

Market Commentary

Recap: The oil markets continued to trend higher throughout the day Thursday, driven higher by several factors, the first, the continued march of Hurricane Delta through the center of energy production fields in the Gulf of Mexico and shutting down some 1.7 million b/d or 91% of offshore oil production in the Gulf of Mexico. The second bullish factor was the news that Saudi Arabia was reviewing and potentially delaying its support for higher crude oil production levels by OPEC+ early next year. The final notable fundamental news item on the day was the news that the current Norwegian oil workers labor dispute could expand shortly and impact 75% of offshore production. As a result the November WTI contract settled up \$1.24 per barrel, settling above the 50 day and 200 day moving averages for the first time since September 1st.

Technical Analysis: With Hurricane Delta not expected to come ashore in Louisiana until Friday evening we would expect the bulls to remain in control of the oil markets at least through Friday, as they await damage reports by oil producers and refiners in the affected areas. We would look for initial resistance at \$41.72 followed by \$42.19 and \$44.00. Support we would see at \$40.24 followed by \$39.76, \$39.53 and \$39.33. More distant support we see at \$38.98 followed by \$38.43. We would also expect the path of Hurricane Delta to impact some refining activities in the region at least for the short term and it should lend support to product prices, especially gasoline. We are a bit surprised that the November RBOB crack posted yet another down day today and as a result would look to be a buyer of it if it drops below the \$10.00 per barrel level and begins to approach a strong two month long support line.

Fundamental News: The Bureau of Safety and Environmental Enforcement reported that Hurricane Delta has shut in 91.5% of U.S. Gulf crude oil production and 62% of U.S. Gulf natural gas output.

Genscape reported that crude oil stocks held in Cushing, Oklahoma in the week ending Tuesday, October 6th increased by 2,428,119 barrels and by 2,113,934 barrels from Friday, October 2nd to 60,719,502 barrels.

In its 2020 World Oil Outlook, OPEC said oil use will increase to 97.7 million bpd next year and increase further to 99.8 million bpd in 2022, above the 2019 level as the world recovers from the pandemic. Also, global oil demand is expected to increase to 102.6 million bpd by 2024, lower than last year's forecast of 104.8 million bpd. OPEC forecast that world oil demand will plateau in the late 2030s and could by then have begun to decline. OPEC stated that oil use will increase to 107.2 million bpd in 2030 from 90.7 million bpd in 2020, 1.1 million bpd below its 2030 forecast last year and over 10 million bpd below its 2007 prediction of 2030 demand.

OPEC's Secretary General, Mohammad Barkindo, said the worst was over for the oil market, following a price and demand decline this year due to the coronavirus pandemic. Separately, OPEC's research head said OPEC+ hopes that we will be able to get rid of the supply overhang by the middle of next year.

Saudi Arabia is considering reversing course over OPEC's planned production increase early next year. Some Saudi advisers say the markets are not ready for a planned 2 million bpd increase starting in January. OPEC and its allies are expected to make a final decision at the November 30th and December 1st meetings.

A strike by oil workers in Norway could cut its output by almost 25%, though the striking union said a resolution remained possible. The Norwegian Oil and Gas Association said the outage from the ongoing strike in Norway's oil and gas industry could increase to 966,000 bpd of oil equivalent by October 14th, unless a solution to the conflict is found in the meantime.

Early Market Call - as of 8:24 AM EDT

WTI - Nov \$40.81, down 38 cents

RBOB - Nov \$1.2096, down 2.2 cents

HO - Nov \$1.1844, down 79 points

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Oct-20	1.1923	0.0315	-0.0673
Nov-20	1.2032	0.0309	-0.0655
Dec-20	1.2166	0.0296	-0.0635
Jan-21	1.2298	0.0291	-0.0621
Feb-21	1.2405	0.0284	-0.0612
Mar-21	1.2472	0.0276	-0.0607
Apr-21	1.2568	0.0270	-0.0607
May-21	1.2677	0.0263	-0.0597
Jun-21	1.2817	0.0257	-0.0573
Jul-21	1.2945	0.0252	-0.0551
Aug-21	1.3071	0.0249	-0.0534
Sep-21	1.3185	0.0246	-0.0529
Oct-21	1.3285	0.0244	-0.0527
Nov-21	1.3366	0.0243	-0.0524
Dec-21	1.3471	0.0240	-0.0518
Jan-22	1.3544	0.0234	-0.0503
Feb-22	1.3579	0.0226	-0.0483

		Close	Change
Crude - WTI	Dec Brent- WTI Spread \$1.87	\$41.4700	\$1.2400
Crude - Brent		\$43.3400	\$1.3500
Natural Gas		\$2.6270	\$0.0210
Gasoline		\$1.2316	\$0.0307

EIA Working Gas Storage Report

	02-Oct-20	25-Sep-20	Change	Year Ago
East	893	872	21	846
Midwest	1,062	1,033	29	999
Mountain	236	231	5	202
Pacific	318	316	2	295
South Central	1,322	1,304	18	1,047
Salt	366	358	8	226
Nonsalt	955	945	10	820
Total	3,831	3,756	75	3,387

NYMEX November RBOB/WTI Crack



NYMEX WTI Forward Curve

