

Market Commentary

Recap: Oil futures rallied Friday, briefly lifting U.S. prices to their highest in eight months, after a U.S. airstrike in Iraq killed one of Iran's top military commanders, sparking fears of an escalation of tensions in the Middle East that could disrupt the flow of crude. In early trading, February WTI traded up to a high of \$64.09, the highest intraday level for a spot contract since April. Gains were pared, with this spot contract settling at \$63.05 a barrel, up \$1.87, or 3.1%. For the week, prices added roughly 2.2%. March Brent rose \$2.35, or about 3.6%, to \$68.60 a barrel after trading as high as \$69.50 a barrel. The settlement and intraday levels were the highest since the aftermath of a September attack on Saudi oil infrastructure widely blamed on Iran. For the week, Brent oil rose 2.6%. February RBOB rose 2.6% to \$1.7488 a gallon, while February heating oil added 1.8% to \$2.0614 a gallon. Both posted modest gains for the week.

Technical Analysis: Despite Friday's aggressive move, WTI failed to break out of the long standing range, a strong indication of uncertainty for higher prices. Based on this, we would look for this market to encounter selling pressure up at current levels. Resistance is set at \$64.35-\$64.64 and above that at \$66.60. to the downside, support is set at \$62.08 and below that at \$61.39.

Fundamental News: The EIA reported that US crude oil stocks fell by the largest amount since June, driven by an increase in US crude exports to more than 4 million bpd for the first time in history. Crude oil inventories fell by 11.5 million barrels in the week ending December 27th to 429.9 million barrels. The sharp decline was in part due to increased refining output that increased distillate and gasoline stocks, along with a fall in imports and an increase in exports.

Baker Hughes reported that the number of rigs searching for oil in the week ending January 3rd fell by 7 to 670.

Iraq's Oil Ministry said dozens of US citizens working for foreign oil companies in the southern Iraqi oil city of Basra were preparing to leave the country on Friday after a US air strike killed a top Iranian commander in Iraq. The US embassy in Baghdad urged all citizens to depart from Iraq immediately, hours after the US killed Iranian Quds Force leader, Qassem Soleimani, and Iraqi militia commander, Abu Mahdi al-Muhandis, in an air strike. Iraqi officials said the evacuation would not impact operations. The Oil Ministry said all oilfields across the country were operating normally and production and export was not affected.

Separately, Iraq's President, Barham Salih, condemned the US air strike on Baghdad airport that killed the commander of Iran's Quds force, and urged restraint from all parties. Iran promised harsh revenge on Friday after a US air strike in Baghdad on Friday killed Qassem Soleimani.

US Secretary of State, Mike Pompeo, said the strike aimed to disrupt an "imminent attack" that would have endangered Americans in the Middle East. He said the US remains committed to de-escalation with Iran but is prepared to defend itself.

IIR Energy reported that US oil refiners are expected to shut in 121,000 bpd of capacity in the week ending January 3rd, cutting available refining capacity by 49,000 bpd from the previous week.

Russia's Energy Ministry said Russia cut its output, excluding gas condensate, by 234,000 bpd in December from a baseline set in October 2018. It reported that its gas condensate output was up 58,000 bpd.

Russia has halted oil supplies to refineries in Belarus amid a new contract dispute that is also threatening large Russian oil deliveries to Western Europe crossing the country. Belarus' state firm, Belneftkhim said deliveries had been halted as of January 1st.

Early Market Call - as of 8:50 AM EDT

WTI - Feb \$63.84, up 79 cents

RBOB - Feb \$1.7704, up 2.16 cents

HO - Feb \$2.0620, up 7 points

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-20	2.0614	0.0373	-0.0074
Mar-20	2.0593	0.0395	-0.0137
Apr-20	2.0455	0.0402	-0.0164
May-20	2.0318	0.0402	-0.0180
Jun-20	2.0189	0.0394	-0.0182
Jul-20	2.0122	0.0381	-0.0172
Aug-20	2.0062	0.0366	-0.0159
Sep-20	2.0022	0.0351	-0.0150
Oct-20	1.9985	0.0334	-0.0141
Nov-20	1.9951	0.0319	-0.0131
Dec-20	1.9916	0.0307	-0.0123
Jan-21	1.9879	0.0299	-0.0120
Feb-21	1.9774	0.0292	-0.0118
Mar-21	1.9602	0.0273	-0.0106
Apr-21	1.9356	0.0251	-0.0085
May-21	1.9184	0.0224	-0.0064
Jun-21	1.9081	0.0196	-0.0041

Other Front Month NYMEX		Close	Change
Crude - WTI	Mar Brent-	\$62.8200	\$1.8700
Crude - Brent	WTI Spread	\$68.6000	\$2.3500
Natural Gas	\$5.78	\$2.1300	\$0.0080
Gasoline		\$1.7488	\$0.0446

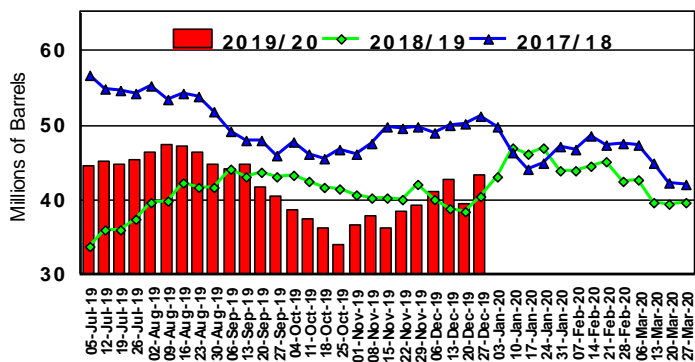
EIA Working Gas Storage Report

	27-Dec-19	20-Dec-19	Change	Year Ago
East	771	796	-25	663
Midwest	905	923	-18	801
Mountain	173	177	-4	147
Pacific	251	260	-9	220
South Central	1,093	1,094	-1	875
Salt	313	309	4	293
Nonsalt	780	786	-6	582
Total	3,192	3,250	-58	2,708

Weekly EIA Petroleum Status Report for the Week Ending December 27, 2019

Distillate Stocks

PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 11.463 million barrels

Cushing, OK Crude Stocks Down 1.449 million barrels

Gasoline Stocks Up 3.212 million barrels

Distillate Stocks Up 8.776 million barrels

Refinery % Operated 94.5%, up 1.2%

PADD #1

Distillate Stocks (in million bbls)	Week Ending Dec 27, 2019	Week Ending Dec 20, 2019	Week Ending Dec 28, 2018
New England	7.7	7.6	7.6
Central Atlantic	23.2	20.8	21.9
Total PADD #1	43.3	39.4	40.4
Distillate Imports (thousands b/d)	162	237	187