

Market Commentary

Recap: Oil futures rose to their highest level in 10-months, after Saudi Arabia announced that it would voluntarily cut output, and as U.S. crude oil inventories fell for the fourth straight week. The Saudi Oil Minister said that his country would cut output by an additional 1 million barrels per day. Crude inventories fell by 8 million barrels in the week to Jan. 1 to 485.5 million barrels, exceeding analysts' expectations in a Reuter's poll for a 2.1 million-barrel drop. The drop in crude stocks is typical for the end of the year, when energy companies take barrels out of storage to avoid hefty tax bills. February WTI settled at \$50.63 a barrel, up 70 cents, or 1.4%, while Brent for March delivery also added 70 cents, or 1.31%, to settle at \$54.30 a barrel. February RBOB added 2.29 cents, to settle at \$1.4750 a gallon, while February heating oil tacked on .0098, to settle at \$1.5287 a gallon.

Technical Analysis: The main trend in the oil market remains to the upside, but this market appears to be having difficulty gaining momentum above the \$50 level. At this time, we would expect to see buyers lurking underneath this market on any pullbacks. With the U.S. dollar and the price of crude oil having a negative correlation, we would keep a close eye on the dollar. Traders will also be awaiting Friday's job report, hoping to gain support. Resistance rests at \$51.40 and above that at \$52.50. Support is seen at \$48.72 and below that at \$47.18.

Fundamental News: According to a Reuters survey, OPEC's oil output increased for a sixth consecutive month in December, due to a further recovery in Libyan production and smaller rises elsewhere in the group. The 13-member OPEC produced 25.59 million bpd of crude in December, up 280,000 bpd from November and a further increase from a 30-year low reached in June. OPEC's output is expected to increase further in January after OPEC+ agreed to ease output cuts. In December, the largest supply increase came from Libya, an OPEC member which is exempt from OPEC+ cuts. Libya's production increased by 150,000 bpd in December to 1.25 million bpd. The OPEC producers bound by the supply agreement also increased their output in December, cutting their compliance with agreed output cuts to 99% from 102% in November. The UAE increased its supply by 70,000 bpd while smaller increases in Iraq, Nigeria and Angola added further to supply from the 10 members bound by quotas. Saudi Arabia kept its output unchanged in December.

IIR Energy reported that U.S. oil refiners are expected to shut in 2.82 million bpd of capacity in the week ending January 8th, increasing available refining capacity by 943,000 bpd from the previous week. Offline capacity is expected to fall to 2.6 million bpd in the week through January 15th.

Goldman Sachs said in a note that Saudi Arabia's pledge to cut its oil output by more than required under its pact with other OPEC+ producers points to weakening oil demand following new COVID-19 lockdowns and sets the stage for a tighter market in the second quarter. Goldman analysts said their updated first-quarter 2021 market balance outlook had weakened and that the latest OPEC+ plans point to a surplus of 250,000 bpd versus a deficit previously. Goldman expects sustained backwardation and lower implied volatility and sees year-end Brent prices at \$65/barrel.

The ADP National Employment Report showed that private payrolls fell by 123,000 jobs in December. That was the first decline in private payrolls since April. Data for November was revised slightly lower to show 304,000 jobs added instead of the initially reported 307,000.

Early Market Call - as of 8:40 AM EDT

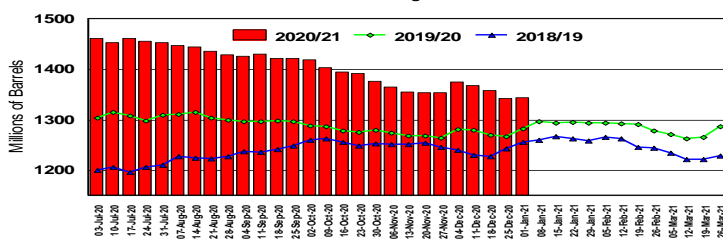
WTI - Feb \$50.73, up 10 cents
 RBOB - Feb \$1.4720, down 30 points
 HO - Feb \$1.5335, up 46 points

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-21	1.5287	0.0098	-0.0369
Mar-21	1.5302	0.0093	-0.0389
Apr-21	1.5298	0.0089	-0.0395
May-21	1.5305	0.0089	-0.0397
Jun-21	1.5343	0.0085	-0.0397
Jul-21	1.5400	0.0076	-0.0403
Aug-21	1.5455	0.0070	-0.0407
Sep-21	1.5519	0.0066	-0.0411
Oct-21	1.5582	0.0063	-0.0404
Nov-21	1.5636	0.0060	-0.0394
Dec-21	1.5674	0.0056	-0.0382
Jan-22	1.5728	0.0054	-0.0374
Feb-22	1.5741	0.0054	-0.0372
Mar-22	1.5687	0.0045	-0.0349
Apr-22	1.5578	0.0034	-0.0327
May-22	1.5532	0.0025	-0.0307
Jun-22	1.5506	0.0014	-0.0286

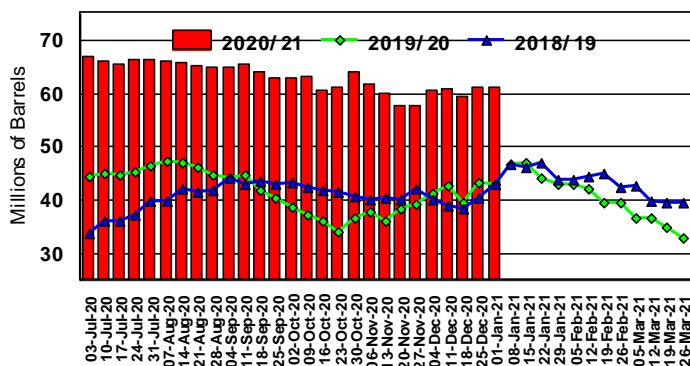
		Close	Change
Crude - WTI	Mar Brent- WTI Spread \$3.61	\$50.6900	\$0.6800
Crude - Brent		\$54.3000	\$0.7000
Natural Gas		\$2.7160	\$0.0140
Gasoline		\$1.4750	\$0.0229

Total U.S. Oil Stocks
Excluding SPR



Weekly EIA Petroleum Status Report for the Week Ending December 31, 2020

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 8.01 million barrels
 Cushing, OK Crude Stocks Up 792,000 barrels
Gasoline Stocks Up 4.519 million barrels
Distillate Stocks Up 6.39 million barrels
Refinery % Operated 80.7%, Up 1.3%

PADD #1

Distillate Stocks (in million bbls)	Week Ending Jan 1, 2021	Week Ending Dec 25, 2020	Week Ending Jan 3, 2020
New England	12.1	11.9	8.3
Central Atlantic	33.6	34.1	23.2
Total PADD #1	61.1	61.1	42.9
Distillate Imports (thousands b/d)	293	609	240