

## Market Commentary

**Recap:** Oil futures ended higher on Thursday, encouraged by a drop in U.S. weekly jobs claims and the possibility of an economic stimulus package, but prices struggled to recover from Wednesday's losses after higher U.S. gasoline inventories were reported by the EIA. Demand destruction, due to the coronavirus continues to weigh on this market, as the threat of further lockdowns loom. December WTI added 61 cents, or 1.5%, to settle at \$40.64 a barrel, while December Brent tacked on 73 cents, or nearly 1.8% to settle at \$42.46 a barrel. November RBOB added 1.6%, to settle at \$1.1581 a gallon, while November heating oil rose 1.8% to \$1.1607 a gallon.

**Technical Analysis:** As demand for gasoline continues to decline, crude oil prices will continue to limit gains. There have been several negative elements that have been putting pressure on oil. Europe is struggling with a second wave of the virus, which has forced European countries to implement fresh or renew virus containment measures in an effort to stave off the spreading of the virus, the U.S. has seen demand for gasoline decline, while Libya's production increased to 500,000 bpd while the country's government aims to increase production to 1 million bpd by the end of the year. Traders are hoping that OPEC+ will extend production cuts into 2021 rather than increasing output in the new year. In the meantime, WTI continues to hover around the \$40 level, and this is most likely to continue until the virus is brought under control. Resistance is set at \$41.62 and above that at \$43.50. Support is seen at \$37.50 and below that at \$36.50.

**Fundamental News:** U.S. petroleum refiners have made progress in reducing excess stocks of middle distillates such as diesel and heating oil by restricting crude processing and focusing on producing gasoline. However, in the first half of October, the strategy has been challenged by lower domestic gasoline consumption, forcing them to make even larger cuts in crude processing in an effort to stay on track. The volume of gasoline supplied to domestic users fell in both the two most recent weeks, interrupting the previous recovery. Gasoline supplied to domestic users is now 9% below the previous five-year average, from a deficit of 4% at the start of the month. In a sign of weak consumption, inventories increased by 2 million barrels last week, the largest one-week increase since the end of May, reversing the previous downward trend. The refiners' strategy has proved broadly successful, bringing gasoline stocks down to the five-year average, and gradually reducing the surplus of both crude and distillates. However progress has been slow and total stocks outside the strategic petroleum reserve are still 113 million barrels or nearly 9% above the five-year average.

Goldman Sachs said a weaker U.S. dollar, rising inflation risks and demand driven by additional fiscal and monetary stimulus from major central banks will drive a bull market for commodities in 2021. The bank forecast a return of 28% over a 12-month period on the S&P/Goldman Sachs Commodity Index (GSCI), with a 17.9% return for precious metals, 42.6% for energy, 5.5% for industrial metals and a negative return of 0.8% for agriculture. The bank maintained a "neutral" view on commodities in the near term and "overweight" in the medium term and added that it does not expect the upcoming U.S. elections to derail its bullish forecasts for oil and gas prices. It sees Brent crude oil prices averaging \$43.90/barrel in 2020 and \$59.40/barrel in 2021, while WTI prices are forecast to average \$40.10/barrel in 2020 and \$55.90/barrel in 2021.

Russia's President, Vladimir Putin, said OPEC+ is effective even though it is a very complex tool for global market stabilization. He said OPEC+ will follow the recovery of the markets and added that Russia did not rule out keeping existing cuts on global oil output and not easing them as previously expected. His comments were the clearest signal from Russia that it is ready to continue with unprecedented output cuts.

**Early Market Call - as of 8:45 AM EDT**

WTI - Dec \$40.92 up 18 cents  
RBOB - Nov \$1.1556 down 25 points

## All NYMEX | Prior Settlements

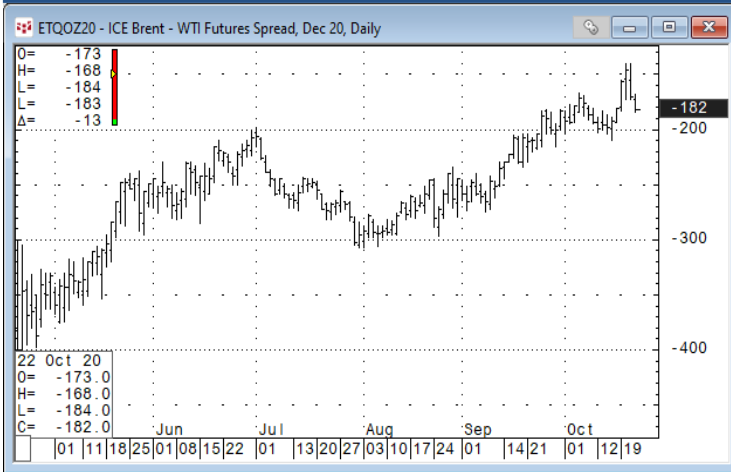
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Nov-20	\$1.1607	\$0.0208	\$0.0280
Dec-20	\$1.1687	\$0.0211	\$0.0254
Jan-21	\$1.1830	\$0.0215	\$0.0222
Feb-21	\$1.1967	\$0.0215	\$0.0205
Mar-21	\$1.2082	\$0.0214	\$0.0192
Apr-21	\$1.2165	\$0.0215	\$0.0179
May-21	\$1.2277	\$0.0214	\$0.0172
Jun-21	\$1.2386	\$0.0210	\$0.0169
Jul-21	\$1.2514	\$0.0203	\$0.0172
Aug-21	\$1.2632	\$0.0197	\$0.0175
Sep-21	\$1.2750	\$0.0193	\$0.0179
Oct-21	\$1.2865	\$0.0191	\$0.0179
Nov-21	\$1.2973	\$0.0187	\$0.0176
Dec-21	\$1.3059	\$0.0185	\$0.0178
Jan-22	\$1.3167	\$0.0182	\$0.0180
Feb-22	\$1.3240	\$0.0177	\$0.0183
Mar-22	\$1.3268	\$0.0175	\$0.0187

		Close	Change
Crude - WTI	Dec Brent- WTI Spread \$1.82	\$40.6400	\$0.6100
Crude - Brent		\$42.4600	\$0.7300
Natural Gas		\$3.0070	-\$0.0160
Gasoline		\$1.1581	\$0.0178

### EIA Working Gas Storage Report

	16-Oct-20	09-Oct-20	Change	Year Ago
East	923	908	15	893
Midwest	1,105	1,081	24	1,062
Mountain	245	241	4	207
Pacific	323	320	3	297
South Central	1,329	1,326	3	1,122
Salt	360	366	-6	262
Nonsalt	969	960	9	861
Total	3,926	3,877	49	3,581

## ICE December Brent-WTI Spread



## NYMEX December Heating Oil

