

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil futures gained more than 2% on Monday, as optimism over a vaccine continues to be the main catalyst that is pushing prices higher. The contango structure in the market, whereby the prices of front-month delivery contracts are lower than those for delivery six months later, narrowed to as little as 31 U.S. cents, its smallest since mid-June, reflecting traders' views a sustained glut is receding. January WTI settled up \$1.51, or 1.5%, to settle at \$43.06 a barrel, while Brent for January delivery settled at \$46.06 a barrel, up \$1.10, or 2.45%. December RBOB added 2.88 cents, to settle at \$1.2040 a gallon, while December heating oil settled at \$1.3105 a gallon, up 2.42 cents.

Technical Analysis: We had previously written that the oil markets were responding positively to the recent reports regarding vaccine news, we also referenced that this market would need several supportive inventory reports to make up for the lack of demand. This factor remains to be seen. Right now, we would like to see a push in WTI above the August high of \$43.78. If traders shift their focus on near-term factors, we could possibly see a push toward that level. The 200-day moving average, currently set at \$43.67, continues to provide a level of resistance, with additional resistance set at \$44.68. To the downside, support is set at \$41.61 and below that at \$40.55.

Fundamental News: Barclays kept its 2021 oil price forecasts on Monday, forecasting Brent at \$53/barrel based on output discipline by OPEC and its allies, and based on a potential COVID-19 vaccine increasing demand in the second half. It forecast Brent at an average \$53/barrel and U.S. WTI crude at \$50/barrel in 2021. The bank said it expects the OPEC+ group to delay the increase of production targets by three months when the group meets later this month. Barclays said it expects a potential spill-over from near-term weakness in oil prices to be largely offset by continued OPEC+ support. It also stated that it expects U.S. crude production to end next year at 11 million bpd, up from a previous estimate of 10.8 million bpd. It expects Libya's crude production to average 1 million bpd next year, up from a previous estimate of 500,000 bpd.

IIR Energy reported that U.S. oil refiners are expected to shut in 3.7 million bpd of capacity in the week ending November 27th, increasing available refining capacity by about 266,000 bpd from the previous week. Offline capacity is expected to decline by about 1 million bpd to 2.7 million bpd in the week ending December 4th.

Platts reported that market participants are looking to next week's OPEC+ meeting. OPEC+ is expected to maintain production cuts of 7.7 million bpd or 8% of the pre-pandemic market, rather than easing the cuts from the start of next year as planned. Key producers have been non-committal so far, but there are signs of some producers seeking to break free of output constraints with focus on the UAE in particular.

OPEC and its allies are preparing for a week of technical meetings ahead of next week's ministerial meeting. OPEC sources stated that OPEC's economic commission board will meet on Wednesday and Thursday while OPEC and non-OPEC technical experts will meet on Friday. The board will discuss possible scenarios for ministers who will meet on Monday and Tuesday next week. An OPEC delegate said the OPEC+ ministers will likely agree to extend current production for the first quarter of 2021.

The API will work with state representatives to use "every tool at its disposal" including litigation, to oppose a Biden administration federal fracking ban. Chief Executive, Mike Sommers, said while he looks forward to working with the incoming Biden administration on energy, the API would draw the line if a ban on leasing federal lands to oil and gas companies were instituted.

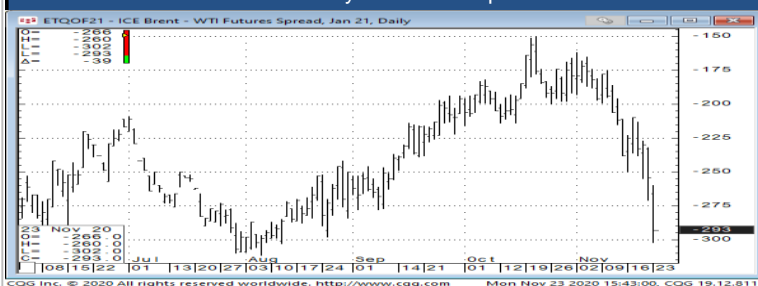
Early Market Call - as of 8:30 AM EDT

WTI - Dec \$43.53, dup 45 cents
 RBOB - Dec \$1.2310, up 2.7 cents
 HO - Dec \$1.3363, up 2.58 cents

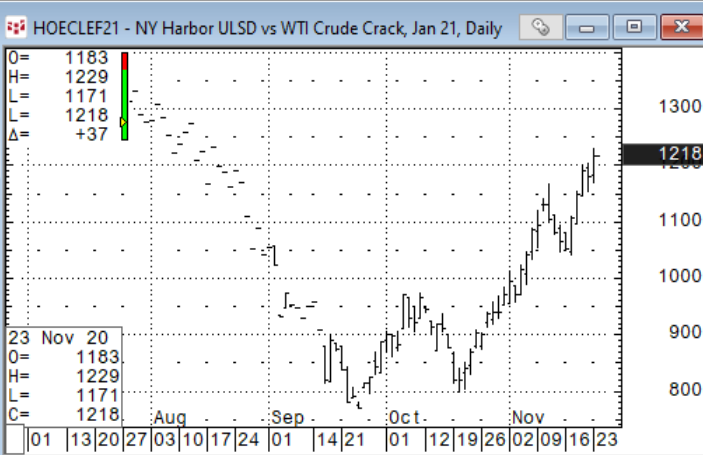
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Dec-20	1.3105	0.0242	-0.0816
Jan-21	1.3158	0.0245	-0.0754
Feb-21	1.3231	0.0249	-0.0698
Mar-21	1.3296	0.0251	-0.0655
Apr-21	1.3330	0.0250	-0.0636
May-21	1.3383	0.0242	-0.0611
Jun-21	1.3450	0.0235	-0.0589
Jul-21	1.3537	0.0231	-0.0571
Aug-21	1.3628	0.0228	-0.0556
Sep-21	1.3726	0.0225	-0.0541
Oct-21	1.3825	0.0223	-0.0529
Nov-21	1.3911	0.0218	-0.0516
Dec-21	1.3975	0.0213	-0.0499
Jan-22	1.4060	0.0209	-0.0483
Feb-22	1.4106	0.0204	-0.0464
Mar-22	1.4114	0.0198	-0.0446
Apr-22	1.4091	0.0196	-0.0434

		Close	Change
Crude - WTI	Jan Brent-	\$43.0600	\$0.6400
Crude - Brent	WTI Spread	\$46.0600	\$1.1000
Natural Gas	\$3.00	\$2.7110	\$0.0610
Gasoline		\$1.2040	\$0.0288

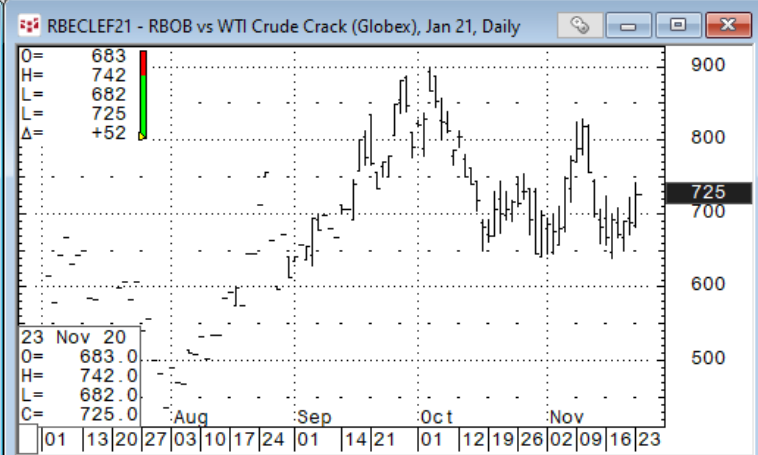
ICE January Brent-WTI Spread



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