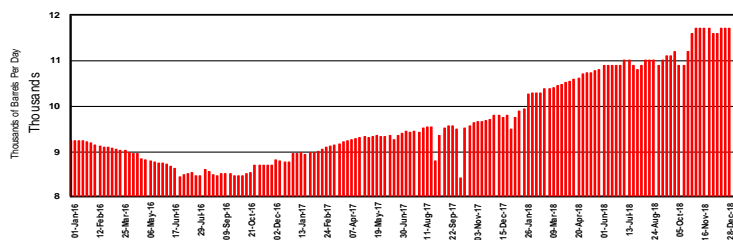
HO - Feb \$1.8598, down 3.5 cents

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-19	\$1.8946	\$0.0224	\$0.0138
Mar-19	\$1.8885	\$0.0235	\$0.0137
Apr-19	\$1.8743	\$0.0240	\$0.0113
May-19	\$1.8705	\$0.0240	\$0.0109
Jun-19	\$1.8738	\$0.0244	\$0.0100
Jul-19	\$1.8823	\$0.0249	\$0.0090
Aug-19	\$1.8908	\$0.0252	\$0.0084
Sep-19	\$1.9002	\$0.0251	\$0.0084
Oct-19	\$1.9094	\$0.0247	\$0.0085
Nov-19	\$1.9181	\$0.0243	\$0.0091
Dec-19	\$1.9256	\$0.0241	\$0.0092
Jan-20	\$1.9320	\$0.0239	\$0.0091
Feb-20	\$1.9326	\$0.0237	\$0.0094
Mar-20	\$1.9294	\$0.0235	\$0.0098
Apr-20	\$1.9209	\$0.0228	\$0.0078
May-20	\$1.9201	\$0.0222	\$0.0064
Jun-20	\$1.9215	\$0.0209	\$0.0023

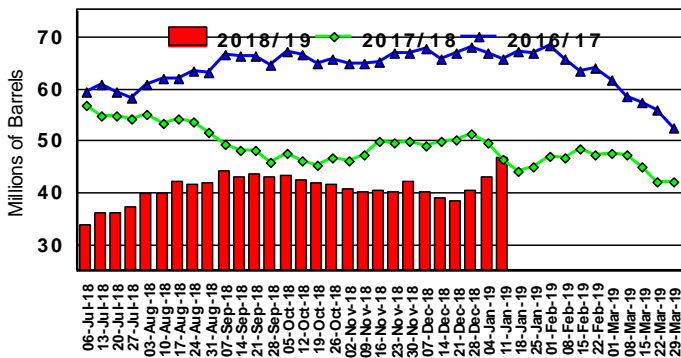
Other Front Month NYMEX		Close	Change
Crude - WTI	Mar Brent- WTI Spread \$8.71	\$52.6100	\$0.2200
Crude - Brent		\$61.3200	\$0.6800
Natural Gas		\$3.3840	-\$0.1170
Gasoline		\$1.4159	\$0.0045

### U.S. Domestic Crude Production



## EIA Weekly Petroleum Status Report for the Week Ending January 11, 2019

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Down 2.683 million barrels

Cushing, OK Crude Stocks Down 743,000 barrels

**Gasoline Stocks** Up 7.503 million barrels

**Distillate Stocks** Up 2.967 million barrels

**Refinery % Operated** 94.6%, Down 1.5%

#### PADD #1

Distillate Stocks (in million bbls)	Week Ending Jan 11, 2019	Week Ending Jan 4, 2019	Week Ending Jan 12, 2018
New England	8.9	8.0	6.7
Central Atlantic	25.2	22.5	26.5
Total PADD #1	46.8	43.1	46.3
Distillate Imports (thousands b/d)	314	234	101