

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil futures bounced back on Tuesday, with WTI trading above \$50 a barrel for the first time since February, as OPEC and its allies agreed to roll over current production cuts into February, but with Saudi Arabia voluntarily taking a larger reduction. In its December meeting OPEC and its allies had voted to relax curbs by 500,000 barrels per day beginning on Jan. 1 to 7.2 million barrels per day. The decision to roll over the cuts comes as the coronavirus forces renewed lockdowns across the globe, as the virus continues to spread out of control. Oil prices jumped by almost 5%, with February WTI gaining \$2.31, or 4.9%, to settle at \$49.93 a barrel, while March Brent added \$2.51, or 4.9%, to close at \$53.60 a barrel. February RBOB rose 4% to \$1.4284 a gallon. Gains were pared in post settlement trading after the API reported and February heating oil added 3.3% to \$1.5105 a gallon.

Market Outlook: February WTI blew through its 10-day moving average taking out Monday's high of \$49.83 to confirm a swing to the upside in this market. In the short term, we would look for a run toward the February 2020 highs, with \$53.85 being our target. This may seem a bit aggressive, but now that traders got this market up to its current level, we believe the upside will gain enough momentum to reach our target, but would re-evaluate at that time. To the downside, there is support set at \$47.18, with a break below \$46.30 shifting the trend to the downside

Fundamental News: The OPEC+ group of oil producers agreed to roll over existing oil output levels into February but with Saudi Arabia voluntarily cutting its production below its quota and Russia and Kazakhstan increasing their output. OPEC+ will increase oil production by 75,000 bpd in February and another 75,000 bpd in March on the back of higher Russian and Kazakh production. Russia and Kazakhstan may be allowed to increase oil output in February by 70,000 bpd and 10,000 bpd, respectively. Saudi Arabia's Energy Minister, Prince Abdulaziz bin Salman, said Saudi Arabia will make additional, voluntary cuts totaling 1 million bpd in February and in March. Russia's Energy Minister, Alexander Novak, said output rises need to be taken very carefully. He said oil demand is on a recovery path. Earlier, OPEC+ sources said that Russia and Kazakhstan supported raising production by 500,000 bpd while Iraq, Nigeria and the United Arab Emirates suggested holding output steady. An internal OPEC document suggested a 500,000 bpd cut in February as part of several scenarios considered for 2021. The document also said that the OPEC+ joint ministerial committee highlighted bearish risks and "stressed that the reimplemention of COVID-19 containment measures across continents, including full lockdowns, are dampening the oil demand rebound in 2021".

Moody's said the global oil and natural gas industry will keep costs low in 2021, with an eye on energy transition. It said the economic strain of the 2020 pandemic will compel integrated oil companies to continue efforts to limit capital investments and preserve cash in 2021. It said the exploration and production sector will continue to heal in 2021 from a downturn with low capital spending keeping growth in check. Moody's said refiner will struggle to generate positive free cash flow in 2021, with weak margins amid recovering demand and excess supply. Platts is estimating that US Gulf Coast middle distillate shipments set to land in Europe in January is estimated currently to be at least 340,000 mt, some 21% higher than recorded in December.

U.S. manufacturing activity increased to its highest level in nearly 2-1/2 years in December. The Institute for Supply Management said its index of national factory activity rebounded to a reading of 60.7 in December. It was the highest level since August 2018 and followed a 57.5 reading in November.

Early Market Call - as of 8:25 AM EDT

WTI - Feb \$49.98, up 5 cents
 RBOB - Feb \$1.4565, up 44 points
 HO - Feb \$1.5175, down 14 points

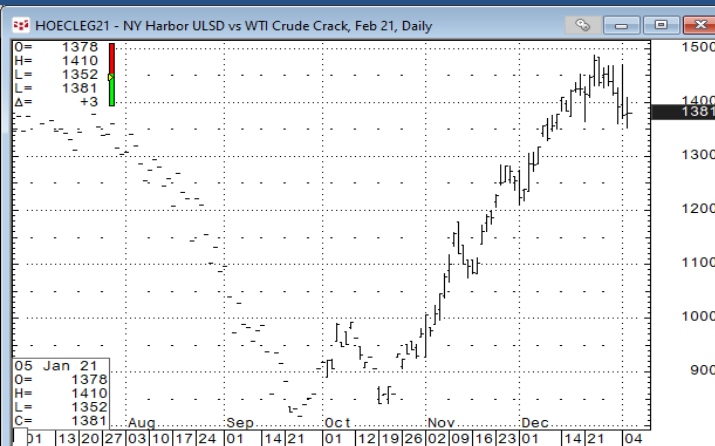
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-21	\$1.5189	\$0.0569	-\$0.0312
Mar-21	\$1.5209	\$0.0569	-\$0.0338
Apr-21	\$1.5209	\$0.0569	-\$0.0348
May-21	\$1.5216	\$0.0567	-\$0.0351
Jun-21	\$1.5258	\$0.0560	-\$0.0359
Jul-21	\$1.5324	\$0.0559	-\$0.0374
Aug-21	\$1.5385	\$0.0555	-\$0.0383
Sep-21	\$1.5453	\$0.0553	-\$0.0390
Oct-21	\$1.5519	\$0.0551	-\$0.0383
Nov-21	\$1.5576	\$0.0547	-\$0.0374
Dec-21	\$1.5618	\$0.0544	-\$0.0367
Jan-22	\$1.5674	\$0.0536	-\$0.0363
Feb-22	\$1.5687	\$0.0527	-\$0.0361
Mar-22	\$1.5642	\$0.0514	-\$0.0345
Apr-22	\$1.5544	\$0.0500	-\$0.0331
May-22	\$1.5507	\$0.0485	-\$0.0315
Jun-22	\$1.5492	\$0.0473	-\$0.0307

		Close	Change
Crude - WTI	Mar Brent- WTI Spread \$3.59	\$50.0100	\$2.2500
Crude - Brent		\$53.6000	\$2.5100
Natural Gas		\$2.7020	\$0.1210
Gasoline		\$1.4521	\$0.0792

API Report for the Week Ending December 31, 2020

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Down 1.7 million barrels	Down 4.4 million barrels
Cushing, OK Crude Stocks	Up 1.1 million barrels	
Gasoline Stocks	Up 5.5 million barrels	Up 1.4 million barrels
Distillate Stocks	Up 7.1 million barrels	Up 1.2 million barrels
Refinery Runs	Up 77,000 bpd	Up 0.5%, at 79.9%
Crude Imports	Down 208,000 bpd	

February Heating Oil Crack Spread



February RBOB Crack Spread

