

Market Commentary

Recap: Oil futures continued to trend higher on Thursday despite OPEC+ agreeing to gradually increase crude production starting in January. This contradicts earlier expectations for an extension of current output cuts. OPEC and its allies have agreed to increase production by 500,000 barrels per day to 7.2 million barrels, down from 7.7 million barrels per day. The OPEC+ producers, however, failed to find a compromise on a broader and longer term policy for the rest of next year. January WTI settled at \$45.64 a barrel, up 36 cents, or 0.8%, while Brent for February delivery added 46 cents, up almost 1%, to settle at \$48.71 a barrel. January RBOB rose 1.8% to \$1.2617 a gallon and January heating oil settled at \$1.3933 a gallon, up 2%.

Technical Analysis: January WTI settled above the flag formation we have been monitoring. This type of pattern is considered a continuation pattern, in which the previous trend is expected to resume. The projected upside target based upon the breakout is \$47.15. It appears that WTI is set to trade within the \$40 - \$50 range. Should we get a dip back below the 200-day moving average, we would look for a test down at the bottom of this range.

Fundamental News: On Thursday, OPEC+ agreed to increase its output by 500,000 bpd starting in January. However, OPEC and Russia failed to find a compromise on a broader and longer term policy for the rest of next year. The increase means OPEC+ would cut production by 7.2 million bpd or 7% of global demand from January, compared with the current cuts of 7.7 million bpd. Russia's Deputy Prime Minister, Alexander Novak, said the group would now gather every month to decide on output policies beyond January with monthly increases not exceeding 500,000 bpd. He also stated that compensatory cuts for countries which overproduced in previous months had been extended until March 2021. He said Russia will increase its output by 125,000 bpd in January. Saudi Arabia's Energy Minister, Prince Abdulaziz bin Salman, said the meeting was difficult due to differences between many members. He said the compensation scheme was not as successful as the producer group had hoped. He also stated that it will be a while before Libya's oil production will need to be regulated.

S&P Global Platts said it would open a consultation with oil market participants on the possible inclusion of the U.S. crude grade WTI in its dated Brent oil price assessment, which forms the basis of the Brent benchmark.

Chevron Corp lowered its long-term capital and exploratory budget to between \$14 and \$16 billion annually through 2025, while setting the budget for next year at the low end of the range. The company had earlier forecast annual expenditures between \$19 billion and \$22 billion through 2025. Chevron said that despite the cut to the budget, it expects to increase investments in areas like the Permian Basin. The company also set the budget for next year at \$14 billion, unchanged on the year, and kept aside \$11.5 billion for exploration and production related activities. Its downstream refining and related operations were allocated \$2.1 billion.

U.S. House Speaker, Nancy Pelosi, and Senate Republican Leader, Mitch McConnell, agreed in talks on Thursday that a COVID-19 relief package and an omnibus government funding bill should pass "as soon as possible." Earlier, U.S. House Republican Leader, Kevin McCarthy, said he was more optimistic that a coronavirus relief bill could get done in Congress now that the national election is over.

Early Market Call - as of 8:25 AM EDT

WTI - Jan \$45.90, up 26 cents

RBOB - Jan \$1.2674, up 57 points

HO - Jan \$1.3979, up 46 points

All NYMEX | Prior Settlements

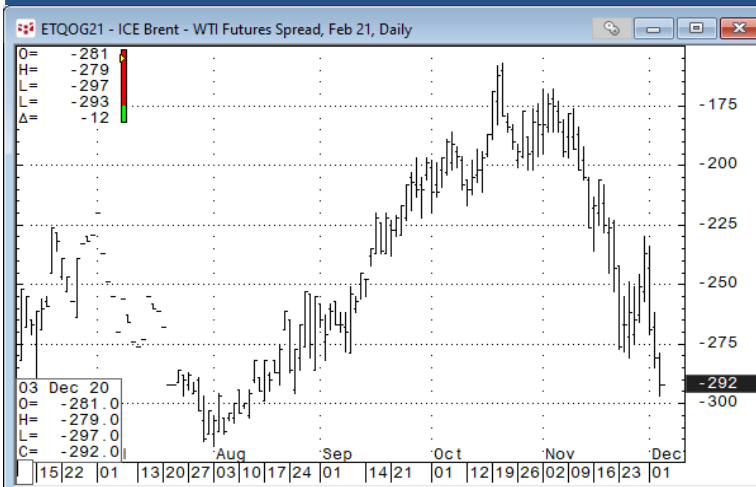
Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Jan-21	1.3933	0.0271	-0.0084
Feb-21	1.3999	0.0246	-0.0038
Mar-21	1.4055	0.0230	-0.0031
Apr-21	1.4080	0.0218	-0.0032
May-21	1.4114	0.0204	-0.0036
Jun-21	1.4159	0.0187	-0.0041
Jul-21	1.4224	0.0176	-0.0043
Aug-21	1.4289	0.0165	-0.0039
Sep-21	1.4361	0.0154	-0.0030
Oct-21	1.4433	0.0143	-0.0018
Nov-21	1.4497	0.0132	-0.0011
Dec-21	1.4531	0.0115	0.0006
Jan-22	1.4590	0.0102	0.0016
Feb-22	1.4608	0.0085	0.0033
Mar-22	1.4581	0.0066	0.0056
Apr-22	1.4499	0.0042	0.0095
May-22	1.4455	0.0019	0.0130

		Close	Change
Crude - WTI	Feb Brent-	\$45.7900	\$0.3500
Crude - Brent	WTI Spread	\$48.7100	\$0.4600
Natural Gas	\$2.92	\$2.5070	-\$0.2730
Gasoline		\$1.2617	\$0.0218

EIA Working Gas Storage Report

	27-Nov-20	20-Nov-20	Change	Year Ago
East	934	934	0	892
Midwest	1,122	1,133	-11	1,043
Mountain	240	242	-2	201
Pacific	318	320	-2	288
South Central	1,326	1,312	14	1,172
Salt	368	356	12	312
Nonsalt	958	956	2	859
Total	3,939	3,940	-1	3,596

ICE February Brent-WTI Spread



WTI Continuation

