

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil prices bounced on Tuesday on reports that OPEC and other major producers would consider making additional output cuts when they meet in December. Oil had been slightly higher earlier after China signaled progress in trade talks with the United States, but gains were capped by bearish forecasts of a buildup in U.S. crude stockpiles. November WTI was trading at \$54.15 a barrel but shot up to \$54.62, for a gain of \$1.31, or 2.4% on the OPEC news, while December Brent, which was trading at \$59.42 a barrel, added an additional 84 cents, to trade at a high of \$60.26 a barrel, up \$1.30, or 2.2% on the day. Gains were trimmed with November WTI settling at \$54.16 a barrel, up 85 cents, or 1.59%. December WTI, the new front-month contract, settled at \$54.48 a barrel, up 97 cents, or 1.8%, while December Brent added 74 cents, or 1.26%, to settle at \$59.70 a barrel. November RBOB added 0.1% to \$1.6089 a gallon and November heating oil tacked on 0.2% to \$1.9437 a gallon.

Technical Analysis: Despite Tuesday's higher move, WTI remains within the area of consolidation we wrote about yesterday. With the December contract settling above \$53.63, the 10-day moving average, we would look for a push toward \$55.00, the top of the consolidation pattern. Above this level, additional resistance is set at \$55.59 and \$56.40. Support is set at \$53.63 and below that at \$52.60.

Fundamental News: Goldman Sachs on Tuesday lowered its forecast for growth in U.S. shale production in 2020, as well as slightly reducing its outlook for global demand growth in 2020. The investment bank said it expects shale oil production to grow by 700,000 b/d in 2020, down from its previous forecast of a 1 million bpd increase and the expected 1.1 million b/d increase in 2019. Goldman also reduced its forecast for global demand in 2020, by 100,000 b/d to 1.3 million b/d.

Reuters reported Tuesday morning that according to four sources, when the OPEC+ group meets in December the production group will consider deeper oil production cuts due to expected weak demand growth for 2020. In addition Saudi Arabia and its Gulf allies are looking for other members of the group to demonstrate better compliance to production quotas since the Gulf oil producers have been shouldering much of the production cutbacks.

Russia's energy minister said on Tuesday that he expects U.S. oil production will likely peak in the next few years as a result of current oil prices capping the pace of drilling expansion. Meanwhile he noted that Russian finance and energy ministries have agreed on a series of measures, aimed at boosting energy development in the Arctic.

Platts reported Saudi Arabia, which had seen a loss in its refinery output by half following the September 14th attacks on two key oil facilities, is not running its local refineries at full capacity once again. The Saudis, which noted current crude oil production is at 9.9 million b/d with a current production capacity of 11.3 million b/d, will see full oil production capacity returned to 12 million b/d by the end of November. Saudi officials said they expect Aramco is on track to start up a new 400,000 b/d domestic refinery and petrochemical project in Jazan by the end of the year.

Reuters reported that Phillips 66 and Teamsters representatives for the workers at the Bayway refinery in Linden, N.J. will resume negotiations next week. The two sides hit an impasse late last week after failing to agree on changes to the contract expanding the tasks and responsibilities of refinery workers. Some union workers though said they are preparing for the "worst" whether there is a strike or lockout. The union membership voted down earlier this month a new three year contract.

Early Market Call - as of 8:45 AM EDT

WTI - Dec \$53.78, down 71 cents

RBOB - Nov \$1.5597, down 1 cent

HO - Nov \$1.9254, down 1.87 cents

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Nov-19	\$1.9437	\$0.0031	-\$0.0337
Dec-19	\$1.9294	\$0.0062	-\$0.0288
Jan-20	\$1.9173	\$0.0081	-\$0.0269
Feb-20	\$1.9019	\$0.0093	-\$0.0075
Mar-20	\$1.8839	\$0.0100	-\$0.0247
Apr-20	\$1.8614	\$0.0104	-\$0.0231
May-20	\$1.8471	\$0.0105	-\$0.0217
Jun-20	\$1.8381	\$0.0109	-\$0.0196
Jul-20	\$1.8356	\$0.0110	-\$0.0181
Aug-20	\$1.8348	\$0.0111	-\$0.0168
Sep-20	\$1.8359	\$0.0112	-\$0.0159
Oct-20	\$1.8380	\$0.0113	-\$0.0155
Nov-20	\$1.8403	\$0.0115	-\$0.0156
Dec-20	\$1.8414	\$0.0122	-\$0.0167
Jan-21	\$1.8418	\$0.0119	-\$0.0172
Feb-21	\$1.8374	\$0.0115	-\$0.0174
Mar-21	\$1.8285	\$0.0117	-\$0.0176

Other Front Month NYMEX		Close	Change
Crude - WTI	Dec Brent-	\$54.4800	\$0.9700
Crude - Brent	WTI Spread	\$59.7000	\$0.7400
Natural Gas	\$5.22	\$2.2720	\$0.0340
Gasoline		\$1.6089	\$0.0017

API Report for the Week Ending October 18, 2019

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Up 4.5 million barrel	Up 4.7 million barrels
Cushing, OK Crude Stocks	Up 2 million barrels	
Gasoline Stocks	Down 702,000 barrels	Down 2 million barrels
Distillate Stocks	Down 3.5 million barrels	Down 3 million barrels
Refinery Runs	Up 129,000 bpd	

NYMEX Heating Oil Nov-Dec Spread

NYMEX RBOB Nov-Dec Spread

