

Market Commentary

Recap: After rising for the third straight session, oil prices suffered an early morning hit after the U.S. Commerce Department released a report showing U.S. retail sales fell 1.2 percent, the largest decline since September 2009. Brent, which rose to a fresh high for the year, fell 2.3 percent to a session low of \$63.81, while WTI for March delivery slipped 2.9 percent to a low of \$53.08. Prices bounced off of their lows after stock markets trimmed losses and from investor optimism that the U.S. and China would reach a trade agreement. March WTI rose back above \$54.00 a barrel, to settle at \$54.41, up 51 cents, or 0.95 percent, while April Brent topped \$64.00 a barrel, to settle at \$64.57, up 96 cents, or 1.51 percent. March RBOB added 3% to \$1.509 a gallon and March heating oil rose 1.7% to \$1.972 a gallon. Both products saw the highest front-month contract settlements since November 2018.

Technical Analysis: The technical outlook for WTI remains neutral, with expectations for continued sideways trading, with a slight tilt to the upside. The nearest upside objective would be \$56.21, the 38% retracement of the range set by the October 2018 high of \$77.86, and the December 2018 low of \$52.82. Resistance is set at the psychological level of \$55.00 and above that at \$55.75. Support is set at \$53.68, the current 10-day moving average and \$50.94.

Fundamental News: Russia's Energy Minister, Alexander Novak, said that there are risks for global oil markets from the political crisis in Venezuela, yet there are no proposals to reverse the global oil output cut agreement between OPEC and non-OPEC producers. He said Russia has cut its output under the pact between OPEC and non-OPEC producers by 80,000-90,000 bpd from its level in October.

Bank of America Merrill Lynch said Brent crude oil prices should average \$70/barrel in 2019 in light of the fall in OPEC supply. It sees Brent crude prices averaging \$50 to \$70/barrel through 2024. It said total average US oil and liquid supply is projected to grow from 15.5 million bpd in 2018 to 21.9 million bpd in 2024.

BP said global demand for renewable power will increase at an unprecedented pace over the coming decades, while China's energy growth is seen sharply declining as its economic expansion slows. China is set to remain the largest energy consumer into 2040 although India should overtake it in terms of demand growth beginning in the next decade. BP estimates that global energy demand will increase by about one-third by 2040. It expects oil demand to peak in the mid-2030s at 108 million bpd. BP also stated that the growth in oil supply will initially come from rapidly expanding US shale production, which BP expects will increase by 6 million bpd over the next ten years, peaking at 10.5 million bpd in the late 2020s. As US shale production declines, production from OPEC producers will take the lead.

While OPEC and non-OPEC producers begin implementing the output cuts they agreed in December, the world's need for their crude is declining further, suggesting that they will need to extend the deal through the second half of the year. The latest forecasts from the IEA, EIA and OPEC, show the need for OPEC crude diminishing as demand forecasts are cut and US supply outlooks are increased.

Early Market Call - as of 8:00 AM EDT

WTI - Mar \$55.06, up 65 cents
 RBOB - Mar \$1.5308, up 2.19 cents
 HO - Mar \$1.9956, up 2.41 cents

All NYMEX | Prior Settlements

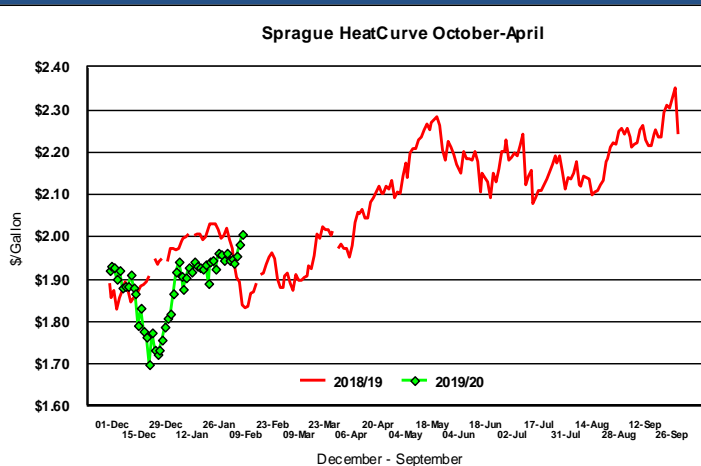
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Mar-19	\$1.9716	\$0.0328	\$0.0711
Apr-19	\$1.9674	\$0.0317	\$0.0738
May-19	\$1.9637	\$0.0302	\$0.0741
Jun-19	\$1.9625	\$0.0284	\$0.0718
Jul-19	\$1.9668	\$0.0274	\$0.0691
Aug-19	\$1.9725	\$0.0268	\$0.0673
Sep-19	\$1.9812	\$0.0266	\$0.0669
Oct-19	\$1.9896	\$0.0265	\$0.0662
Nov-19	\$1.9980	\$0.0260	\$0.0649
Dec-19	\$2.0058	\$0.0255	\$0.0640
Jan-20	\$2.0121	\$0.0251	\$0.0629
Feb-20	\$2.0129	\$0.0245	\$0.0619
Mar-20	\$2.0096	\$0.0241	\$0.0603
Apr-20	\$1.9989	\$0.0232	\$0.0588
May-20	\$1.9914	\$0.0227	\$0.0563
Jun-20	\$1.9883	\$0.0223	\$0.0545
Jul-20	\$1.9901	\$0.0218	\$0.0532

Sprague HeatCurve Oct 2019-Apr 2020			\$2.0064
Other Front Month NYMEX		Close	Change
Crude - WTI	Apr Brent-	\$54.7900	\$0.4800
Crude - Brent	WTI Spread	\$64.5700	\$0.9600
Natural Gas	\$9.78	\$2.5730	-\$0.0020
Gasoline		\$1.5085	\$0.0434

EIA Working Gas Storage Report

EIA Weekly Report				
	08-Feb-19	01-Feb-19	Change	Year Ago
East	444	468	-24	440
Midwest	492	522	-30	479
Mountain	95	105	-10	123
Pacific	155	172	-17	213
South Central	696	692	4	657
Salt	248	241	7	179
Nonsalt	447	451	-4	479
Total	1,882	1,960	-78	1,912

Sprague HeatCurve October-April



ICE April Brent-WTI Spread

