

Market Commentary

Recap: The oil market traded higher following the OPEC's monthly report showing that the producer group cut its crude production sharply in January. It reported that OPEC cut its oil output by 797,000 bpd on the month to 30.806 million bpd, down from 31.6 million bpd in December. The market was also well supported by the Financial Times report that Saudi Arabia's Energy Minister, Khalid Al Falih, said the country would cut its output to about 9.8 million bpd in March, compared with its pledge to cut output to about 10.3 million bpd under the OPEC and non-OPEC output cut agreement. The market posted a low of \$52.29 on the opening and rallied to a high of \$54.05 early in the session. It retraced some of its gains but held its support over the \$53 level as President Donald Trump's comments on the China trade talks helped fuel a rally in the US stock market. He also stated that he did not anticipate another government shutdown. The March WTI contract settled up 69 cents at \$53.10 while the April Brent contract settled up 91 cents at \$62.42/barrel. Meanwhile, the heating oil market settled up 1.5 cents at \$1.9072 and the RBOB market settled up 80 points at \$1.4272.

Fundamental News: In a monthly report, OPEC cut its forecast for 2019 world oil demand due to slowing economies and expectations of faster supply growth from rivals underlining its challenge to prevent a surplus even as it starts new production cuts. OPEC cut its forecast for 2019 economic growth and said demand for its crude would fall to 30.59 million bpd, down 240,000 bpd from its previous forecast. It cut its 2019 global oil demand growth forecast to 1.24 million bpd, down from a previous forecast of 1.29 million bpd. OPEC said its oil output in January fell by 797,000 bpd on the month to 30.806 million bpd, down from 31.6 million bpd in December. That amounts to 86% compliance with pledged cuts. Saudi Arabia produced 10.2 million bpd in January, down 350,000 bpd from December and nearly 100,000 bpd below its official quota under the output cut agreement. It also reported that OECD oil inventories fell by 10.8 million barrels on the month in December and stood at 28 million barrels above the latest 5-year average. OPEC, however, raised its 2019 non-OPEC oil supply growth forecast by 80,000 bpd to 2.18 million bpd.

In its Short Term Energy Outlook, the EIA cut its 2019 world oil demand growth forecast by 50,000 bpd to 1.49 million bpd. It also cut its 2020 oil demand growth estimate by 50,000 bpd to 1.48 million bpd. Total world petroleum demand is estimated to total 101.45 million bpd in 2019 and increase to 102.93 million bpd in 2020. OECD inventories in 2019 is expected to increase by 94 million bpd to 2.957 billion bpd and increase further by 105 million barrels to 3.062 billion barrels in 2020. OPEC production in 2019 is expected to fall by 1.28 million bpd to 30.74 million barrels production, while production in 2020 is expected to fall by 250,000 bpd to 30.49 million bpd. US petroleum demand is expected to increase by 350,000 bpd to 20.82 million bpd in 2019 and by 220,000 bpd to 21.04 million bpd in 2020. Gasoline demand is estimated to increase by 40,000 bpd to 9.35 million bpd in 2019 and increase by 10,000 bpd to 9.36 million bpd. Distillate demand is forecast to increase by 30,000 bpd to 4.17 million bpd in 2019 and increase by 40,000 bpd to 4.21 million bpd in 2020. US crude oil production averaged 12 million bpd in January, up 90,000 bpd on the month. The EIA forecast crude oil production will average 12.4 million bpd in 2019 and 13.2 million bpd in 2020, with most of the growth coming from the Permian region of Texas and New Mexico.

Saudi Arabia's Energy Minister, Khalid Al Falih, said Saudi Arabia plans to produce about 9.8 million bpd of oil in March, over half a million bpd below its pledged production level under the OPEC and non-OPEC output cut agreement. According to a Financial Times article, crude exports would fall in March to 6.9 million bpd.

Early Market Call - as of 8:10 AM EDT

WTI - Mar \$53.39, up 29 cents
 RBOB - Mar \$1.4330, up 60 points
 HO - Mar \$1.9243, up 1.69 cents

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Mar-19	\$1.9072	\$0.0150	\$0.0097
Apr-19	\$1.9029	\$0.0168	\$0.0124
May-19	\$1.9009	\$0.0184	\$0.0135
Jun-19	\$1.9020	\$0.0187	\$0.0124
Jul-19	\$1.9077	\$0.0179	\$0.0101
Aug-19	\$1.9147	\$0.0174	\$0.0086
Sep-19	\$1.9240	\$0.0172	\$0.0085
Oct-19	\$1.9331	\$0.0173	\$0.0078
Nov-19	\$1.9425	\$0.0172	\$0.0075
Dec-19	\$1.9512	\$0.0170	\$0.0077
Jan-20	\$1.9582	\$0.0169	\$0.0076
Feb-20	\$1.9599	\$0.0166	\$0.0079
Mar-20	\$1.9574	\$0.0160	\$0.0079
Apr-20	\$1.9479	\$0.0155	\$0.0083
May-20	\$1.9421	\$0.0151	\$0.0074
Jun-20	\$1.9406	\$0.0147	\$0.0069
Jul-20	\$1.9436	\$0.0141	\$0.0069

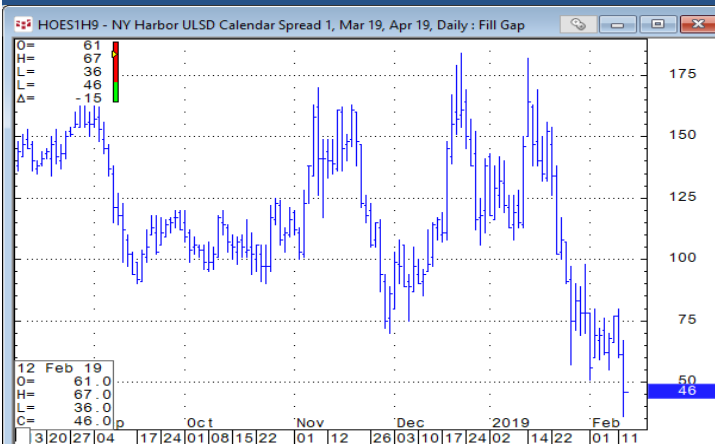
Sprague HeatCurve Oct 2019-Apr 2020

Other Front Month NYMEX		Close	Change
Crude - WTI	Apr Brent-	\$53.4700	\$0.6900
Crude - Brent	WTI Spread	\$62.4200	\$0.9100
Natural Gas	\$8.95	\$2.6880	\$0.0460
Gasoline		\$1.4272	\$0.0080

API Weekly Report for the Week Ending February 8, 2019

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Down 998,000 barrels	Up 2.7 million barrels
Cushing, OK Crude Stocks	Down 502,000 barrels	Up 1.4 million barrels
Gasoline Stocks	Up 746,000 barrels	Up 800,000 barrels
Distillate Stocks	Down 2.481 million barrels	Down 800,000 barrels
Refinery Runs		Down 1%

NYMEX Heating Oil Mar-Apr Spread



NYMEX RBOB Mar-Apr Spread

