

## Market Commentary

**Recap:** Oil prices recovered on Wednesday, stemming the longest losing streak on record. After opening the session below unchanged, prices broke to the upside in early morning trading as traders weighed in on the possibility OPEC and allied producers would agree to cut back on output at a meeting set for next month. After breaking above \$55.90, the top of a sideways pattern formed in overnight trading, U.S. oil rose an additional 60 cents before encountering mild resistance at \$56.50. The retreat from this level was short lived, as traders once again turned their focus back to the aforementioned meeting and its impact on forward demand. This is evident in the shape of the forward curve, which shows the back end lifting and deferred spreads slightly narrowing in backwardation. A fresh push to the upside ensued, with December WTI pushing above \$57.00 a barrel, to top the session at \$57.37 before paring gains for a settlement at \$56.25 a barrel, up 56 cents, or 1.01%. Brent for January delivery tacked on 65 cents, or 0.99%, to settle at \$66.12 a barrel. December RBOB added 1.2% to \$1.561 a gallon and December heating oil rose 1.6% to \$2.096 a gallon.

**Technical Analysis:** Technical indicators have crossed to the upside in deep oversold territory. The 9-day slow stochastics %K and %D are currently set at 10.73 and 10.58 respectively. This type of cross indicates a slowing of the down move, indicating a reversal is on the way. Given how hard prices fell during Tuesday's trading, a bit of a recovery is not surprising. A retracement back to \$58.80; the 50% retracement established by the October high of \$77.09 and the June low of \$40.50 is possible. Above this level, additional resistance is set at \$63.11. Support remains at \$54.48.

**Fundamental News:** The IEA reported that global oil supply will outpace demand throughout 2019. The IEA left its forecast for global demand growth for 2018 and 2019 unchanged from last month at 1.3 million bpd and 1.4 million bpd, respectively. For the first half of 2019, based on its outlook for non-OPEC production and global demand, and assuming flat OPEC production, the IEA said the implied stock build is 2 million bpd. The agency raised its forecast for oil output growth from countries outside OPEC to 2.4 million bpd this year and 1.9 million bpd next year, compared with its previous estimate of 2.2 million bpd and 1.8 million bpd, respectively. The IEA estimates total US oil supply will increase by 2.1 million bpd this year and another 1.3 million bpd in 2019. OPEC crude production increased by 200,000 bpd in October to 32.99 million bpd, up 240,000 bpd on the year.

Goldman Sachs said that while it expects the oil market to move to the upside of the trading range, given a large concentration of puts at \$50/barrel, a temporary move in WTI prices to near \$50 should not be precluded. It said fundamental catalysts for higher oil prices will be evidence that OPEC production is sequentially declining and further proof of demand resilience.

OPEC and its partners are discussing a proposal to cut oil output by up to 1.4 million bpd for 2019, a larger cut than previously expected.

The UAE's Energy Minister, Suhail al-Mazrouei, said OPEC and its allies will need to reduce oil production next year to prevent a buildup in supply, and added that there is a consensus among its members to support a decision to balance the market. He said the UAE would support any OPEC decision to balance the market in December.

Russia's Energy Minister, Alexander Novak, said no emergency action was needed to stem the decline in oil prices. He said long-term oil prices should be taken into consideration when any decision is taken by oil-producing countries. He said Russia has been cutting oil production by about 20,000 bpd so far in November.

### Early Market Call - as of 9:10 AM EDT

WTI - Dec \$56.41, up 16 cents

RBOB - Dec \$1.5587, down 15 points

HO - Dec \$2.0884, down 80 points

## All NYMEX | Prior Settlements

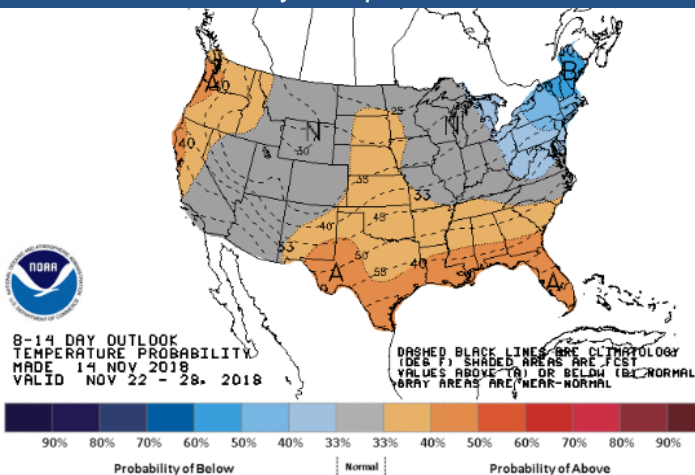
Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Dec-18	\$2.0959	\$0.0334	-\$0.1412
Jan-19	\$2.0872	\$0.0311	-\$0.1366
Feb-19	\$2.0775	\$0.0277	-\$0.1350
Mar-19	\$2.0684	\$0.0249	-\$0.1336
Apr-19	\$2.0532	\$0.0239	-\$0.1329
May-19	\$2.0469	\$0.0228	-\$0.1321
Jun-19	\$2.0450	\$0.0216	-\$0.1314
Jul-19	\$2.0506	\$0.0202	-\$0.1310
Aug-19	\$2.0580	\$0.0189	-\$0.1309
Sep-19	\$2.0673	\$0.0177	-\$0.1307
Oct-19	\$2.0762	\$0.0170	-\$0.1304
Nov-19	\$2.0836	\$0.0160	-\$0.1307
Dec-19	\$2.0888	\$0.0152	-\$0.1314
Jan-20	\$2.0914	\$0.0148	-\$0.1308
Feb-20	\$2.0885	\$0.0152	-\$0.1285
Mar-20	\$2.0830	\$0.0161	-\$0.1258
Apr-18	\$2.0736	\$0.0162	-\$0.1233

Other Front Month NYMEX		Close	Change
Crude - WTI	Jan Brent-	\$56.4400	\$0.6000
Crude - Brent	WTI Spread	\$66.1200	\$0.6500
Natural Gas	\$9.68	\$4.8370	\$0.7360
Gasoline		\$1.5606	\$0.0179

### API Weekly Report for the Week Ending November 9, 2018

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Up 8.79 million barrels	Up 2.3 million barrels
Cushing, OK Crude Stocks	Up 726,000 barrels	Up 2.5 million barrels
Gasoline Stocks	Up 188,000 barrels	Down 2.7 million barrels
Distillate Stocks	Down 3.224 million barrels	Down 900,000 barrels
Refinery Runs	Up 216,000 bpd	Up 0.8%

## NOAA 8-14 Day Temperature Outlook



## NYMEX DEC HEAT CRACK

