

Market Commentary

Recap: Oil futures slipped on Monday amid fears that the new strain of COVID-19 found in the UK will put additional pressure on demand. Several countries have already closed their borders to British travelers, and at this point, a lot depends on whether or not the new strain will be confined to the UK or if it starts to spread to other countries. It is hoped that this new strain will mostly impact flights to and from Britain and lead to some demand destruction in Europe in the coming weeks. WTI experienced its sharpest one day decline in over six weeks, with the February contract falling \$1.27, or 2.6%, to \$47.97 a barrel. Brent for February delivery settled at \$50.91 a barrel, down \$1.35, or 2.58%.

Technical Analysis: In addition to responding to the news of a new strain of the coronavirus, oil prices were a bit overdone to the upside, as it ran up dramatically last week. After opening unchanged, WTI tumbled throughout the session, as it experienced an inside trading session on what was most likely profit taking by traders. The February contract came down to test support at \$46.30 and bounce back above \$47 on a lack of follow through on the break of \$46.30. To the upside, resistance rests at \$48.65 and \$50. A break back below \$47 should see WTI work toward support set at \$46.30 and below that at \$45.

Fundamental News: Russian Deputy Prime Minister, Alexander Novak, said that global oil demand was still between 6 and 7 million bpd below pre-crisis levels. Global oil demand was normally around 100 million bpd before the pandemic struck. He also stated that Russia hopes the incoming administration of U.S. President-elect Joe Biden will not derail producer nations' action to support oil markets. He said Moscow had noted statements from the incoming administration that he said appeared to contradict the U.S. policy of the last four years.

Iran's Oil Minister, Bijan Zanganeh, said Iran sees Russia as a "strategic partner" and the two countries share close views within the OPEC+ alliance.

Enbridge Inc said that it will expand its liquids storage capabilities and connections through an acquisition of a facility from Blueknight Energy Partners, L.P. in Cushing, Oklahoma. The purchase of the facility includes 34 storage tanks for a total storage of approximately 6.6 million barrels, which would take the company's overall storage capacity at Cushing to approximately 26 million barrels. The \$132-million-dollar purchase is expected to close in the early part of 2021.

The Trump administration cut about 30% of the Arctic National Wildlife Refuge territory that it plans to auction off for oil exploration. The decision was announced late Friday by the Bureau of Land Management. The ANWR lease sale is scheduled for January 6th, but under the BLM's plan, companies may submit bids starting on Monday. The BLM said it shrank the size of the lease sale after reviewing comments from drilling opponents worried about the herd of caribou that uses the coastal plain, and drilling supporters who made suggestions about sites most likely to hold oil. The original plan was to offer 1.56 million acres for lease; the amendment cuts 457,000 acres from the offering.

Russia's Deputy Prime Minister, Alexander Novak, said that oil production should be restored in line with rising demand, but the rise in output should not result in oversupply. He also said that the recovery of global oil markets was happening slower than previously expected and could take two to three years. He added the series of bans on travel to Britain after the detection of a new coronavirus strain was having an impact on the price of oil.

IIR Energy reported that U.S. oil refiners are expected to shut in 3.6 million bpd of capacity in the week ending December 25th, increasing available refining capacity by 500,000 bpd from the previous week. Offline capacity is expected to fall to 3.3 million bpd in the week ending January 01, 2021.

Early Market Call - as of 8:10 AM EDT

WTI - Feb \$47.26, down 70 cents

RBOB - Jan \$1.3403, down 2.01 cents

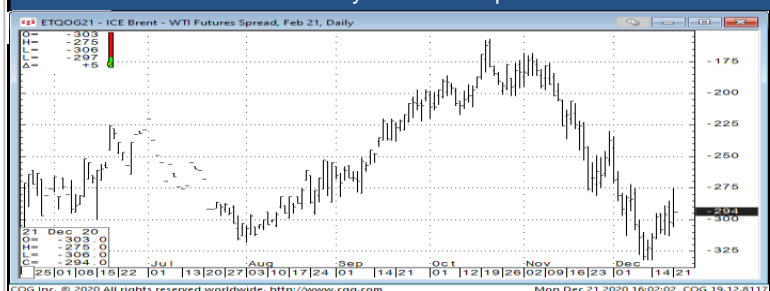
HO - Jan \$1.4670, down 1.04 cents

All NYMEX | Prior Settlements

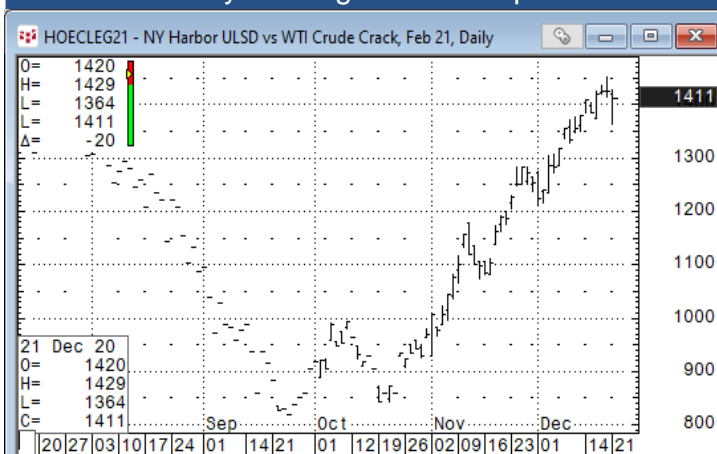
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-21	1.4774	-0.0356	-0.0230
Feb-21	1.4782	-0.0348	-0.0206
Mar-21	1.4785	-0.0346	-0.0188
Apr-21	1.4778	-0.0344	-0.0173
May-21	1.4779	-0.0342	-0.0159
Jun-21	1.4802	-0.0337	-0.0156
Jul-21	1.4852	-0.0329	-0.0164
Aug-21	1.4907	-0.0319	-0.0169
Sep-21	1.4966	-0.0314	-0.0172
Oct-21	1.5031	-0.0311	-0.0174
Nov-21	1.5098	-0.0308	-0.0181
Dec-21	1.5148	-0.0303	-0.0187
Jan-22	1.5209	-0.0297	-0.0191
Feb-22	1.5222	-0.0293	-0.0192
Mar-22	1.5190	-0.0287	-0.0194
Apr-22	1.5103	-0.0281	-0.0195
May-22	1.5072	-0.0272	-0.0215

		Close	Change
Crude - WTI	Feb Brent-	\$47.9700	-\$1.2700
Crude - Brent	WTI Spread	\$50.9100	-\$1.3500
Natural Gas	\$2.94	\$2.7050	\$0.0050
Gasoline		\$1.3604	-\$0.0352

ICE February Brent-WTI Spread



February Heating Oil Crack Spread



February RBOB Crack Spread

