

## Market Commentary

## All NYMEX | Prior Settlements

**Recap:** Oil prices closed at their highest level in over 3 years, gaining support from geopolitical tensions, increasing demand and declining U.S. stockpiles. A break below \$63.50 in February WTI triggered additional selling, taking this spot contract to just above \$63.00. News of an increase in the number of active U.S. oil rigs helped to propel WTI off of this level, taking it to a fresh high of \$64.50. Friday marked the fifth straight session that oil prices posted gains, with February WTI adding 50 cents, or 0.8%, to settle at \$64.30 a barrel, which represents a weekly gain of 4.7%. March Brent settled at \$69.87 a barrel, up 61 cents, or 0.9%, or 3.3% on the week.

**Fundamental News:** Baker Hughes reported that the number of rigs searching for oil increased by 10 to 752 in the week ending January 12<sup>th</sup>. It was the first weekly rise in five weeks.

The Trump administration extended sanctions relief under the landmark 2015 Iran nuclear agreement, keeping the deal intact for at least another several months but added that it would not issue anymore such waivers as it negotiates a modified deal with European allies.

The head of the IEA, Fatih Birol, said that while oil prices at \$65 to \$70/barrel was good for oil producers now, there was a risk that such a level would encourage more oversupply from US shale drillers. He also stated that there may be a further decline in Venezuela's production in 2018 as its economic crisis hits production.

Oman's Oil Minister, Mohammed bin Hamad al-Rumhi, said he was not concerned about the current rise in oil prices and that he expected prices to trade within a healthy range of \$65-\$70/barrel for a few weeks. He said it was too early to talk about an exit strategy from the oil production cut agreement. Oman's current production was around 965,000 to 970,000 bpd, in compliance with the global oil production cut agreement.

The UAE's Energy Minister, Suhail al-Mazroui said OPEC need not respond to a rise in oil prices by rushing to change the global oil production cut agreement. He said this year's rapid rise in oil prices is supported by strong demand growth and a fall in oversupply on the back of the OPEC and non-OPEC agreement, not only by political tensions.

A senior OPEC source familiar with Gulf oil thinking said Gulf OPEC producers plan to keep their oil output in the first quarter of 2018 below the year earlier level despite strong demand growth and a decline in global inventories. The source said that the joint OPEC, non-OPEC monitoring committee headed by Saudi Arabia will continue to monitor the market and make sure all countries are adhering to their cuts. The joint ministerial monitoring committee is due to meet next in Oman on January 21<sup>st</sup>.

Russia's Energy Minister, Alexander Novak, said ministers from leading OPEC and non-OPEC oil producers could discuss the possibility of a smooth exit from a global oil output cut agreement at a meeting in Oman next week. He said the current oil prices near \$70/barrel were short term and global crude markets were not yet balanced.

Lukoil's CEO, Vagit Alekperov, said Russia should start exiting a global oil output cut deal if crude prices remain at \$70/barrel for more than six months. He said an oil price of \$60-\$70/barrel is good for Russian producers.

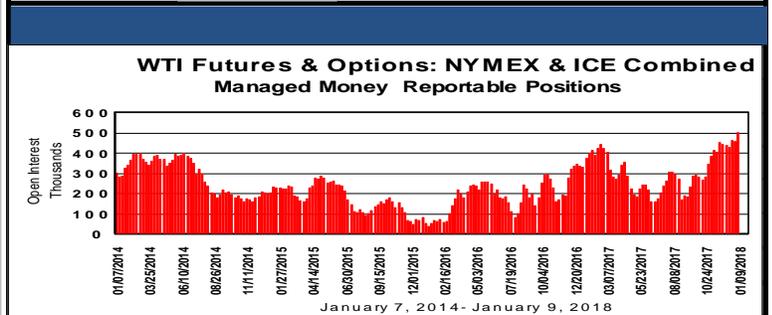
IIR reported that US oil refiners are expected to shut in 537,000 bpd of capacity in the week ending January 12<sup>th</sup>, decreasing available refining capacity by 334,000 bpd from the previous week.

**Early Market Call - as of 9:00 AM EDT**

- WTI - Feb \$64.25, down 6 cents
- RBBOB - Feb \$1.8446, down 46 points
- HO - Feb \$2.0815, down 34 points

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-18	\$2.0850	\$0.0083	\$0.0263
Mar-18	\$2.0778	\$0.0103	\$0.0346
Apr-18	\$2.0594	\$0.0115	\$0.0407
May-18	\$2.0427	\$0.0113	\$0.0420
Jun-18	\$2.0308	\$0.0115	\$0.0438
Jul-18	\$2.0260	\$0.0114	\$0.0449
Aug-18	\$2.0219	\$0.0109	\$0.0445
Sep-18	\$2.0198	\$0.0105	\$0.0439
Oct-18	\$2.0174	\$0.0099	\$0.0421
Nov-18	\$2.0162	\$0.0093	\$0.0405
Dec-18	\$2.0145	\$0.0088	\$0.0388
Jan-19	\$2.0130	\$0.0082	\$0.0377
Feb-19	\$2.0054	\$0.0082	\$0.0369
Mar-19	\$1.9904	\$0.0082	\$0.0356
Apr-19	\$1.9691	\$0.0084	\$0.0338
May-19	\$1.9563	\$0.0086	\$0.0316
Jun-19	\$1.9483	\$0.0091	\$0.0308
Jul-19	\$1.9444	\$0.0091	\$0.0299

		Close	Change
Crude - WTI	Mar Brent-WTI Spread \$5.64	\$64.2300	\$0.5500
Crude - Brent		\$69.8700	\$0.6100
Natural Gas		\$3.2000	\$0.1160
Gasoline		\$1.8495	\$0.0125



## Commitment of Traders Report for the Week Ending January 9th

