

Market Commentary

Recap: Oil prices bounced back on Thursday, after settling at their lowest level since December. Prices gathered strength after the U.S. and China signed the first phase of their trade deal and after the U.S. Senate approved the U.S. -Mexico-Canada Agreement. In essence, oil prices are right back where they started from a few days ago and therefore, there is no significant change in the trend. February WTI rose 71 cents, or 1.2%, to settle at \$58.52 a barrel. March Brent picked up 62 cents, or 1%, to end at \$64.62 a barrel. February RBOB settled up 1.1% at \$1.6548 a gallon and February heating oil settled at \$1.86 a gallon, down about 1%.

Technical Analysis: February WTI continues to pivot around \$58.04, the 50% retracement provided by the October low of \$50.44 and the January high of \$65.65, while holding above its 200-day moving average and below its 50-day average. Given the lack of any concrete fundamentals, we would look for this market to fall into a period of sideways trading between the range of \$60.00 and \$57.00, with breaks below \$57.00 opening up the opportunity for a run at \$56.25, the 62% retracement set by the aforementioned October low and January high. Resistance is set at \$59.33 and above that at \$59.84.

Fundamental News: The International Energy Agency reported that increasing oil production from non-OPEC countries led by the US along with OECD stocks totaling 9 million barrels above the five year average will help the market weather political shocks such as the US -Iran stand-off. It expected production to outstrip demand for crude from OPEC even if members comply fully with a pact with Russia and other non-OPEC allies to cut output. It estimated OPEC crude production at 29.3 million bpd in January, 700,000 bpd above the projected demand for it. Demand for OPEC crude is expected to fall to 28.5 million bpd in the first half of 2020. It said that even if OPEC adheres strictly to the output cut agreement, a strong build in global oil inventories is likely in the first half of 2020. Global oil demand increased by 955,000 bpd on the year to 101.1 million bpd in October. Oil demand growth estimate for 2020 was kept at 1.2 million bpd.

Increased Chinese purchases of US energy products as part of the US-China trade deal will impact the global crude oil trade flows if US supplies squeeze rival crudes. China's pledge to buy at least \$52.4 billion worth of US energy products over the next two years can only be met through substantial increases in crude imports from the US. US crude has not been offered to Chinese independent refiners yet, but several trade sources stated that without China's prevailing 5% tariff on US crude, the value of WTI Midland delivered to China was estimated to be 50 cents to \$1 less than Brazil's Lula crude and some West African crudes. China's return as a major US oil buyer could help deplete excess supplies as production in the US is expected to reach records in the next two years.

UBS said that provided Middle East tensions do not intensify and cause production disruptions, Brent crude oil prices should decline towards the bottom of a \$60-\$65/barrel trading range in the first half of 2020 before recovering to the top of it in the second half of the year. UBS sees WTI prices at \$55/barrel for the first quarter of 2020, \$62/barrel for the second quarter, \$64/barrel for both the third quarter and fourth quarters.

Early Market Call - as of 8:45 AM EDT

WTI - Feb \$58.80, up 27 cents
 RBOB - Feb \$1.6589, up 39 points
 HO - Feb \$1.8446, down 1.54 cents

All NYMEX | Prior Settlements

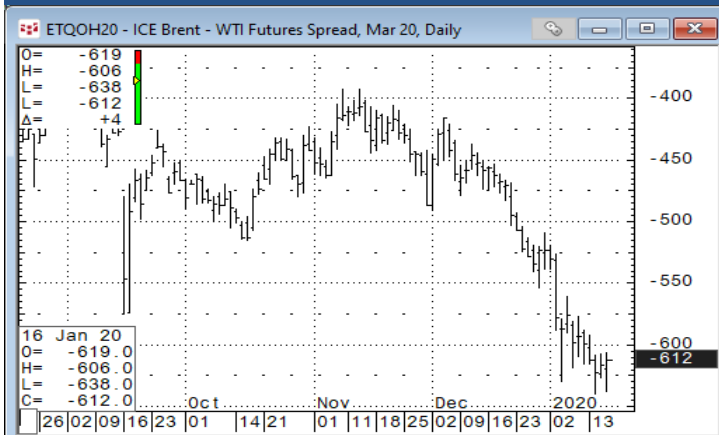
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-20	1.8600	-0.0179	0.0854
Mar-20	1.8647	-0.0175	0.0860
Apr-20	1.8619	-0.0146	0.0822
May-20	1.8589	-0.0112	0.0771
Jun-20	1.8572	-0.0076	0.0714
Jul-20	1.8567	-0.0056	0.0681
Aug-20	1.8564	-0.0043	0.0652
Sep-20	1.8567	-0.0037	0.0630
Oct-20	1.8560	-0.0036	0.0616
Nov-20	1.8548	-0.0037	0.0611
Dec-20	1.8528	-0.0043	0.0604
Jan-21	1.8516	-0.0047	0.0590
Feb-21	1.8459	-0.0049	0.0570
Mar-21	1.8350	-0.0052	0.0553
Apr-21	1.8166	-0.0053	0.0533
May-21	1.8052	-0.0055	0.0503
Jun-21	1.7983	-0.0054	0.0488

Other Front Month NYMEX		Close	Change
Crude - WTI	Mar Brent-	\$57.8400	-\$0.4200
Crude - Brent	WTI Spread	\$64.6200	\$0.6200
Natural Gas	\$6.78	\$2.0770	-\$0.0430
Gasoline		\$1.6548	\$0.0180

EIA Working Gas Storage Report

	10-Jan-20	03-Jan-20	Change	Year Ago
East	716	756	-40	624
Midwest	851	885	-34	734
Mountain	161	166	-5	128
Pacific	235	244	-9	197
South Central	1,076	1,097	-21	862
Salt	320	323	-3	303
Nonsalt	756	774	-18	558
Total	3,039	3,148	-109	2,545

ICE March Brent-WTI Spread



NYMEX WTI Forward Curve

