

Market Commentary

Recap: It was an erratic trading session for oil prices on Wednesday, with prices trading on both sides of unchanged. Crude oil futures began the session trading above unchanged as overseas traders reacted to the 10.2 million barrel drop in supplies as reported by the API. As equity markets began to experience a slight drop, the rally in oil ran out of steam with prices reversing to the downside. A second wave of higher prices ensued after the EIA report, but the upside was limited as the reported decline was less than analyst's expectations of 2.8 million barrels. Prices pared gains, with January WTI falling 50 cents, or 1%, to settle at \$51.15 a barrel, and February Brent settling at \$60.15 a barrel, down 5 cents, or 0.1%. January RBOB fell 1.4¢ to \$1.42 a gallon and January heating oil rose 0.2¢ to \$1.851 a gallon.

Technical Analysis: January WTI continues to gravitate toward the bottom of the symmetrical triangle depicted on a daily spot continuation chart, and closed below the 10-day moving average for the third straight session. This is an indication that buyers and seller are somewhat balanced, as this is a consolidation pattern. A break below the lower line indicates the start of a new bearish trend, while a break above the upper line indicates the start of a new bullish trend. Support is set at \$50.62 and below that at \$50.00, with resistance set at \$53.81 and \$55.00.

Fundamental News: The EIA reported that US crude oil stocks in the week ending December 7th fell less than expected. Crude oil inventories fell by 1.2 million barrels in the week ending December 7th. Crude stocks at Cushing, Oklahoma increased by 1.1 million barrels. The EIA reported that gasoline stocks increased by 2.1 million barrels while distillate stocks fell by 1.5 million barrels on the week. Net US crude oil imports increased by 1.1 million bpd.

In its monthly report, OPEC stated that OPEC replaced a decline in Iranian exports as US sanctions resumed and lowered the 2019 forecast of demand for its crude, underlining its challenge to prevent an oversupply building even after last week's decision to cut production. OPEC said its output fell by 11,000 bpd to 32.97 million bpd in November, despite US President Donald Trump's reimposition of sanctions on Iran, as Saudi Arabia pumped at a record rate of 11.093 million bpd. Iran's output fell by 380,000 bpd, which was offset by increases of 377,000 bpd from Saudi Arabia and an extra 71,000 bpd from the UAE. OPEC said demand for its crude in 2019 is forecast to fall to 31.44 million bpd, down 100,000 bpd from a previous forecast. OPEC left its 2019 global oil demand growth forecast unchanged at 1.29 million bpd.

Rystad Energy said OPEC and its partners will need to keep production lower than their agreed target through 2019 for Brent crude to increase to \$70/barrel. It said OPEC needs to stay 700,000 bpd below its agreed target of 31.8 million bpd through 2019 in order to bring a recovery in Brent crude prices. It said the agreed production cuts will not be enough to ensure sustained and immediate recovery in oil prices.

Nexen said the Buzzard oilfield is expected to resume production in mid-December. The oilfield was temporarily closed after the discovery of pipe corrosion.

Iraq increased production at its southern Halfaya oilfield by 100,000 bpd to a total of 370,000 bpd. Production increased after the completion of a new oil processing facility.

The first cargo of Iraqi Kirkuk crude to change hands since flows resumed last month has been sold to Litasco, the Swiss-based trading arm of Russia's Lukoil.

IIR Energy reported that US oil refiners are expected to shut in 228,000 bpd of capacity in the week ending December 14th, increasing available refining capacity by 73,000 bpd on the week. IIR expects offline capacity to fall to 74,000 bpd in the week ending December 21st.

Early Market Call - as of 8:10 AM EDT

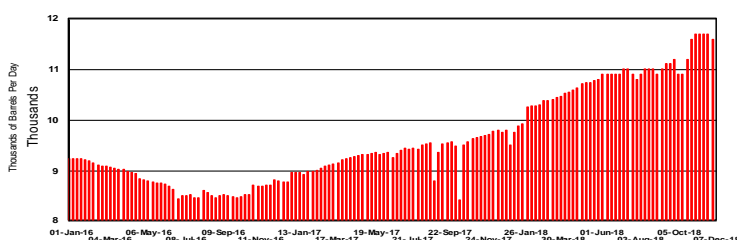
WTI - Jan \$50.66, down 48 cents
RBOB - Jan \$1.4162, down 45 points
HO - Jan \$1.8361, down 1.44 cents

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-19	\$1.8509	\$0.0038	-\$0.0377
Feb-19	\$1.8438	\$0.0046	-\$0.0374
Mar-19	\$1.8350	\$0.0045	-\$0.0388
Apr-19	\$1.8248	\$0.0036	-\$0.0398
May-19	\$1.8237	\$0.0023	-\$0.0410
Jun-19	\$1.8276	\$0.0016	-\$0.0408
Jul-19	\$1.8359	\$0.0010	-\$0.0415
Aug-19	\$1.8446	\$0.0003	-\$0.0435
Sep-19	\$1.8547	-\$0.0001	-\$0.0449
Oct-19	\$1.8649	-\$0.0002	-\$0.0446
Nov-19	\$1.8743	-\$0.0005	-\$0.0446
Dec-19	\$1.8818	-\$0.0008	-\$0.0442
Jan-20	\$1.8874	-\$0.0010	-\$0.0443
Feb-20	\$1.8887	-\$0.0008	-\$0.0443
Mar-20	\$1.8869	-\$0.0011	-\$0.0444
Apr-20	\$1.8775	-\$0.0011	-\$0.0437
May-20	\$1.8752	-\$0.0012	-\$0.0430

Other Front Month NYMEX		Close	Change
Crude - WTI	Feb Brent-	\$51.3600	-\$0.4800
Crude - Brent	WTI Spread	\$60.1500	-\$0.0500
Natural Gas	\$8.79	\$4.1360	-\$0.2710
Gasoline		\$1.4204	-\$0.0194

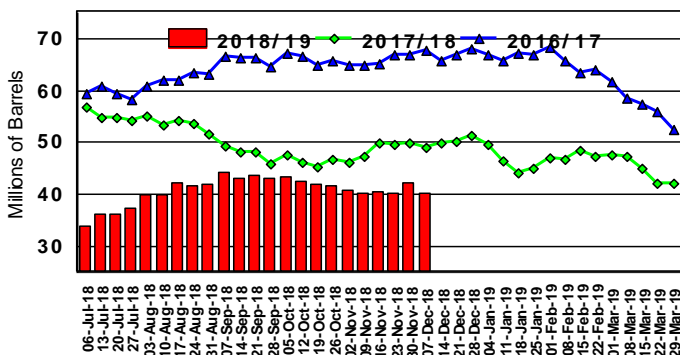
U.S. Domestic Crude Production



EIA Weekly Petroleum Status Report for the Week Ending December 7, 2018

Distillate Stocks

PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 1.208 million barrels

Cushing, OK Crude Stocks Up 1.148 million barrels

Gasoline Stocks Up 2.087 million barrels

Distillate Stocks Down 1.475 million barrels

Refinery % Operated 95.1%, Down 0.4%

PADD #1

Distillate Stocks (in million bbls)	Week Ending Dec 7, 2018	Week Ending Nov 30, 2018	Week Ending Dec 8, 2017
New England	6.6	7.3	7.5
Central Atlantic	21.9	22.5	29.6
Total PADD #1	40.0	42.0	49.0
Distillate Imports (thousands b/d)	121	370	127