

Market Commentary

Recap: Crude oil futures rallied on Friday as OPEC members and nonmembers agreed to cut back on production starting in January. After the release of the aforementioned news, January WTI rose by more than 5%, reaching a high of \$54.22, while February Brent rose above 6%, to top the session at \$63.71. Despite the agreement by OPEC to trim 800,000 bpd and non OPEC members to cut 400,000 bpd, Iran, Venezuela and Libya are exempt from the deal. With exempt being a delicate word within the group, and the fact that the three countries would not sign off on a deal without an exemption, OPEC will not be releasing breakdown levels by country. This leaves the deal a little bit murky, which in turn took some of the strength out of the initial rally. Price slipped from session highs, giving back more than half the day's gains. January WTI settled at \$52.61, up \$1.12, or 2.2%, for a weekly gain of 3%. February Brent settled at \$61.67 a barrel, up \$1.61, or 2.68%, for a weekly gain of 3.7%. January RBOB rose 3.7% to \$1.486 a gallon, for a weekly rise of about 6%, and January heating oil settled at \$1.886 a gallon, up 1.5% for the session, with a weekly gain of 3.1%.

Technical Analysis: WTI continued to rebound off of the \$50 level made earlier in the week, as it worked its way toward the \$55 level. Coming into this week, we would look for a run at the \$55 level and then reevaluate the market at that time. Above \$55, additional resistance is set at \$58.80. To the downside, the 10-day moving average, currently set at \$51.88, will be an area to contend with, as this market has been unable to sustain weakness and strength above this technical indicator. Below the 10-day moving average, additional support is set at \$50.93 and \$50.

Fundamental News: OPEC and a coalition of oil producers led by Russia reached an agreement on Friday. Under the deal, OPEC along with Russia and its allies will cut oil output by 1.2 million bpd. OPEC nations would cut their output by 800,000 bpd and the Russia-led group would cut output by the remaining 400,000 bpd. As part of the deal, Russia will cut its output by 230,000 bpd or 2% from October 2018 levels, slightly less than Saudi Arabia's 250,000 bpd output cut. OPEC granted exemptions to Iran, Libya, Venezuela and Nigeria which had argued to be excluded from the cuts due to economic strife in their countries.

Saudi Arabia's Energy Minister, Khalid al-Falih, said Saudi Arabia will more than bear its share of output cuts. He said Saudi Arabia's oil output in December will total about 10.7 million bpd and its January oil allocation will be 10.2 million bpd. He said OPEC production would not be cut too deeply to allow US shale output to grow too quickly. He added that OPEC was ready to call an extraordinary meeting to fill any supply gap. He said consumers will not be squeezed beyond what they can afford.

Iraq's Oil Minister, Thamer Ghadhban, said the output cut agreement is for six months and will be reviewed in April. He said Iraq will cut its output by about 140,000 bpd.

Baker Hughes reported that US oil drillers cut the number of rigs for the second week in three weeks. The US oil rig count fell by 10 to 877 in the week ending December 7th. It was the largest decline since May 2016.

Eastern Libyan oil export ports were reopened on Friday after bad weather forced their shutdown.

IIR Energy reported that US refiners are expected to shut in 247,000 bpd of capacity in the week ending December 7th, cutting available refining capacity by 72,000 bpd from the previous week. IIR expects offline capacity to fall to 152,000 bpd in the week ending December 14th and to 53,000 bpd in the subsequent week.

Early Market Call - as of 9:10 AM EDT

WTI - Jan \$51.51, down \$1.09

RBOB - Jan \$1.4593, down 2.64 cents

HO - Jan \$1.8662, down 2.02 cents

All NYMEX | Prior Settlements

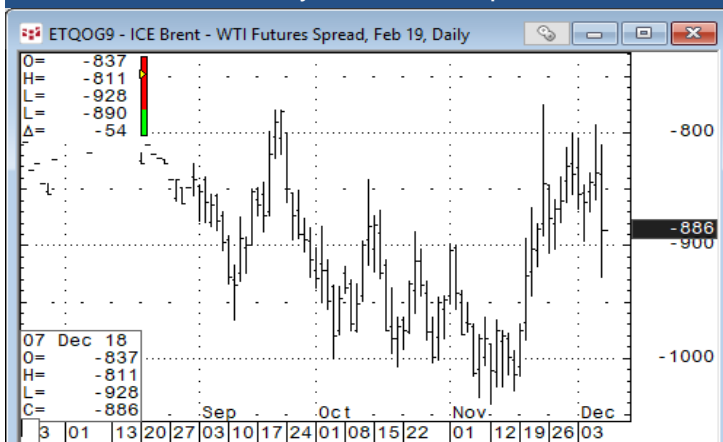
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-19	\$1.8862	\$0.0280	\$0.0568
Feb-19	\$1.8778	\$0.0277	\$0.0554
Mar-19	\$1.8691	\$0.0279	\$0.0538
Apr-19	\$1.8598	\$0.0278	\$0.0531
May-19	\$1.8602	\$0.0272	\$0.0523
Jun-19	\$1.8646	\$0.0268	\$0.0521
Jul-19	\$1.8733	\$0.0259	\$0.0518
Aug-19	\$1.8831	\$0.0248	\$0.0516
Sep-19	\$1.8939	\$0.0240	\$0.0519
Oct-19	\$1.9038	\$0.0235	\$0.0527
Nov-19	\$1.9128	\$0.0230	\$0.0531
Dec-19	\$1.9198	\$0.0224	\$0.0531
Jan-20	\$1.9251	\$0.0219	\$0.0523
Feb-20	\$1.9263	\$0.0212	\$0.0508
Mar-20	\$1.9247	\$0.0207	\$0.0495
Apr-20	\$1.9147	\$0.0206	\$0.0482
May-20	\$1.9119	\$0.0200	\$0.0470

Other Front Month NYMEX		Close	Change
Crude - WTI	Feb Brent-	\$52.8100	\$1.1100
Crude - Brent	WTI Spread	\$61.6700	\$1.6100
Natural Gas	\$8.86	\$4.4880	\$0.1610
Gasoline		\$1.4858	\$0.0524

EIA Working Gas Storage Report

	30-Nov-18	23-Nov-18	Change	Year Ago
East	752	778	-26	869
Midwest	914	938	-24	1,059
Mountain	168	171	-3	221
Pacific	253	254	-1	313
South Central	905	914	-9	1,232
Salt	263	259	4	358
Nonsalt	642	654	-12	874
Total	2,991	3,054	-63	3,695

ICE February Brent-WTI Spread



NOAA 8-14 Day Temperature Outlook

