

Market Commentary

Recap: Oil futures rose to their highest level in over a year on Tuesday, propelled higher by expectations that efforts to cut output by OPEC and other major producers will aid in reducing supplies and help push the market in to a supply shortage. According to reports, the producer alliance's Joint Technical Committee, which held a meeting Tuesday, expects the year's oil market deficit to peak at 2 million barrels per day by May. March WTI settled at \$54.76 a barrel, up \$1.21, or 2.3%, while Brent for April delivery settled at \$57.46 a barrel, up \$1.11, or 1.97%. March RBOB added 1.6%, to settle at \$1.6160 a gallon, while March heating oil closed up 1.7%, at \$1.6746 a gallon.

Market Outlook: March WTI pushed passed the key psychological resistance level of \$55, to peak the session at \$55.26 before paring gains to settle below \$55. Buying on dips seems to be the preferred method of trading right now, as traders appear to be shrugging off COVID related demand concerns. If OPEC and its allies are compliant with production cuts and inventories continue to show signs of dropping, this market could gain enough momentum above \$55, and we may possibly see \$57.40. Looking at the charts, there is plenty of room to the upside, making the likelihood of this happening greater. Support is set at \$53.05 and below that at \$51.45.

Fundamental News: The OPEC+ Joint Technical Committee forecast that OECD oil inventories will fall below the 5-year average level in June. It estimates that global oil stocks will fall at an average rate of 1.1 million bpd in 2021. It also estimates that OPEC production will increase by 500,000 bpd in each month from April to June as the group phases out cuts.

According to an OPEC document, deep production cuts by oil producers will turn the market into deficit during 2021, despite cutting the global oil demand forecast due to rising lockdowns to contain the coronavirus. OPEC sees global oil demand at 97.9 million bpd in December 2021 under a base scenario. The 2021 oil demand growth estimate was cut to 5.6 million bpd, down from 5.9 million bpd in the January OPEC report. Under the base case scenario, the oil market deficit will reach a peak of 2 million bpd in May. Under an alternate, lower demand scenario, the market would have a 600,000 bpd surplus in April 2021 and a 100,000 bpd surplus in December 2021. OPEC+ experts see oil stocks falling every month of 2021, falling by a total of 406 million barrels in 2021 under a base case scenario.

LOOP reported that over 650,000 barrels of sour crude oil was delivered from the LOOP in January, an increase of 430,000 barrels from the prior month. Monthly LOOP Sour deliveries have increased since October, and January represented the most deliveries since August.

Platts Analytics expects that Permian crude oil production will continue to fall into 2Q2021 as natural declines outpace new wells. Platts though expects production to rebound during the second half of the year, causing Permian production to end the year slightly higher than it did at the end of 2020. Annual average production in 2021 though is expected to be some 360,000 b/d lower year on year.

Early Market Call - as of 9:10 AM EDT

WTI - Mar \$55.36, up 61 cents

RBOB - Mar \$1.6459, up 2.99 cents

HO - Mar \$1.6869, up 1.23 cents

All NYMEX | Prior Settlements

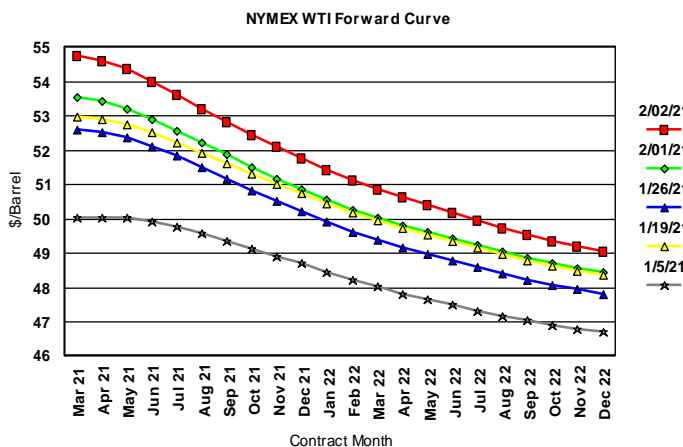
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-21	\$1.6746	\$0.0277	-\$0.0762
Mar-21	\$1.6658	\$0.0274	-\$0.0702
Apr-21	\$1.6612	\$0.0269	-\$0.0669
May-21	\$1.6591	\$0.0264	-\$0.0649
Jun-21	\$1.6603	\$0.0261	-\$0.0624
Jul-21	\$1.6622	\$0.0253	-\$0.0598
Aug-21	\$1.6658	\$0.0245	-\$0.0577
Sep-21	\$1.6698	\$0.0237	-\$0.0558
Oct-21	\$1.6723	\$0.0232	-\$0.0544
Nov-21	\$1.6725	\$0.0226	-\$0.0532
Dec-21	\$1.6739	\$0.0220	-\$0.0516
Jan-22	\$1.6722	\$0.0211	-\$0.0503
Feb-22	\$1.6651	\$0.0201	-\$0.0501
Mar-22	\$1.6509	\$0.0191	-\$0.0488
Apr-22	\$1.6437	\$0.0180	-\$0.0475
May-22	\$1.6389	\$0.0173	-\$0.0464
Jun-22	\$1.6395	\$0.0167	-\$0.0456

Sprague HeatCurve October 2021-April 2022			\$1.6695
		Close	Change
Crude - WTI	Mar Brent-WTI Spread \$2.84	\$54.6200	\$1.2000
Crude - Brent		\$57.4600	\$1.1100
Natural Gas		\$2.8450	-\$0.0050
Gasoline		\$1.6160	\$0.0259

API Report for the Week Ending January 29, 2021

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Down 4.3 million barrels	Up 400,000 barrels
Cushing, OK Crude Stocks	Down 1.9 million barrels	
Gasoline Stocks	Down 240,000 barrels	Up 1.1 million barrels
Distillate Stocks	Down 1.6 million barrels	Down 400,000 barrels
Refinery Runs	Up 69,000 bpd	Up 0.1%
Crude Imports	Up 66,000 bpd	

WTI Forward Curve



8-14 Day Weather Forecast

