

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil prices bounced around on Wednesday, lifted by the 8 million barrel draw in U.S. crude oil inventories and, as we await the results of the contentious U.S. presidential race to the White House. A Trump win would be supportive for oil prices, as sanctions against Iran will most likely remain in place, plus Trump supports the Saudi led oil production cuts. The huge drop in U.S. inventories is being viewed as a possible sign of economic recovery, as the coronavirus looms on. December WTI rose \$1.49, or 2%, to settle at \$39.15 a barrel, while January Brent added \$1.52, or 3.8%, to settle at \$41.23 a barrel. December RBOB rose 2.9% to \$1.1081 a gallon and December heating oil added 4.1% to \$1.1735 a gallon.

Technical Analysis: Behind the supportive move on Wednesday was the 11.1 million barrel drop in U.S. production, as production in the Gulf of Mexico was hampered by the hurricane. This, combined with the 0.6 million barrel decrease in crude oil imports pushed prices higher. While the huge decrease in inventory levels are supportive, one must bear in mind that the cuts in production will be temporary, as the number of U.S. oil rigs continues to grow and the effects of the hurricane will be temporary. This market will also need an increase in demand in order to sustain the decline in crude inventories, and with the coronavirus spreading across the globe; this will be a difficult situation for traders. WTI is closing in on \$40, a level that has played both a key level of resistance and support. A push above this level sets up for a run at \$42. Above \$42, additional resistance is set at \$43.71, the 200-day moving average based upon a spot continuation chart. To the down side, support is set at \$38.21 and below that at \$36.93.

Fundamental News: IIR Energy said U.S. oil refiners are expected to shut in 4 million bpd of capacity in the week ending November 6th, increasing available refining capacity by about 327,000 bpd from the previous week.

Statistics Canada reported that the country's total crude oil exports in September increased by 120,000 bpd to 3.5 million bpd. Canada's crude oil exports to the U.S. in September increased by 170,000 bpd to 3.44 million bpd. Canada's total crude oil imports increased by 272,000 bpd to 637,000 bpd in September, with crude imports from the U.S. increasing by 222,000 bpd to 537,000 bpd.

The European Union official journal said the EU has begun monitoring incoming renewable ethanol used for fuel to see if measures are needed to prevent a surge of imports from the U.S. and other producers. The surveillance system, designed to provide information more rapidly than official statistics, will be in place for a year. The EU journal said France had informed the European Commission, which coordinates trade policy for the 27-nation bloc, that bioethanol imports increased by more than 500% between 2017 and 2019. EU consumption of renewable ethanol for fuel increased by only 10% over the period. The French information also said imports undercut the prices of EU producers by an average 15%. European industry body ePURE said the introduction of surveillance measures was an important step towards preventing an import surge.

Norway's top court began to hear arguments on Wednesday on the legality of awarding offshore oil licenses in the Arctic, in a landmark case that could stop the industry's expansion. The U.S. Commerce Department reported that the U.S. trade deficit in September fell to \$63.9 billion from \$67 billion in August.

The ADP National Employment Report showed U.S. private payrolls increased less than expected in October, providing an early sign of a slowdown in economic activity as fiscal stimulus diminishes and new COVID-19 infections increase across the country. Private payrolls increased by 365,000 jobs in October. Data for September was revised up to show 753,000 jobs were added instead of the initially reported 749,000.

Early Market Call - as of 8:45 AM EDT

WTI - Dec \$39.08, down 7 cents

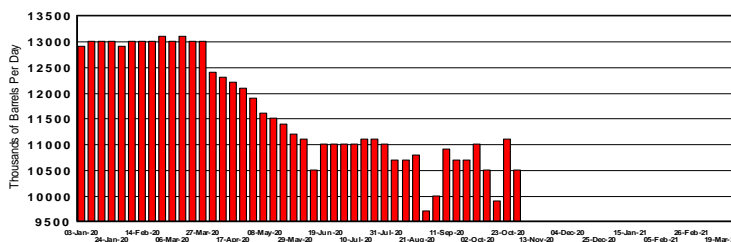
RBOB - Dec \$1.1057, down 24 points

HO - Dec \$1.1680, down 55 points

| Month | ULSD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
| | Close | Change | One Week |
| Dec-20 | 1.1735 | 0.0464 | -0.0602 |
| Jan-21 | 1.1820 | 0.0443 | -0.0599 |
| Feb-21 | 1.1916 | 0.0437 | -0.0589 |
| Mar-21 | 1.2000 | 0.0431 | -0.0568 |
| Apr-21 | 1.2060 | 0.0422 | -0.0549 |
| May-21 | 1.2162 | 0.0412 | -0.0541 |
| Jun-21 | 1.2278 | 0.0404 | -0.0541 |
| Jul-21 | 1.2400 | 0.0396 | -0.0533 |
| Aug-21 | 1.2517 | 0.0388 | -0.0527 |
| Sep-21 | 1.2639 | 0.0379 | -0.0521 |
| Oct-21 | 1.2760 | 0.0373 | -0.0521 |
| Nov-21 | 1.2877 | 0.0367 | -0.0524 |
| Dec-21 | 1.2977 | 0.0366 | -0.0529 |
| Jan-22 | 1.3092 | 0.0363 | -0.0531 |
| Feb-22 | 1.3172 | 0.0360 | -0.0531 |
| Mar-22 | 1.3209 | 0.0358 | -0.0533 |
| Apr-22 | 1.3202 | 0.0355 | -0.0529 |

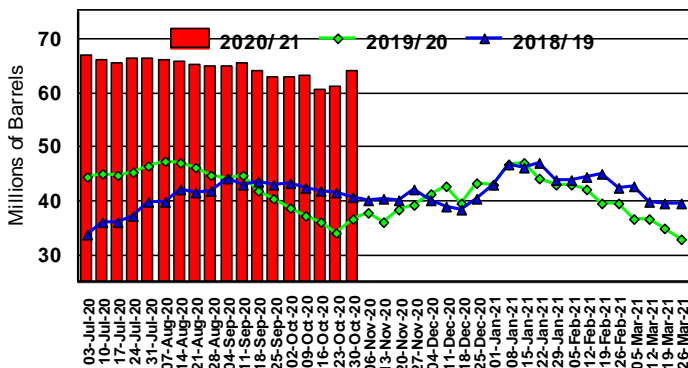
| | | Close | Change |
|---------------|------------------------------------|-----------|-----------|
| Crude - WTI | Jan Brent- WTI Spread \$1.76 | \$39.4700 | \$1.4800 |
| Crude - Brent | | \$41.2300 | \$1.5200 |
| Natural Gas | | \$3.0460 | -\$0.0130 |
| Gasoline | | \$1.1081 | \$0.0312 |

U.S. Domestic Crude Production



Weekly EIA Petroleum Status Report for the Week Ending October 30, 2020

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 7.998 million barrels

Cushing, OK Crude Stocks Up 936,000 barrels

Gasoline Stocks Up 1.541 million barrels

Distillate Stocks Down 1.584 million barrels

Refinery % Operated 75.3%, Up 0.7%

PADD #1

| Distillate Stocks (in million bbls) | Week Ending Oct 30, 2020 | Week Ending Oct 23, 2020 | Week Ending Nov 1, 2019 |
|--|-----------------------------|-----------------------------|----------------------------|
| New England | 12.9 | 12.8 | 7.5 |
| Central Atlantic | 35.7 | 34.3 | 16.6 |
| Total PADD #1 | 63.9 | 61.1 | 36.6 |
| Distillate Imports (thousands b/d) | 307 | 335 | 284 |