

## Market Commentary

**Recap:** Oil futures pulled back from a nine month high on Monday, as the number of coronavirus cases continue to surge and as tensions between China and the U.S. intensifies. Demand for oil remains well below seasonal norms, as COVID-19 continues to force lockdowns across the globe. Prices also came under pressure after reports that the United States was preparing to impose sanctions on at least a dozen Chinese officials over their alleged role in Beijing's disqualification of elected opposition legislators in Hong Kong. January WTI fell 50 cents, or 1.1%, to settle at \$45.76 a barrel, while February Brent slipped 46 cents, or 0.9%, to settle at \$48.79 a barrel. Product futures also finished lower, with January gasoline down 1% at \$1.2558 a gallon and January heating oil off 0.3% at \$1.3992 a gallon.

**Technical Outlook:** January WTI fell below \$46 as traders focused on the recent developments, but there appears to be plenty of buyers looking to pick a bottom. This spot contract is above the downward channel it broke out of on Thursday and remains above the 10-day moving average. At this point in time, we believe that this market will continue to rally toward the \$50 level, but we would need a settlement above \$46.43, the 62% retracement set by the April low of \$26.22 and the January high of \$58.92, basis the January contract.

**Fundamental News:** OPI reported that U.S. gasoline consumption fell during the Thanksgiving holiday week to the lowest level in more than 20 years, as coronavirus cases surged and government officials urged residents to stay home. During the week of the Thanksgiving holiday on November 26<sup>th</sup>, gasoline sales fell 8.4%, or about 185 million gallons, from the previous week, bringing demand for the fuel to its lowest level for the holiday week since 1997. The company warned that demand could still get worse by year-end. Some U.S. regions saw gasoline sales decline by 20% or more during Thanksgiving week from the previous year. Midwest gasoline sales were down 23.3% from last year, while New Jersey was the hardest hit state, with gasoline volumes falling almost 30% from 2019.

Two sources stated that OPEC, Russia and allies, a group known as OPEC+, are likely to hold their next meeting to set oil policy on January 4<sup>th</sup>. OPEC+ agreed last week to raise oil output by 500,000 bpd in January and to hold monthly meetings starting in January to decide on further production adjustments that will add no more than 500,000 bpd a month. A third source said the meeting date would be confirmed by the next gathering on December 17<sup>th</sup> of the OPEC+ panel, the Joint Ministerial Monitoring Committee.

State media reported that Iran has instructed its oil ministry to prepare installations for production and sale of crude oil at full capacity within three months, ahead of a possible easing of U.S. sanctions after President-elect Joe Biden takes office. Iran's President Hassan Rouhani, said that his country was preparing for a speedy increase of its oil production. It is estimated that Iran exports less than 300,000 bpd, compared to a peak of 2.8 million bpd in 2018.

IIR Energy reported that U.S. oil refiners are expected to shut in 3.7 million bpd of capacity offline in the week ending December 11<sup>th</sup>, cutting available refining capacity by about 11,000 bpd from the previous week. Offline capacity is expected to fall to 3.5 million bpd in the week ending December 18<sup>th</sup>.

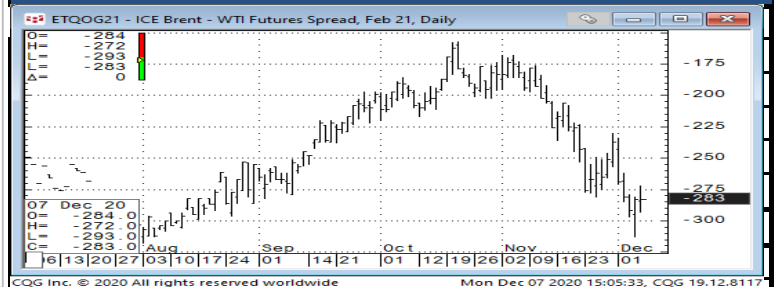
**Early Market Call - as of 8:35 AM EDT**  
 WTI - Jan \$45.49 Down .27 cents  
 RBOB - Jan \$1.2585 Up .0028 cents  
 HO - Jan \$1.3992 Unchanged

## All NYMEX | Prior Settlements

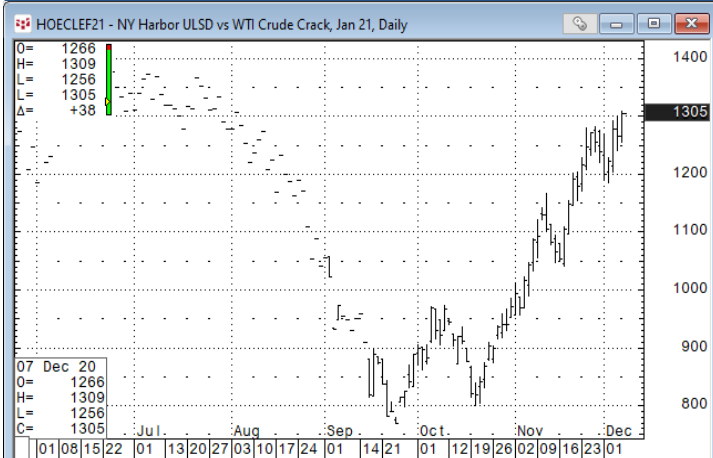
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-21	1.3992	-0.0038	-0.0278
Feb-21	1.4065	-0.0038	-0.0277
Mar-21	1.4116	-0.0041	-0.0257
Apr-21	1.4142	-0.0040	-0.0247
May-21	1.4177	-0.0039	-0.0236
Jun-21	1.4223	-0.0037	-0.0224
Jul-21	1.4289	-0.0036	-0.0215
Aug-21	1.4359	-0.0034	-0.0203
Sep-21	1.4434	-0.0031	-0.0190
Oct-21	1.4505	-0.0029	-0.0171
Nov-21	1.4567	-0.0026	-0.0153
Dec-21	1.4608	-0.0025	-0.0135
Jan-22	1.4667	-0.0024	-0.0117
Feb-22	1.4684	-0.0024	-0.0094
Mar-22	1.4656	-0.0024	-0.0068
Apr-22	1.4575	-0.0024	-0.0037
May-22	1.4532	-0.0024	-0.0006

		Close	Change
Crude - WTI	Feb Brent-	\$45.9500	-\$0.4700
Crude - Brent	WTI Spread	\$48.7900	-\$0.4600
Natural Gas	\$2.84	\$2.4060	-\$0.1690
Gasoline		\$1.2558	-\$0.0127

## ICE February Brent-WTI Spread



## January Heating Crack Spread



## January RBOB Crack Spread

