

## Market Commentary

**Recap:** At the onset of Thursday's session, oil futures fell toward key support, as traders responded to the IEA report, which showed an increase of 100,000 barrels per day of OPEC output during the month of November. Oil prices fell below unchanged, but failed to break to the downside, which in turn sparked technical buying. January WTI hit a mid-session high of \$52.35 before trimming gains and falling into a period of sideways trading. Reports that Saudi Aramco would be cutting crude oil exports to U.S. refiners incited a fresh wave of buying, which pushed prices to fresh highs in post settlement trading. January WTI finished the session at \$52.58 a barrel, up \$1.43, or 2.8%, while Brent for February delivery settled at \$61.45 a barrel, up \$1.30, or 2.16%. January RBOB rose 4.1% to \$1.478 a gallon and January heating oil added 1.4% to \$1.877 a gallon.

**Technical Analysis:** After breaking below the bottom line on a symmetrical triangle, January WTI failed to the down side, prompting technical buying, which took this spot contract to fresh highs for the day. The aforementioned formation remains intact, and therefore we should see additional sideways trading. Support is set at \$50.88 and below that at \$50.00, with resistance set at \$53.54 and \$55.00.

**Fundamental News:** In its monthly report, the IEA, said the world oil market could move into a deficit sooner than expected due to OPEC's output cut agreement with Russia and to Canada's decision to cut supply. The IEA kept its 2019 forecast for global oil demand growth at 1.4 million bpd, unchanged from its projection last month, and said it expected growth of 1.3 million bpd this year. Uncertainty over the global economy stemming from US-China trade tensions could undermine oil consumption next year, as growth in supply gathers pace. The IEA however raised the 2019 call on OPEC crude by 300,000 bpd to 31.6 million bpd. It cut its non-OPEC oil supply growth forecast by 415,000 bpd to 1.5 million bpd compared with 2.4 million bpd in 2018. The IEA reported that OECD commercial crude oil stocks increased in October by 5.7 million barrels to 2.872 billion barrels. The IEA stated that Saudi Arabia increased its crude oil production to an unprecedented 11.06 million bpd in November, up 410,000 bpd from October, ahead of the agreement with non-OPEC producers to cut output from next year. Overall OPEC output increased by 100,000 bpd to 33.03 million bpd in November. The IEA said unplanned supply losses from members Iran and Venezuela could effectively double the intended cutback of 800,000 bpd the cartel pledged last week. OPEC production may fall by 1.4 million bpd from October levels to 31.5 million bpd during the first quarter and then fall further to 31.2 million bpd in the second quarter.

Genscape reported that crude oil stocks held in Cushing, Oklahoma in the week ending Tuesday, December 11<sup>th</sup> fell by 821,982 barrels on the week and by 401,725 barrels from Friday, December 7<sup>th</sup> to 41,013,295 barrels.

Saudi Arabia will target the US with sharp oil export cuts. Bloomberg reported that Saudi crude shipments to the US in January could even test a 30-year low set in late 2017 of 582,000 bpd. Saudi Arabia's total exports are expected to fall to about 7 million bpd in January, down from 8 million bpd in Nov.

Iran's Oil Minister, Bijan Zanganeh, said Iran has no plans to cut its oil production, but will remain a member of OPEC.

Rystad Energy said the OPEC and non-OPEC output cut agreement to cut production by 1.2 million bpd during the first half of 2019 will not be enough to ensure sustained and immediate recovery in oil prices and should be extended through the full year. It said output needs to remain 700,000 bpd below the agreed target of 31.8 million bpd through 2019 to help Brent prices recover to \$70/barrel.

**Early Market Call - as of 8:10 AM EDT**

WTI - Jan \$5245, down 13 cents  
 RBOB - Jan \$1.4639, down 1.47 cents  
 HO - Jan \$1.8724, down 44 points

## All NYMEX | Prior Settlements

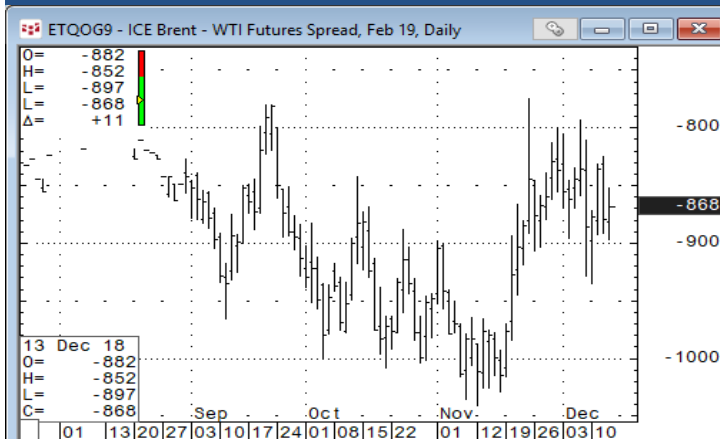
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-19	\$1.8765	\$0.0256	\$0.0183
Feb-19	\$1.8704	\$0.0266	\$0.0203
Mar-19	\$1.8613	\$0.0263	\$0.0201
Apr-19	\$1.8505	\$0.0257	\$0.0185
May-19	\$1.8491	\$0.0254	\$0.0161
Jun-19	\$1.8535	\$0.0259	\$0.0157
Jul-19	\$1.8625	\$0.0266	\$0.0151
Aug-19	\$1.8717	\$0.0271	\$0.0134
Sep-19	\$1.8821	\$0.0274	\$0.0122
Oct-19	\$1.8924	\$0.0275	\$0.0121
Nov-19	\$1.9018	\$0.0275	\$0.0120
Dec-19	\$1.9092	\$0.0274	\$0.0118
Jan-20	\$1.9150	\$0.0276	\$0.0118
Feb-20	\$1.9162	\$0.0275	\$0.0111
Mar-20	\$1.9149	\$0.0280	\$0.0109
Apr-20	\$1.9057	\$0.0282	\$0.0116
May-20	\$1.9028	\$0.0276	\$0.0109

Other Front Month NYMEX		Close	Change
Crude - WTI	Feb Brent-	\$52.8300	\$1.4700
Crude - Brent	WTI Spread	\$61.4500	\$1.3000
Natural Gas	\$8.62	\$4.1240	-\$0.0120
Gasoline		\$1.4782	\$0.0578

## EIA Working Gas Storage Report

	07-Dec-18	30-Nov-18	Change	Year Ago
East	732	752	-20	857
Midwest	885	914	-29	1,037
Mountain	160	168	-8	214
Pacific	238	253	-15	306
South Central	898	905	-7	1,222
Salt	271	263	8	360
Nonsalt	627	642	-15	862
Total	2,914	2,991	-77	3,636

## ICE February Brent-WTI Spread



## NYMEX WTI Continuation

