

Market Commentary

Recap: Oil futures rose to a more than nine month high, boosted by trader confidence, as the rollout of the COVID-19 vaccine began its second day in the U.S. and on hopes that lawmakers in Washington would reach an agreement on a second economic stimulus relief package. Signs of stronger demand in China have also contributed to the recent rise in oil prices. According to a Bloomberg report, China's oil refiners processed a record 14.26 million barrels a day in November, up about 455,000 barrels per day year on year. Refinery runs held above the 14 million barrel per day mark for the sixth consecutive month. January WTI rose 63 cents, or 1.3%, to settle at \$47.62 a barrel, the highest settlement for a spot contract since February 26. Brent for February delivery tacked on 47 cents, or 0.9%, to settle at \$50.76 a barrel, the highest settlement for a front month since March 4. January RBOB added 0.6% to \$1.3268 a gallon and January heating oil rose 0.7% to \$1.4644 a gallon.

Market Outlook: Crude oil markets continue to show signs of strength as optimism over the vaccine for COVID-19 increased and on rising hope that an economic stimulus package would soon be agreed upon. Prices held firm despite OPEC lowering its demand forecast for 2021, followed by the IEA doing the same on Tuesday. Although traders cheered the rollout of the vaccine and possible stimulus agreement, many European countries have announced additional restrictions, while some states in the U.S. warned of further lockdowns. All this comes as inventories continue to overflow. That being said, we are mildly bullish up to the \$50 level. We cannot grow too optimistic at this point, as demand continues to suffer and supplies continue to increase. There is now a double top in January WTI up at the \$47.74 level, with resistance above set at \$50. Support is seen at \$46.20 and below that at \$45.

Fundamental News: The International Energy Agency warned that the roll-out of vaccines this month to combat the coronavirus pandemic will not quickly reverse the destruction on global oil demand. It stated that "the understandable euphoria around the start of vaccination programs partly explains higher prices but it will be several months before we reach a critical mass of vaccinated, economically active people and thus see an impact on oil demand." The IEA revised down its estimates for oil demand this year by 50,000 bpd and for next year by 170,000 bpd, citing scarce jet fuel use as fewer people travel by air. Europe accounts for much of the decline, with demand set to be lower in the fourth quarter compared with the third due to renewed lockdown measures. The IEA praised "effective" supply management efforts by major producers in the Organization of the Petroleum Exporting Countries and allies including Russia, a grouping known as OPEC+, for a deal this month to largely keep supply reined in. The IEA said that along with relatively robust Asian demand, the deal helped push oil prices back above \$50/barrel.

Algeria's Energy Minister, Abdelmajid Attar, who holds OPEC's rotating presidency, reiterated that the oil producers' cartel shouldn't rush to increase output early next year and said energy demand was still fragile with the coronavirus raging across parts of the world. He said there was no guarantee the group and its allies would raise crude production by 2 million bpd by April, even after an agreement earlier this month to reach that level in steps. He said OPEC+ was unified heading into 2021. He commended Russia for the extent of its production curbs, despite Moscow not fully reaching its targets. He expects energy demand to rise in the second half of 2021.

U.S. manufacturing output increased more than expected in November, supported by motor vehicle production, but momentum could slow in the months ahead as a new outbreak of COVID-19 infections keep workers at home and temporarily shut down factories. The Federal Reserve said manufacturing output increased by 0.8% in November, while industrial output in November increased by 0.4% following a 0.9% increase in October.

Early Market Call - as of 8:15 AM EDT

WTI - Jan \$47.68, up 6 cents

RBOB - Jan \$1.3331, up 63 points

HO - Jan \$1.4627, down 17 points

All NYMEX | Prior Settlements

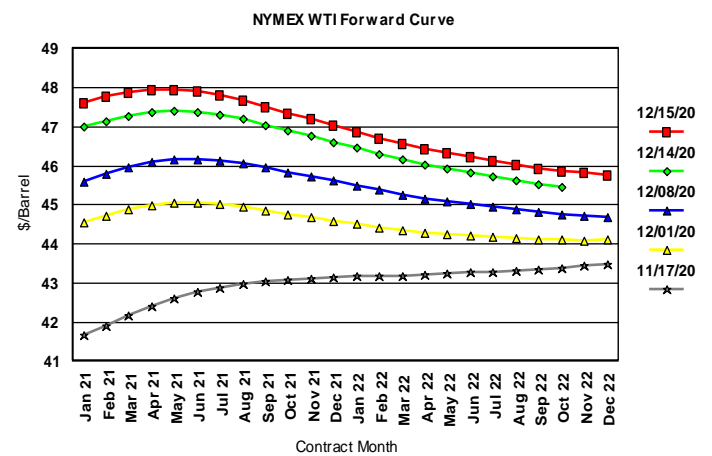
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-21	\$1.4644	\$0.0100	-\$0.0577
Feb-21	\$1.4680	\$0.0104	-\$0.0544
Mar-21	\$1.4709	\$0.0112	-\$0.0526
Apr-21	\$1.4719	\$0.0114	-\$0.0520
May-21	\$1.4740	\$0.0120	-\$0.0518
Jun-21	\$1.4772	\$0.0126	-\$0.0514
Jul-21	\$1.4819	\$0.0131	-\$0.0505
Aug-21	\$1.4869	\$0.0131	-\$0.0492
Sep-21	\$1.4925	\$0.0131	-\$0.0478
Oct-21	\$1.4989	\$0.0132	-\$0.0473
Nov-21	\$1.5047	\$0.0130	-\$0.0467
Dec-21	\$1.5088	\$0.0127	-\$0.0466
Jan-22	\$1.5142	\$0.0124	-\$0.0459
Feb-22	\$1.5152	\$0.0122	-\$0.0451
Mar-22	\$1.5116	\$0.0120	-\$0.0445
Apr-22	\$1.5028	\$0.0120	-\$0.0440
May-22	\$1.4979	\$0.0122	-\$0.0437

		Close	Change
Crude - WTI	Feb Brent- WTI Spread \$2.98	\$47.7800	\$0.6300
Crude - Brent		\$50.7600	\$0.4700
Natural Gas		\$2.6820	unchanged
Gasoline		\$1.3268	\$0.0077

API Report for the Week Ending December 11, 2020

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Up 2 million barrels	Down 1.9 million barrels
Cushing, OK Crude Stocks	Down 165,000 barrels	
Gasoline Stocks	Up 828,000 barrels	Up 1.6 million barrels
Distillate Stocks	Up 4.8 million barrels	Up 900,000 barrels
Refinery Runs	Down 95,000 bpd	Up 0.7%
Crude Imports	Down 68,000 bpd	

WTI Forward Curve



8-14 Day Weather Forecast

