

## Market Commentary

## All NYMEX | Prior Settlements

**Recap:** Oil prices slipped as much as 3% as the International Energy Agency forecasted a surplus in supplies and as demand worries overshadowed concern over disruptions to Libya's crude output. Adding pressure to the market is the spreading of the coronavirus, which originated in China. The spreading of this virus could have an adverse effect on oil demand as travel restrictions could be imposed. March WTI sank to a low of \$56.58 a barrel, down \$1.78, while Brent for March delivery hit a session low of \$62.94, down \$1.65, or .25%. Losses were slightly pared, with March falling \$1.64, or 2.8%, to settle at \$56.74. That was the lowest settlement for a front-month contract since Dec. 3, according to Dow Jones Market Data. March Brent lost \$1.38, or 2.1%, to finish at \$63.21 a barrel, the lowest since Dec. 4. February RBOB fell 3.5% to \$1.5796 a gallon, while February heating oil dropped 1.6% to \$1.8002 a gallon.

**Technical Analysis:** March WTI blew through \$57.20 the 200-day moving average and for the first time since December 31, settled below \$57.79, the 50% retracement set by the January high of \$65.40 and the October low of \$50.18. At this point in time, WTI has the potential to work lower, with the possibility of reaching \$55.99, the 62% retracement of the aforementioned range. Resistance is set at \$57.20 the 200-day moving average and above that at \$57.79.

**Fundamental News:** IIR Energy reported that US oil refiners are expected to shut in 1.012 million bpd of capacity in the week ending January 24<sup>th</sup>, cutting available refining capacity by 466,000 bpd from the previous week. Offline capacity is expected to fall to 578,000 bpd in the week ending January 31<sup>st</sup>.

Euroilstock reported that European refinery output in December increased by 4.4% on the month but fell by 2.8% on the year to 10.788 million bpd. European gasoline output in December increased by 1.9% on the month but fell by 6.3% on the year to 2.425 million bpd, while its middle distillates output increased by 3.1% on the month but fell by 3.2% on the year to 5.641 million bpd and its fuel oil output increased by 5.7% on the month but fell by 12.5% on the year to 1.04 million bpd. Euroilstock also reported that European refinery crude intake in December increased by 5.7% on the month but fell by 1.6% on the year to 10.458 million bpd.

The EIA reported that US oil and natural gas output in major shale formations is expected to increase by the smallest rate in about a year in February to record highs. Shale output is expected to increase by about 22,000 bpd in February to about 9.2 million bpd, which would be the smallest monthly increase since production declined in February 2019.

Royal Dutch Shell's Nigerian subsidiary SPDC declared force majeure on Bonny Light crude oil exports effective from January 20<sup>th</sup>. A spokesman said the decision came after the shutdown of the Nembe Creek Trunk Line and declaration of a force majeure by the pipeline's operator, Aiteo.

US President, Donald Trump, told CNBC in an interview that the US's economy would be growing at a pace of near 4% if it wasn't for the lingering effect of Federal Reserve rate hikes. Separately, President Donald Trump threatened to impose high tariffs on imports of cars from the European Union if the bloc does not agree to a trade deal. He said the tariffs on EU cars could amount to 25%. In regards to the coronavirus outbreak, President Trump said that the US has a plan in place to contain it.

Iran's President, Hassan Rouhani, said Iran will never seek nuclear weapons, with or without a nuclear deal, calling on European powers to avoid Washington's mistake of violating the 2015 nuclear deal with major powers.

**Early Market Call - as of 8:40 AM EDT**

**WTI - Mar \$55.70, down \$1.03**

**RBOB - Feb \$1.5590, down 1.96 cents**

**HO - Feb \$1.7698, down 3.02 cents**

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-20	1.8002	-0.0290	0.0731
Mar-20	1.8048	-0.0299	0.0774
Apr-20	1.8060	-0.0302	0.0705
May-20	1.8072	-0.0303	0.0629
Jun-20	1.8085	-0.0301	0.0563
Jul-20	1.8103	-0.0300	0.0520
Aug-20	1.8125	-0.0296	0.0482
Sep-20	1.8154	-0.0287	0.0450
Oct-20	1.8179	-0.0271	0.0417
Nov-20	1.8196	-0.0258	0.0389
Dec-20	1.8200	-0.0247	0.0371
Jan-21	1.8205	-0.0238	0.0358
Feb-21	1.8165	-0.0228	0.0343
Mar-21	1.8066	-0.0219	0.0336
Apr-21	1.7901	-0.0205	0.0318
May-21	1.7805	-0.0188	0.0302
Jun-21	1.7740	-0.0176	0.0297

Other Front Month NYMEX		Close	Change
Crude - WTI	Mar Brent-	\$56.7400	-\$1.6400
Crude - Brent	WTI Spread	\$63.2100	-\$1.3800
Natural Gas	\$6.47	\$1.9050	\$0.0100
Gasoline		\$1.5796	-\$0.0569

### API Report for the Week Ending January 17, 2019

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Up 1.6 million barrels	Up 500,000 barrels
Cushing, OK Crude Stocks	Down 429,000 barrels	
Gasoline Stocks	Up 4.5 million barrels	Up 3.3 million barrels
Distillate Stocks	Up 3.5 million barrels	Up 1.6 million barrels
Refinery Runs	Down 24,000 b/d	Down 1.1% at 91.1%

## March Heating Oil Crack Spread

## March RBOB Crack Spread

