

Market Commentary

Recap: Oil prices fell for the first time in 7 days, as traders took profits from the recent upswing. Prices remain caught between healthy demand, OPEC led supply cuts and hefty U.S. production. After reaching fresh highs on Monday, both WTI and Brent worked lower on Tuesday, closing in on their 10-day moving averages, which are \$62.55 and \$68.72, respectively. February WTI fell 57 cents, or 0.89%, to settle at \$63.73 a barrel, while March Brent slipped \$1.11, or 1.58%, to settle at \$69.15 a barrel.

Fundamental News: Russia's Energy Minister, Alexander Novak, said a global deal to cut oil production led by OPEC and Russia should continue because the market is still not balanced. He said he believes the agreement must continue and not react to momentary, passing changes. He also stated that he did not see the oil price as a leading indicator and that the balance between supply and demand in the market was more important. He maintained an oil price forecast of \$50 to \$60/barrel for 2018.

Goldman Sachs said that crude oil prices are likely to exceed its forecasts for the coming months due to rising demand and strong compliance to a production cut. It sees Brent and WTI price forecasts at \$62 and \$57.50/barrel for 2018, respectively. Goldman Sachs said it expects producers to respond to the oil price rise. It expects deferred prices to decline from current levels as producer activity and 2019 hedging increase.

Societe Generale revised up its 2018 ICE Brent crude price forecast to \$62/barrel from a previous forecast of \$58/barrel. It also revised up its 2018 NYMEX WTI crude price forecast to \$57.75/barrel from a previous estimate of \$54/barrel. It remains bearish relative to current prices and forward curves.

Morgan Stanley said the oil market will likely remain undersupplied in 2018, keeping backwordation intact. It raised its Brent forecast to \$75/barrel by the third quarter of 2018. Morgan Stanley sees WTI prices at \$62/barrel by 2019, compared with a previous estimate of \$60/barrel, and Brent prices at \$65/barrel, compared with a previous estimate of \$63/barrel. It sees OPEC restraining its output for most of 2018, in line with their recent agreement.

Distillate volumes heading to Northwest Europe and the Mediterranean from the US Gulf Coast for January are currently 920,000 metric tons, according to S&P Global Platts' trade flow software, cFlow.

European diesel supplies are expected to significantly exceed demand in January and February due to high imports. Imports from Asia and the Middle East are expected to reach 2.5 million tons, one of the largest volumes on record. January imports from the US Gulf Coast were set to remain very low, at about 600,000 tons, as Latin America draws most volumes.

The EIA reported that total shale regions oil production in February is expected to increase by 111,000 bpd to 6.548 million bpd compared with an increase of 100,000 bpd in January. US Bakken oil production in February is seen up 8,500 bpd at 1.215 million bpd, while Eagle Ford shale oil production in February is seen up 15,000 bpd at 1.257 million bpd and Permian Basin oil production in February is seen up 76,000 bpd at 2.87 million bpd.

North Dakota's Industrial Commission reported that the country's oil production in the state increased by 11,000 bpd on the month to 1.195 million bpd in November.

Early Market Call - as of 9:21 AM EDT

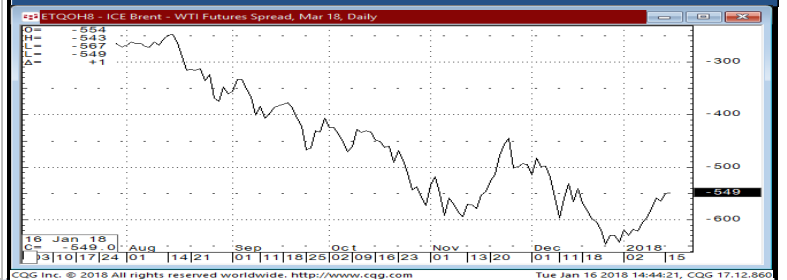
- WTI - Feb \$63.66 down 7 cents
- RBOB - Feb \$ 1.8479 up 95 points
- HO - Feb \$2.0607 down 27 points

All NYMEX | Prior Settlements

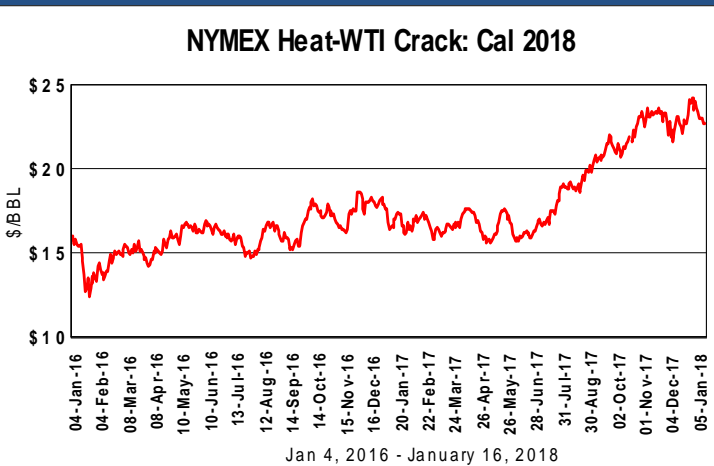
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-18	\$2.0634	-\$0.0216	\$0.0180
Mar-18	\$2.0586	-\$0.0192	\$0.0236
Apr-18	\$2.0437	-\$0.0157	\$0.0283
May-18	\$2.0307	-\$0.0120	\$0.0309
Jun-18	\$2.0212	-\$0.0096	\$0.0336
Jul-18	\$2.0178	-\$0.0082	\$0.0349
Aug-18	\$2.0145	-\$0.0074	\$0.0346
Sep-18	\$2.0128	-\$0.0070	\$0.0339
Oct-18	\$2.0110	-\$0.0064	\$0.0329
Nov-18	\$2.0106	-\$0.0056	\$0.0323
Dec-18	\$2.0089	-\$0.0056	\$0.0311
Jan-19	\$2.0077	-\$0.0053	\$0.0302
Feb-19	\$2.0006	-\$0.0048	\$0.0301
Mar-19	\$1.9860	-\$0.0044	\$0.0295
Apr-19	\$1.9653	-\$0.0038	\$0.0284
May-19	\$1.9530	-\$0.0033	\$0.0267
Jun-19	\$1.9454	-\$0.0029	\$0.0263
Jul-19	\$1.9415	-\$0.0029	\$0.0254

		Close	Change
Crude - WTI	Mar Brent-WTI Spread	\$63.6700	-\$0.5600
Crude - Brent		\$69.1500	-\$1.1100
Natural Gas	\$5.48	\$3.1290	-\$0.0710
Gasoline		\$1.8384	-\$0.0111

ICE March WTI-Brent Spread



NYMEX Cal 2018 Heating Oil Crack Spread



NYMEX WTI Forward Curve

