

Market Commentary

Recap: Oil prices plummeted on Wednesday, with Brent futures sinking to their lowest level in four months, as the number of coronavirus cases continued to climb and after the EIA reported the largest weekly increase in U.S. crude oil inventories since July. The decline in oil prices reflected pressure felt in other risk-asset markets, as traders sought relief in the U.S. dollar. December WTI fell \$2.18, or 5.5%, to settle at \$37.39 a barrel, the lowest front month settlement since October 2. Brent for December delivery lost \$2.08, or nearly 5.1%, to settle at \$39.12 a barrel, the lowest settlement for a spot contract since June 12. November RBOB fell 5.4%, to \$1.0814 a gallon, the lowest spot month settlement since June 1. November heating oil slipped 3.8%, to \$1.1142 a gallon.

Technical Analysis:

The main trend for oil has shifted to the downside, with a trade above \$41.90 needed to reverse this change. A move below \$36.93 will help accelerate a move to the downside, with \$35.72 the initial downside objective, and additional support set at the May low of \$34.45. A break below the May low could see a drop toward the \$30 level. With the overall fundamentals looking bearish as well, a push toward these levels should prompt OPEC+ to take action.

Fundamental News: The EIA reported that U.S. crude oil production increased by 1.2 million bpd, the largest weekly gain on record. Crude output increased to 11.1 million bpd, the highest level since July.

The U.S. Department of Interior reported that U.S. Gulf of Mexico offshore oil output fell by 1.23 million barrels or 67% of the region's daily production as of Wednesday, as Hurricane Zeta neared the Gulf Coast. Producers evacuated staff from 231 platforms and drilling rigs in the Gulf of Mexico as of midday on Wednesday. Producers halted some 44.5% of offshore natural gas production, or 1.20 billion cubic feet per day.

U.S. Energy Secretary, Dan Brouillette, said he is not sure that U.S. oil production will return soon to the 13 million bpd level it reached earlier this year due to weak demand caused by the coronavirus pandemic. He said there does not seem to be enough consumer demand to increase production and added that U.S. crude production could be around 11 million bpd next year.

The head of Saudi Aramco's trading arm, Ibrahim Al-Buainain, said OPEC and its allies will have to contend with a "lot of demand issues" before increasing production in January 2021, given throughput cuts by oil refiners. OPEC and its allies plan to raise production by 2 million bpd starting in January after record output cuts this year as the coronavirus pandemic lowered demand, taking overall reductions to about 5.7 million bpd. He said "we see stress in refining margins and see a lot of refineries either cutting their refining capacity to 50-60% or a lot of refineries closing."

IIR Energy reported that U.S. oil refiners are expected to shut in 4.1 million bpd of capacity in the week ending October 30th, increasing available refining capacity by about 428,000 bpd from the previous week. Offline capacity is expected to fall further to 3.2 million bpd in the week ending November 6th.

Enterprise Products Partners LP said crude pipeline volumes fell by 26.1% in the third quarter as the COVID-19 pandemic hurt oil prices and left midstream companies with fewer barrels to transport after producers slashed output. AJ Teague, co-chief executive officer of pipeline operator Enterprise, said he expects a signal for higher crude oil prices as early as the second half of next year on recovering demand and a sharp decline in shale production. Crude pipeline transportation volumes fell to 1.7 million bpd in the quarter from 2.3 million bpd a year earlier.

Early Market Call - as of 8:35 AM EDT

WTI - Dec \$35.45, down \$1.94

RBOB - Nov \$1.0482, down 3.32 cents

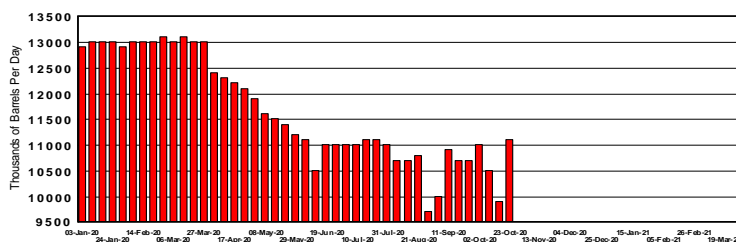
HO - Nov \$1.0759, down 3.83 cents

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Nov-20	1.1142	-0.0435	0.0257
Dec-20	1.1133	-0.0457	0.0343
Jan-21	1.1221	-0.0464	0.0394
Feb-21	1.1327	-0.0470	0.0425
Mar-21	1.1432	-0.0472	0.0436
Apr-21	1.1511	-0.0466	0.0439
May-21	1.1621	-0.0460	0.0442
Jun-21	1.1737	-0.0451	0.0439
Jul-21	1.1867	-0.0443	0.0444
Aug-21	1.1990	-0.0433	0.0445
Sep-21	1.2118	-0.0423	0.0439
Oct-21	1.2239	-0.0420	0.0435
Nov-21	1.2353	-0.0422	0.0433
Dec-21	1.2448	-0.0420	0.0426
Jan-22	1.2561	-0.0416	0.0424
Feb-22	1.2641	-0.0411	0.0422
Mar-22	1.2676	-0.0404	0.0417

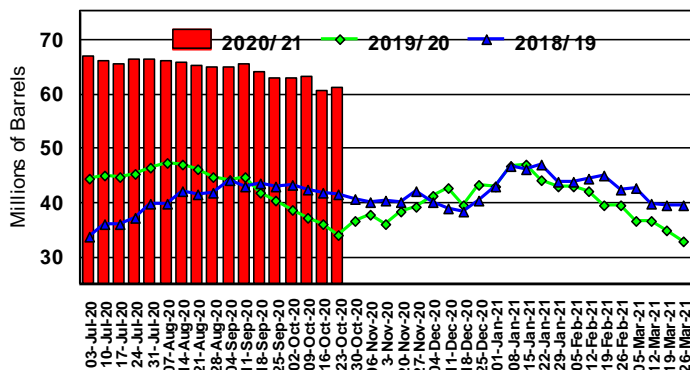
		Close	Change
Crude - WTI	Dec Brent- WTI Spread \$1.73	\$37.3900	-\$2.1800
Crude - Brent		\$39.1200	-\$2.0800
Natural Gas		\$2.9960	-\$0.0230
Gasoline		\$1.0814	-\$0.0620

U.S. Domestic Crude Production



Weekly EIA Petroleum Status Report for the Week Ending October 23, 2020

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 4.32million barrels
 Cushing, OK Crude Stocks Down 422,000 barrels
Gasoline Stocks Down 892,000 barrels
Distillate Stocks Down 4.491 million barrels
Refinery % Operated 74.6%, Up 1.5%

PADD #1

Distillate Stocks (in million bbls)	Week Ending Oct 23, 2020	Week Ending Oct 16, 2020	Week Ending Oct 25, 2019
New England	12.8	11.9	6.7
Central Atlantic	34.3	35.1	17.3
Total PADD #1	61.1	60.6	34.0
Distillate Imports (thousands b/d)	335	131	120