

## Market Commentary

## All NYMEX | Prior Settlements

**Recap:** The oil market traded higher on the opening and rallied to a high of \$66.46 in overnight trading after the market breached its previous high. However, the market erased its gains and sold off to a low of \$64.98 by mid-day as the market remained weighed down by an increase in the number of rigs searching for oil in the US. The market was also driven lower by the strength in the dollar. The crude market later bounced off its low and traded back towards the \$65.50 level and settled in a sideways trading range ahead of the close. The March WTI contract settled down 58 cents at \$65.56 while the Brent contract settled down \$1.06 at \$69.46. Meanwhile, the product markets ended in negative territory, with the heating oil market settling down 3.12 cents at \$2.1048 while the RBOB market settled down 28 points at \$1.9349.

**Fundamental News:** China's official Xinhua news agency reported that the country's end of December commercial crude stocks increased by 3.24% on the month. China's inventories for three main refined fuel products, diesel, gasoline and jet fuel increased by 9.1% during the month. Diesel stocks increased by 17.4% on the month to 7.22 million tons while gasoline stocks increased by 4.7% to 8.62 million tons and jet fuel stocks fell by 0.45%.

Abu Dhabi National Oil Co notified buyers in Asia that it will reduce its Murban crude supplies by 25%, up from 20% in the previous month. The producer will also supply full volumes of Das and Upper Zakum crude in March.

Iraq's Oil Minister, Jabar al-Luabi, said Iraq will comply with the OPEC output cut agreement even though it is working hard to increase its oil export capacity from the country's south and north. He said Iraq's total capacity reached 5 million bpd, including 4.6 million bpd from the south. He said Iraq hoped to more than double production from the northern Kirkuk oilfields with the help of BP. He also stated that Iraq aims to reach 175 billion barrels of oil reserves in the coming years and added that new refineries will allow the country to become a products exporter.

Iraq's SOMO plans to export 2.9 million bpd of Basra Light crude from the south in February. It also exported 1 million bpd of Basra Heavy crude.

Russia produced 10.94 million bpd of oil on average between January 1 and January 28<sup>th</sup> or 1.493 million tons. This is compared with 10.95 million bpd in December. Russia has pledged to cut its oil production by 300,000 bpd from a peak level of 11.247 million bpd, reached in October 2016.

IIR reported that US oil refiners are expected to shut in 705,000 bpd of capacity in the week ending February 2<sup>nd</sup>, increasing available refining capacity by 181,000 bpd in the previous week. IIR expects offline capacity to increase to 1.011 million bpd in the week ending February 9<sup>th</sup>.

Suncor Energy Inc transitioned to continuous operations at Fort Hills. Its Fort Hills Project is continuing its steady increase of production following the safe startup of secondary extraction on January 27<sup>th</sup>. It remains on track to reach 90% of capacity by the end of 2018. It has a capacity of about 194,000 bpd. Separately, Total also announced that the Fort Hills oil sands project achieved first oil. Production is expected to ramp up over the next months to reach a plateau of 180,000 bpd.

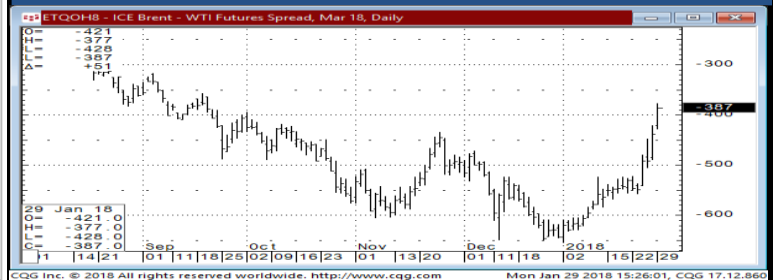
**Early Market Call - as of 9:15 AM EDT**

WTI - Mar \$64.93, down 63 cents  
 RBOB - Feb \$1.9190, down 1.86 cents  
 HO - Feb \$2.0866, down 1.79 cents

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-18	\$2.1048	-\$0.0312	\$0.0479
Mar-18	\$2.0978	-\$0.0297	\$0.0427
Apr-18	\$2.0774	-\$0.0245	\$0.0353
May-18	\$2.0585	-\$0.0231	\$0.0287
Jun-18	\$2.0451	-\$0.0218	\$0.0251
Jul-18	\$2.0383	-\$0.0204	\$0.0217
Aug-18	\$2.0319	-\$0.0193	\$0.0188
Sep-18	\$2.0284	-\$0.0181	\$0.0174
Oct-18	\$2.0250	-\$0.0170	\$0.0161
Nov-18	\$2.0235	-\$0.0160	\$0.0152
Dec-18	\$2.0222	-\$0.0154	\$0.0150
Jan-19	\$2.0208	-\$0.0150	\$0.0148
Feb-19	\$2.0152	-\$0.0144	\$0.0156
Mar-19	\$2.0009	-\$0.0138	\$0.0148
Apr-19	\$1.9805	-\$0.0132	\$0.0141
May-19	\$1.9671	-\$0.0129	\$0.0123
Jun-19	\$1.9588	-\$0.0129	\$0.0110
Jul-19	\$1.9556	-\$0.0120	\$0.0112

		Close	Change
Crude - WTI	Mar Brent-	\$65.5600	-\$0.5800
Crude - Brent	WTI Spread	\$69.4600	-\$1.0600
Natural Gas	\$3.90	\$3.6310	\$0.1260
Gasoline		\$1.9349	-\$0.0028

### ICE March WTI-Brent Spread



### March Heating Oil Crack Spread

### March RBOB Crack Spread

