

## Market Commentary

**Recap:** Oil prices climbed higher on Wednesday, erasing two days of losses after OPEC said it saw no signs of global recession and that U.S. shale oil production could grow by much less than expected in 2020. Also supporting prices were comments by U.S. Federal Reserve Chair Jerome Powell, who said the U.S. economy would see a "sustained expansion" with the full impact of recent interest rate cuts still to be felt. January Brent gained 68 cents to trade at a high of \$62.74, having fallen by over 1% earlier in the day. WTI reached a high of \$57.53 per barrel, gaining 73 cents or 1.2%. Gains were pared, with December WTI settling at \$57.12 a barrel, up 32 cents, or 0.6%, while January Brent tacked on 31 cents, or 0.5%, to settle at \$62.37 a barrel. December RBOB rose 1.4% at \$1.6365 a gallon, while December heating oil added 0.8% to \$1.9125 a gallon.

**Technical Analysis:** Given the amount of conflicting news surrounding the oil market, our stance remains the same, and that is for this market to trade in a choppy fashion within a sideways pattern. Based upon a daily bar chart for the December contract, there is now a double top at the \$57.55 level, making this the first line of resistance. Above this level, additional support is set at \$58.21 and \$59.11. To the downside, support is set at the 200 and 10-day moving averages currently set at \$56.78 and \$56.48, respectively. Below that, additional support is set at \$55.42.

**Fundamental News:** The IEA said growth in global oil demand is expected to slow from 2025 as fuel efficiency improves and the use of electric vehicles increases, however consumption is unlikely to peak in the next two decades. In its annual World Energy Outlook for the period to 2040, the IEA said demand growth would continue to increase even though there would be a decline in the 2030s. Its main scenario is for oil demand to increase by about 1 million bpd on average every year to 2025 from 97 million bpd in 2018. Demand is then seen increasing by 100,000 bpd a year on average during the 2030s to reach 106 million bpd in 2040.

In the latest Short Term Energy Outlook, the EIA said that world petroleum demand in 2019 is expected to increase by 750,000 barrels to 100.9 million barrels and increase by 1.37 million barrels to 102.27 million barrels in 2020. It estimated that OPEC production in 2019 is expected to fall by 2.16 million bpd to 29.8 million bpd in 2019 and fall by 280,000 bpd to 29.52 million bpd in 2020. Non-OPEC supply is expected to increase by 2.13 million bpd to 65.65 million bpd in 2019 and by 2.37 million bpd to 68.02 million bpd in 2020. Meanwhile, US oil demand is expected to increase by 80,000 bpd to 20.58 million bpd in 2019 and increase by 170,000 bpd to 20.75 million bpd in 2020. Gasoline demand is expected to remain unchanged at 9.33 million bpd in 2019 and fall by 20,000 bpd to 9.31 million bpd in 2020, while distillate demand is expected to fall by 50,000 bpd to 4.1 million bpd in 2019 and increase by 50,000 bpd to 4.15 million bpd in 2020. The EIA forecast that US crude oil production would increase by 1.3 million bpd to 12.29 million bpd in 2019 and by 1 million bpd to 13.29 million bpd in 2020. In regards to prices, Brent spot prices will average \$60/barrel in 2020, down from a 2019 average of \$64/barrel. The EIA forecasts that WTI will average \$5.50/barrel less than Brent prices in 2020.

OPEC's Secretary General, Mohammad Barkindo, said he is confident that the US and China would reach a trade deal and that it would remove a "dark cloud" over the oil market. He said it is premature to discuss the December OPEC and non-OPEC output policy decision and it is too early to say if further output cuts would be needed. He said OPEC and its non-OPEC partners need to continue working together to weather uncertainties and are committed to doing so. Separately, OPEC's Secretary General said Saudi Arabia has reassured the exporting group that a listing of Saudi Aramco would not affect the country's role in the group or commitment to output deals.

**Early Market Call - as of 8:20 AM EDT**

WTI - Dec \$57.55, up 43 cents

RBOB - Dec \$1.6419, up 56 points

HO - Dec \$1.9338, up 2.17 cents

## All NYMEX | Prior Settlements

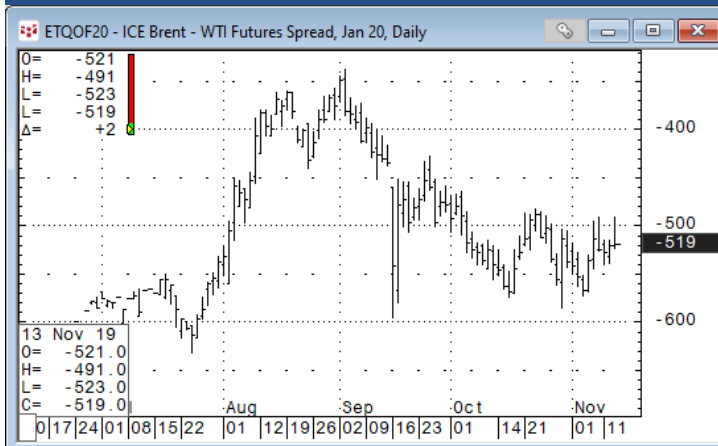
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Dec-19	\$1.9125	\$0.0149	\$0.0153
Jan-20	\$1.9095	\$0.0144	\$0.0114
Feb-20	\$1.9030	\$0.0120	\$0.0191
Mar-20	\$1.8913	\$0.0104	\$0.0016
Apr-20	\$1.8757	\$0.0092	-\$0.0042
May-20	\$1.8652	\$0.0082	-\$0.0069
Jun-20	\$1.8582	\$0.0078	-\$0.0087
Jul-20	\$1.8566	\$0.0073	-\$0.0097
Aug-20	\$1.8555	\$0.0066	-\$0.0098
Sep-20	\$1.8561	\$0.0060	-\$0.0095
Oct-20	\$1.8574	\$0.0055	-\$0.0090
Nov-20	\$1.8590	\$0.0053	-\$0.0085
Dec-20	\$1.8600	\$0.0052	-\$0.0079
Jan-21	\$1.8612	\$0.0049	-\$0.0077
Feb-21	\$1.8563	\$0.0046	-\$0.0077
Mar-21	\$1.8465	\$0.0046	-\$0.0084
Apr-21	\$1.8294	\$0.0046	-\$0.0086

Other Front Month NYMEX		Close	Change
Crude - WTI	Jan Brent- WTI Spread	\$57.2000	\$0.3500
Crude - Brent	\$5.17	\$62.3700	\$0.3100
Natural Gas		\$2.6000	-\$0.0210
Gasoline		\$1.6365	\$0.0221

## API Report for the Week Ending November 8, 2019

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Down 541,000 barrels	Up 1.6 million barrels
Cushing, OK Crude Stocks	Down 1.2 million barrels	
Gasoline Stocks	Up 2.3 million barrels	Down 1.2 million barrels
Distillate Stocks	Up 887,000 barrels	Down 1.6 million barrels
Refinery Runs	Up 194,000 b/d	

## ICE January Brent-WTI Spread



## NYMEX December WTI

