

Market Commentary

Recap: Oil futures rallied a bit on Thursday on expectations OPEC and other major oil producers will make further output cuts in an effort to prop up prices. A ministerial panel of key OPEC members and other major producers led by Russia recommended increasing output cuts by 500,000 barrels per day (bpd) in the first quarter of 2020, according to Russian Energy Minister Alexander Novak. Both WTI and Brent rose to their highest level in 2 months, with January WTI topping the session at \$59.12 a barrel, for a gain of 69 cents, or 1.1%, while February Brent topped the session at \$63.91 a barrel, a gain of 91 cents, or 1.4%. Later in the session, WTI struggled for direction, while Brent held on to gains. January WTI finished the session unchanged at \$58.43 a barrel, while February Brent added 39 cents, or 0.62%, to settle at \$63.39 a barrel. January RBOB tacked on 1.1% to \$1.6211 a gallon and January heating oil rose 0.5% to \$1.933 a gallon.

Technical Analysis: WTI rose to the top of an important range on Thursday, ahead of anticipated output cuts by OPEC and other major oil producers. January WTI is inching in on key resistance set at \$60.00 and toward the top of the ascending channel. A break above the \$60.00 level opens up the opportunity for this market to test the \$62.50 level. Support is set at \$58.00 and below that at \$57.15.

Fundamental News: OPEC and its allies led by Russia on Thursday were moving closer to agreeing to one of the deepest output cuts this decade to support crude prices and prevent a glut. A ministerial panel of key OPEC producers and allied countries recommended deepening their agreed oil production cuts by 500,000 bpd. Earlier, three OPEC+ sources stated that the group will discuss increasing current cuts of 1.2 million bpd by more than 400,000 bpd. The current cuts expire in March and OPEC+ sources and delegates have said the new deal could be extended either to June or until the end of 2020. Russia's Energy Minister, Alexander Novak, told Saudi Arabia's Prince Abdulaziz on Thursday that Russia-Saudi energy cooperation should continue. He said Russia was currently cutting even more oil output than agreed under an OPEC+ agreement. He later stated that the OPEC+ ministerial panel recommended to cut production by a further 500,000 bpd in the first quarter of 2020. The production cuts by OPEC and its allies would total 1.7 million bpd. Meanwhile, Iran's Oil Minister, Bijan Zanganeh, said he would support a deeper cut if that was agreed by other producers. He was scheduled to meet with OPEC's Secretary General, Mohammad Barkindo, on Thursday morning. Iran's representative to OPEC, Hossein Kazempour Ardebili, also stated that Iran would support a majority decision by members of OPEC to cut oil production.

Mustafa Sanalla, the head of Libya's National Oil Corp said Libya's El Feel oilfield was shut due to a valve closure. It was the second shut in at the field in consecutive weeks. The NOC said the valve that was shut was on the export pipeline from El Feel. The head of NOC said Libya lost 73,000 bpd of oil output. Libya's national oil production is currently around 1.25-1.3 million bpd.

Goldman Sachs revised down its oil demand forecast for this year but expects it to recover in 2020 supported by global economic growth, new maritime rules and more normal weather conditions. The bank also expects Brent-WTI differentials of \$4.50/barrel in 2020 from year to date levels near \$7/barrel.

China's Commerce Ministry said that tariffs must be lowered for there to be a phase one trade agreement with the US. Both sides are maintaining close communication. Meanwhile, US Treasury Secretary, Steven Mnuchin, said trade talks with China are on track, with deputy negotiators from both countries holding a call on Thursday as they actively worked towards a deal. However, he said the US is not bound to a deadline.

Early Market Call - as of 8:35 AM EDT

WTI - Jan \$57.85, down 57 points

RBOB - Jan \$1.6139, down 71 points

HO - Jan \$1.9260, down 71 points

All NYMEX | Prior Settlements

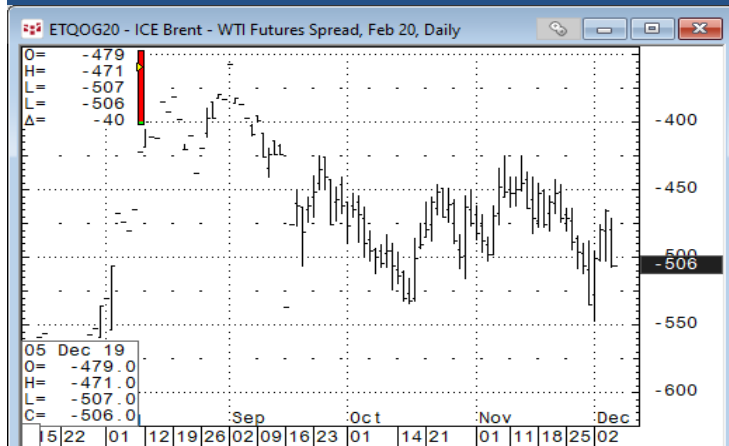
	ULSD (HO)	Prior Settle	Change In
Month	Close	Change	One Week
Jan-20	1.9330	0.0101	0.0123
Feb-20	1.9331	0.0116	0.0174
Mar-20	1.9249	0.0120	0.0063
Apr-20	1.9099	0.0123	0.0045
May-20	1.8978	0.0121	0.0033
Jun-20	1.8890	0.0119	0.0027
Jul-20	1.8864	0.0116	0.0018
Aug-20	1.8851	0.0112	0.0010
Sep-20	1.8854	0.0111	0.0008
Oct-20	1.8859	0.0108	0.0012
Nov-20	1.8868	0.0107	0.0016
Dec-20	1.8870	0.0107	0.0025
Jan-21	1.8879	0.0104	0.0024
Feb-21	1.8826	0.0103	0.0017
Mar-21	1.8722	0.0102	0.0010
Apr-21	1.8551	0.0102	0.0007
May-21	1.8435	0.0102	0.0000

Other Front Month NYMEX		Close	Change	
Crude - WTI	Feb Brent- WTI Spread \$5.05	{	unchanged	
Crude - Brent			\$63.3900	\$0.3900
Natural Gas			\$2.4270	\$0.0280
Gasoline			\$1.6211	\$0.0169

EIA Working Gas Storage Report

	29-Nov-19	22-Nov-19	Change	Year Ago
East	891	894	-3	756
Midwest	1,040	1,052	-12	917
Mountain	200	204	-4	168
Pacific	286	293	-7	253
South Central	1,174	1,166	8	906
Salt	316	303	13	262
Nonsalt	858	863	-5	644
Total	3,591	3,610	-19	3,000

ICE February Brent-WTI Spread



WTI Continuation Chart

