

## Market Commentary

**Recap:** The oil market traded higher on Friday, supported by reports of declining OPEC production and hopes for a resolution to the US-China trade dispute. The crude market opened 16 cents higher at \$52.23 as the market continued to trend higher following Thursday afternoon's upswing in prices. The market, which posted a low of \$52.09 on the opening and never looked back, held some resistance at \$53. However the market breached that level and rallied higher on the IEA report showing that OPEC cut its output in December by 590,000 bpd. The market was also well supported by reports that China offered the US trade negotiators a six year boost in imports during its ongoing trade talks with the US. The crude market rallied to a high of \$53.92 ahead of the close and settled up \$1.73 at \$53.80, a level not seen since mid-November. The March Brent contract settled up \$1.52 at \$62.70. Meanwhile, the product markets also ended the session sharply higher, with the heating oil market settling up 3.17 cents at \$1.9160 and the RBOB market settling up 2.28 cents at \$1.4528.

**Technical Analysis:** The crude market will likely continue to trend higher amid the prospects of further progress in trade negotiations between China and the US. The market also technically continues to trend higher as it settled above the 10 day moving average once again, basis a continuation chart. The market is seen finding support at its low of \$52.09 followed by \$50.98, \$50.38, \$49.71 and \$48.31. Meanwhile resistance is seen at its high of \$53.92, \$54.77 and \$55.98.

**Fundamental News:** In its monthly report, the IEA stated that it left its oil demand growth forecast unchanged for 2019, at 1.3 million bpd. However the IEA warned of a mixed picture amid signs of slowing global economic growth this year. It reported that global refining capacity is set to increase at its fastest pace on record this year, possibly increasing stocks of products such as diesel, gasoline and marine fuel. Oil refining capacity is expected to increase by 2.6 million bpd and demand for refined products by 1.1 million bpd. The IEA also reported that OPEC substantially lowered its oil production in December. OPEC's oil output in December fell by 590,000 bpd to 32.39 million bpd, its lowest level since July.

The US is likely to extend waivers from sanction on Iran's oil imports in May but will reduce the number of countries receiving them to placate top buyers China and India and to decrease the possibility of higher oil prices. Reducing the number of waivers will limit oil exports from Iran, however the US is unlikely to meet its earlier target of cutting Iranian oil exports to zero.

US refiners are bidding up prices for scarce types of crude oil needed for their most sophisticated plants as the US reconsiders tougher sanctions on Venezuela that could further reduce imports of the country's oil.

OPEC published a list of new levels of oil output cuts by its members and other major producers for the six months to June as part of the group's latest production cutting agreement. It also urged participating countries to redouble efforts for supply adjustments to ensure oil markets remain in balance in 2019. In the first half of 2019, OPEC and other major producers will cut oil output by 1.195 million bpd to 43.874 million bpd.

Baker Hughes reported that US energy firms cut oil rigs for the third consecutive week. Drillers cut 21 oil rigs in the week ending January 18<sup>th</sup>, bringing the total count down to 852, the lowest level since May 2018. It was the largest decline since February 2016.

IIR Energy said US oil refiners are expected to shut in 660,000 bpd of capacity in the week ending January 18<sup>th</sup>, increasing available refining capacity by 37,000 bpd from the previous week.

**Early Market Call - as of 8:35 AM EDT**

WTI - Feb \$54.01, up 21 cents

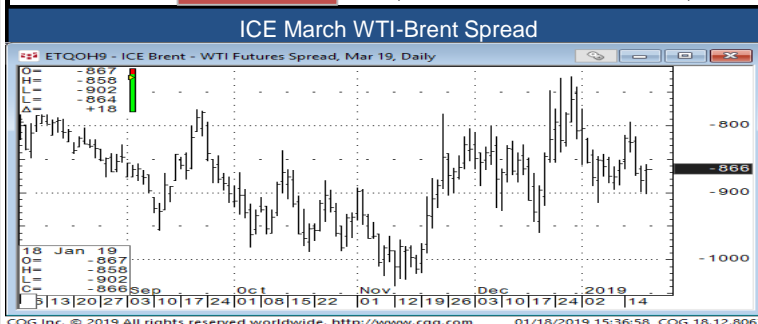
RBOB - Feb \$1.4537, up 4 points

HO - Feb \$1.9182, up 28 points

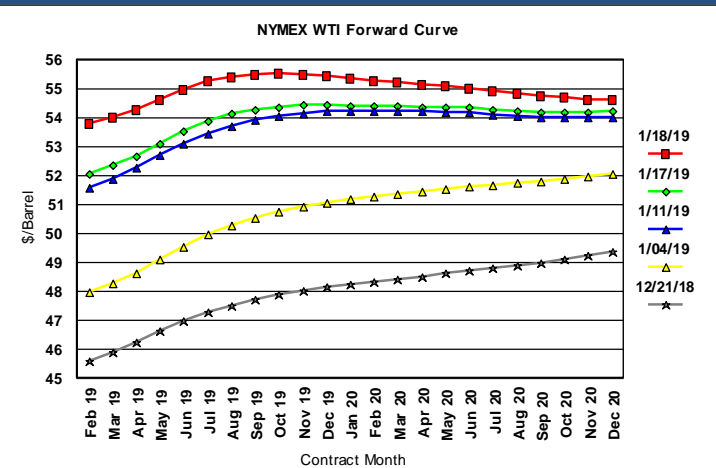
## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-19	\$1.9160	\$0.0317	\$0.0363
Mar-19	\$1.9085	\$0.0308	\$0.0367
Apr-19	\$1.8938	\$0.0296	\$0.0362
May-19	\$1.8889	\$0.0286	\$0.0350
Jun-19	\$1.8915	\$0.0277	\$0.0348
Jul-19	\$1.8990	\$0.0264	\$0.0340
Aug-19	\$1.9067	\$0.0253	\$0.0333
Sep-19	\$1.9155	\$0.0245	\$0.0329
Oct-19	\$1.9244	\$0.0243	\$0.0330
Nov-19	\$1.9327	\$0.0239	\$0.0333
Dec-19	\$1.9397	\$0.0233	\$0.0332
Jan-20	\$1.9460	\$0.0229	\$0.0332
Feb-20	\$1.9462	\$0.0223	\$0.0328
Mar-20	\$1.9423	\$0.0215	\$0.0323
Apr-20	\$1.9330	\$0.0207	\$0.0310
May-20	\$1.9306	\$0.0194	\$0.0287
Jun-20	\$1.9303	\$0.0182	\$0.0253

Other Front Month NYMEX		Close	Change
Crude - WTI	Mar Brent-	\$54.0400	\$1.6800
Crude - Brent	WTI Spread	\$62.7000	\$1.5200
Natural Gas	\$8.66	\$3.4820	\$0.0690
Gasoline		\$1.4528	\$2.2800



## NYMEX WTI Forward Curve



## IEA's Monthly Report Chart



This market update is provided for information purposes only and is not intended as advice on any transaction nor is it a solicitation to buy or sell commodities. Sprague makes no representations or warranties with respect to the contents of such news, including, without limitation, its accuracy and completeness, and Sprague shall not be responsible for the consequence or reliance upon any opinions, statements, projections and analyses presented herein or for any omission or error in fact.