

## Market Commentary

**Recap:** After dipping by almost 1%, oil prices gained support, as the stock market rebounded and as reports circulated that OPEC and its allies were weighing in on the possibility of deeper output cuts. March WTI rose toward \$54.00, to peak the session at \$53.92 before trimming gains to settle at \$53.48, up 34 cents, or 0.64%. March Brent settled up 19 cents, or 0.32%, at \$59.51 a barrel. March RBOB rose 1.9% to \$1.5124 a gallon, while March heating oil was up 2.4% at \$1.72 a gallon. Perhaps it isn't only the coronavirus that is putting pressure on the oil markets. So far, the U.S. is experiencing a somewhat mild winter, while heated rhetoric between the U.S. and Iran has died down and the U.S./China trade deal has yet to be solidified. These factors have overlain a bearish tone over the oil market, and in all likelihood exacerbated the down move.

**Technical Analysis:** After falling for five straight sessions, WTI rebounded, perhaps a bit overdone to the downside. Moving oscillators have crossed to the upside in deep oversold territory, indicating a worn out market. With this in mind, we would look for a rebound, with the potential of testing the psychological resistance level of \$55.00. Above this level, additional resistance is set at \$55.99. To the downside, support is set at \$51.00 and below that at \$50.18.

**Fundamental News:** OPEC sources stated that the producer group wants to extend current oil output cuts until at least June, with the possibility of deeper reductions on the table if oil demand in China is significantly impacted by the spread of a new coronavirus. The quick decline in oil prices has alarmed OPEC officials as the new virus found in China and several other countries raised concerns about an impact on economic growth and oil demand. Saudi Arabia joined by UAE, Algeria and Oman sought to calm down market concerns on Monday, urging caution against gloomy expectations on the impact of the virus on the global economy and oil demand. However, OPEC officials have also started weighing their options and intensified internal discussions on how best to respond to the price decline. A source familiar with Russian thinking, said that although Russia had been keen earlier to exit from cuts, it would stay on board as oil prices continued to trade below \$60/barrel.

Saudi Arabia's government discussed the possible impact of the new coronavirus on the oil market on Tuesday, and said it was confident China and the international community would be able to eradicate it. The cabinet reiterated that OPEC and its allies could respond to any impact from the virus on the oil market.

A motion for Iran to quit the nuclear Non-Proliferation Treaty was introduced in parliament on Tuesday. The assembly's news site ICANA did not say when parliament may vote on the motion. Iran's Supreme Leader, Ayatollah Ali Khamenei, makes the final decisions regarding the country's nuclear policy.

UBS stated that while oil demand growth may have slowed recently, it is too early to ascertain the full-year impact of the coronavirus. It retained its positive outlook for oil prices in the second half of the year, with Brent recovering to \$64/barrel.

Barclays Commodities Research stated that if the SARS outbreak in 2003 is any indication, the market has likely overreacted to the coronavirus. It said compounding effects of the spillover to economic growth from China and the region, expect transitory oil demand erosion of about 600,000-800,000 bpd in the first quarter of 2020 or 200,000 bpd for the full year. It sees \$2/barrel downside to their full-year Brent and WTI forecasts of \$62/barrel and \$57/barrel based on any impact to economic growth from the coronavirus. It said if demand erosion is more acute, expect OPEC+ producers to take further steps to keep the markets tight.

### Early Market Call - as of 8:30 AM EDT

WTI - Mar \$54.27, up 79 cents

RBOB - Feb \$1.5330, up 2.93 cents

HO - Feb \$1.7335, up 1.75 cents

## All NYMEX | Prior Settlements

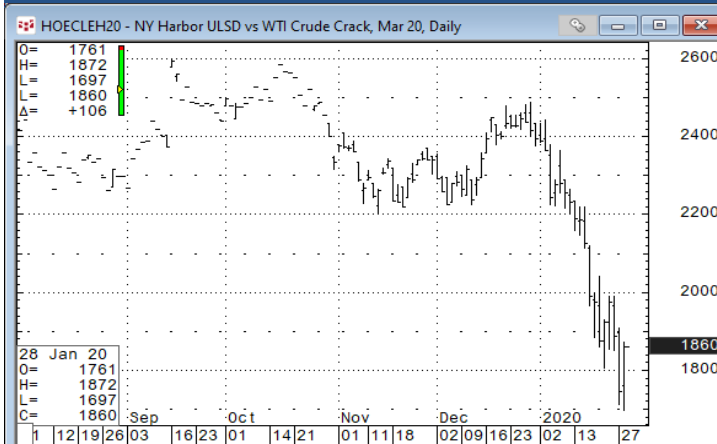
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-20	1.7159	0.0364	0.0840
Mar-20	1.7162	0.0333	0.0886
Apr-20	1.7172	0.0313	0.0888
May-20	1.7188	0.0288	0.0884
Jun-20	1.7209	0.0265	0.0876
Jul-20	1.7232	0.0241	0.0871
Aug-20	1.7264	0.0222	0.0861
Sep-20	1.7312	0.0207	0.0842
Oct-20	1.7358	0.0195	0.0821
Nov-20	1.7395	0.0180	0.0801
Dec-20	1.7425	0.0169	0.0775
Jan-21	1.7464	0.0159	0.0741
Feb-21	1.7463	0.0151	0.0702
Mar-21	1.7401	0.0144	0.0665
Apr-21	1.7274	0.0139	0.0627
May-21	1.7216	0.0132	0.0589
Jun-21	1.7185	0.0125	0.0555

Other Front Month NYMEX		Close	Change
Crude - WTI	Mar Brent-	\$53.4800	\$0.3400
Crude - Brent	WTI Spread	\$59.5100	\$0.1900
Natural Gas	\$6.03	\$1.9340	\$0.0320
Gasoline		\$1.5032	\$0.0192

## API Report for the Week Ending January 24, 2019

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Down 4.3 million barrels	Up 482,000 barrels
Cushing, OK Crude Stocks	Up 1 million barrels	
Gasoline Stocks	Up 3.3 million barrels	Up 1.3 million barrels
Distillate Stocks	Down 141,000 barrels	Down 1 million barrels
Refinery Runs	Down 56,000 b/d	Down 0.6% at 89.9%

## March Heating Oil Crack Spread



## March RBOB Crack Spread

