

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil futures rose on Tuesday, with WTI settling at its highest level in a week. Gains came, as traders hang on to the prospect that OPEC+ would delay production curbs set to end at the start of the new year, and as the U.S. presidential election reaches its final stretch, sparking hope that OPEC is set to meet at the end of the month, allowing for enough time to make production adjustments. December WTI rose 85 cents, or 2.3%, to settle at \$37.66 a barrel, while Brent for December delivery added 74 cents, or 1.9% to close at \$39.71 a barrel. December RBOB added 2.4% to \$1.0769 a gallon and December heating oil rose 1.3% to \$1.1271 a gallon.

Market Outlook: Front month WTI prices have declined by more than 38% year to date, while Brent has fallen by almost 40%. Traders are focused on the U.S. presidential elections, with a Trump win most likely leading to the issuance of permits on federal land and additional midstream infrastructure, while at the same time keeping Iranian barrels from reaching the market, as Trump stays consistent with his stance against Iran. While a Trump win would mean higher domestic supply and lower prices for the consumer, it may do little for the economy, as the U.S. is a net exporter of crude oil and refined product. This will be a wait and see time for traders, and most likely why WTI is right back in the sideways pattern it has been trading in since June. Trading will remain volatile during this hope filled period. We still like selling signs of exhaustion, looking for a run up toward the \$40 area and possibly the 200-day moving average, which is currently set at \$43.85. Support rests at \$32.50 and \$30.

Fundamental News: The U.S. Bureau of Safety and Environmental Enforcement said the amount of shut in crude oil production in the U.S.-regulated northern Gulf of Mexico fell to 14.4% or 266,744 bpd on Tuesday following Hurricane Zeta. It also stated that 10.28% or 278.66 million cubic feet/day of natural gas output remains shut in.

The Wall Street Journal reported that according to oil officials and advisers, Saudi Arabia and other OPEC members are considering deepening oil production cuts amid rising Covid-19 cases in the West and fresh economic lockdowns in Europe that could curb oil demand further. The debate comes at a time when the Organization of the Petroleum Exporting Countries had hoped to be in a position to start turning production back on. Last month, The Wall Street Journal reported that Saudi Arabia and other producers had started debating whether or not to delay opening up the spigots by three months. OPEC officials said such a scenario, at a minimum, is now increasingly likely.

Algeria's Energy Minister, Abdelmadjid Attar, said Algeria supports a possible extension to the current OPEC+ supply cuts for the first few months of 2021. Algeria's Energy Minister said a second wave of the COVID-19 pandemic meant the oil market faced a "very dangerous" situation. OPEC+ producers are scheduled to reduce their cuts of 7.7 million bpd by about 2 million bpd starting in January. OPEC+ is scheduled to meet on November 30th and December 1st to set its production policy.

One OPEC source and a source familiar with Russian thinking said OPEC and Russia are considering deeper oil output cuts early next year to try to strengthen the oil market. The OPEC source said producers are "exploring many options beside a rollover of existing cuts. However the source said a deeper cut would be a "hard call" as it would hand more market share to producers outside OPEC+.

Libya's oil production has increased to 850,000 bpd from about 800,000 bpd on October 31st. The country is still restarting its oilfields after the lifting of an eight-month blockade by eastern forces and production is fluctuating. Oil output fell to about 780,000 bpd on Sunday. The blockade had reduced the country's output to about 100,000 bpd from 1.2 million bpd.

Early Market Call - as of 8:20 AM EDT

WTI - Dec \$38.53, up 87 cents

RBOB - Dec \$1.0926, up 1.56 cents

HO - Dec \$1.1501, up 2.3 cents

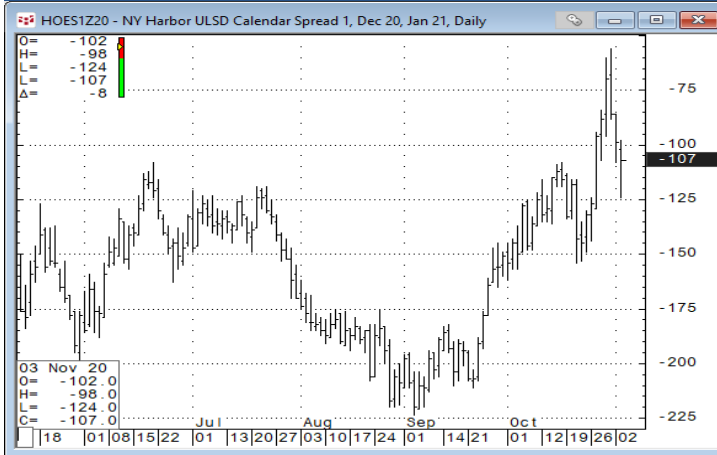
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Dec-20	1.1271	0.0148	0.0319
Jan-21	1.1377	0.0155	0.0308
Feb-21	1.1479	0.0162	0.0318
Mar-21	1.1569	0.0163	0.0335
Apr-21	1.1638	0.0168	0.0339
May-21	1.1750	0.0168	0.0331
Jun-21	1.1874	0.0169	0.0314
Jul-21	1.2004	0.0168	0.0306
Aug-21	1.2129	0.0168	0.0294
Sep-21	1.2260	0.0165	0.0281
Oct-21	1.2387	0.0159	0.0272
Nov-21	1.2510	0.0160	0.0265
Dec-21	1.2611	0.0158	0.0257
Jan-22	1.2729	0.0158	0.0248
Feb-22	1.2812	0.0156	0.0240
Mar-22	1.2851	0.0154	0.0229
Apr-22	1.2847	0.0150	0.0224

		Close	Change
Crude - WTI	Dec Brent- WTI Spread \$1.72	\$37.9900	\$0.8100
Crude - Brent		\$39.7100	\$0.7400
Natural Gas		\$3.0590	-\$0.1850
Gasoline		\$1.0769	\$0.0249

API Report for the Week Ending October 30, 2020

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Down 8 million barrels	Up 900,000 barrels
Cushing, OK Crude Stocks	Up 981,000 barrels	
Gasoline Stocks	Up 2.5 million barrels	Down 900,000 barrels
Distillate Stocks	Down 577,000 barrels	Down 1.7 million barrels
Refinery Runs	Up 244,000 b/d	Down 0.4%
Crude Imports	up 164,000 b/d	

December-January Heating Oil Spread



WTI Continuation Chart

