

## Market Commentary

**Recap:** Oil prices continued to post gains on Tuesday, as hopes that a coronavirus vaccine could be available as early as the end of the year and that the negative impact the virus is having on demand can be reversed. Gains were kept in check by lockdowns in Europe, as well as an increase in Libyan production. Oil futures received two late session boosts, the first after Anthony Fauci, the Director of the U.S. National Institute of Allergy and Infectious Diseases, said that doses of the vaccine will be available for people at highest priority and the second after the API reported a drop of 5.1 million barrels in U.S crude oil inventories. December WTI for December delivery jumped \$1.07, or 2.7%, to settle at \$41.36 a barrel, while December Brent closed up \$1.21, or 2.9%, to settle at \$43.61 a barrel. December RBOB added 2.9% to \$1.1941 a gallon and December heating oil rose 2.9% to \$1.2525 a gallon.

**Market Outlook:** The main trend for oil prices remains to the downside, but near term momentum in calling for higher prices. A settlement above \$41.90 in December WTI would shift the main trend to the upside, while a settlement below \$39.93 would change the minor trend to the down side. We still see this market in a range trading cycle, with the August high of \$44.33 being the top of this ranged and \$33.65, the low made in November, being the bottom of this range. Within this range, the 200-day moving average will provide a level of resistance, with the 50 and 10 day moving averages providing support.

**Fundamental News:** The U.S. EIA raised its oil demand growth estimate for 2020 by 10,000 bpd from a previous estimate to a fall of 8.61 million bpd to 92.91 million bpd. It cut its 2021 world oil demand growth forecast by 360,000 bpd from a previous forecast to an increase 5.89 million bpd to 98.8 million bpd. World oil output in 2020 is expected to fall by 6.19 million bpd to 94.42 million bpd and output in 2021 is forecast to increase by 3.97 million bpd to 98.39 million bpd in 2021. OPEC's oil production in 2020 is expected to fall by 3.94 million bpd to 30.69 million bpd but increase by 2.81 million bpd to 33.5 million bpd. Meanwhile, U.S. crude oil production is expected to fall by 860,000 bpd in 2020 to 11.39 million bpd, a larger decline than its previous forecast for a fall of 800,000 bpd. U.S. crude output in 2021 is expected to fall by 290,000 bpd to 11.1 million bpd, compared with the EIA's previous forecast for a decline of 360,000 bpd. U.S. petroleum and other liquid fuel consumption is expected to fall by 2.38 million bpd to 18.16 million bpd in 2020 but increase by 1.69 million bpd to 18.16 million bpd in 2021. Gasoline demand in 2020 is expected to fall by 1.17 million bpd to 8.14 million bpd and increase by 630,000 bpd in 2021 to 8.77 million bpd. Distillate demand in 2020 is expected to fall by 340,000 bpd to 3.76 million bpd and increase by 240,000 bpd to 4 million bpd in 2021. Brent prices will remain near \$40/barrel through the end of 2020 and increase to an average of \$47/barrel in 2021.

Russia's Energy Minister, Alexander Novak told lawmakers it was necessary to continue cooperation with other leading energy-producing countries in order to ensure market stability. He however, said it was too early to talk about possible changes to the OPEC+ deal on oil cuts. The Joint Ministerial Monitoring Committee (JIMMC) for OPEC+ is due to be held on November 17<sup>th</sup>.

S&P Global Platts Analytics is estimating the Biden proposed policy to halt new drilling permits on federal lands and waters would put 1.1 million b/d of oil output and 3.7 Bcf/d of gas production at risk by 2025. A total federal drilling ban would cut oil output by 1.6 million b/d. Platts noted that well permitting on U.S. federal lands has already increased in anticipation of a potential policy change. Permitting is expected to remain strong through the end of the year. Federal drilling permits have a time life of two years.

**Early Market Call - as of 8:45 AM EDT**

WTI - Dec \$42.38 up \$1.02 per barrel  
 RBOB - Dec \$1.2150 up 2.09 cents per gallon  
 HO - Dec \$1.2803 up 2.78 cents per gallon

## All NYMEX | Prior Settlements

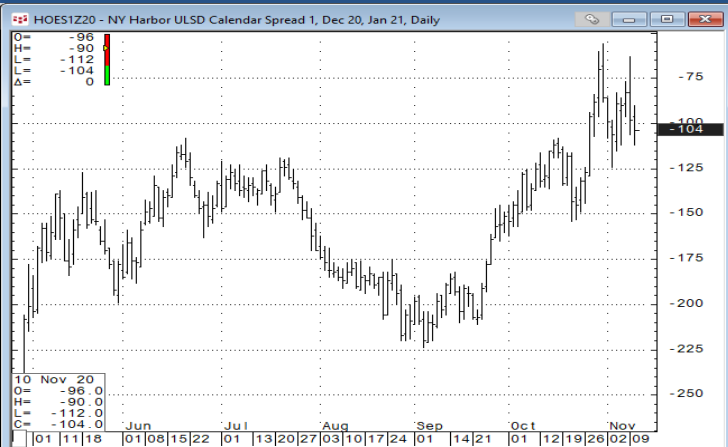
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Dec-20	1.2525	0.0358	-0.1254
Jan-21	1.2633	0.0362	-0.1256
Feb-21	1.2738	0.0368	-0.1259
Mar-21	1.2822	0.0369	-0.1253
Apr-21	1.2866	0.0366	-0.1228
May-21	1.2947	0.0363	-0.1197
Jun-21	1.3037	0.0358	-0.1163
Jul-21	1.3137	0.0353	-0.1133
Aug-21	1.3237	0.0348	-0.1108
Sep-21	1.3347	0.0346	-0.1087
Oct-21	1.3457	0.0344	-0.1070
Nov-21	1.3564	0.0341	-0.1054
Dec-21	1.3649	0.0337	-0.1038
Jan-22	1.3755	0.0333	-0.1026
Feb-22	1.3823	0.0325	-0.1011
Mar-22	1.3853	0.0319	-0.1002
Apr-22	1.3840	0.0313	-0.0993

		Close	Change
Crude - WTI	Dec Brent- WTI Spread \$1.94	\$41.6700	\$1.0500
Crude - Brent		\$43.6100	\$1.2100
Natural Gas		\$2.9490	\$0.0900
Gasoline		\$1.1941	\$0.0334

### API Report for the Week Ending November 6, 2020

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Down 5.1 million barrels	Down 3 million barrels
Cushing, OK Crude Stocks	Down 1.2 million barrels	
Gasoline Stocks	Down 3.3 million barrels	Down 600,000 barrels
Distillate Stocks	Down 5.6 million barrels	Down 2 million barrels
Refinery Runs	Down 74,000 bpd	Up 0.2% at 75.5%
Crude Imports	Down 109,000 bpd	

## December-January Heating Oil Spread



## December WTI

