

## Market Commentary

**Recap:** The oil market sold off sharply on Monday as the spread of the coronavirus in countries outside China added to investor concerns over the effect on demand for crude. The market traded in tandem with the global equities as worries about the impact of the virus increased, with the number of cases rapidly increasing in Iran, Italy and South Korea. Kuwait, Bahrain, Oman and Iraq also recorded their first cases of the coronavirus. The crude market opened at its high of \$52.64 before it continued to trend lower. It sold off more than 5.8% to a low of \$50.45 in afternoon trading. The April WTI contract bounced off that level and retraced some of its losses ahead of the close, trading back above \$51.50, and settled down \$1.95 at \$51.43. The April Brent contract settled down \$2.20 at \$56.30. Meanwhile, the product markets ended sharply lower, with the heating oil market settling down 7.34 cents at \$1.6132 and the RBOB market settling down 4.15 cents at \$1.6091.

**Technical Analysis:** The oil market on Tuesday will likely retrace some of its sharp losses before continuing to trend lower. The market will continue to be driven by the news regarding the coronavirus amid the increasing number of cases outside of China. The market may also see some further pressure ahead of the weekly petroleum stocks reports, which are expected to show builds in crude stocks. The market is seen finding support at its low of \$50.45, followed by \$50.16, \$49.63 and \$49.50. Meanwhile, resistance is seen at \$52.06, its 38% retracement level off a low of \$50.45 to a high of \$54.66, followed by its 50% retracement level of \$52.56, its high of \$52.64 and \$53.05, its 62% retracement level.

**Fundamental News:** US Treasury Secretary, Steven Mnuchin, said he does not expect the coronavirus outbreak to have a material impact on the Phase 1 US-China trade deal. Finance officials from the world's 20 largest economies said on Sunday they would keep a close watch on the virus outbreak, but stopped short of identifying it as downside risk to the global economy. Separately, the Washington Post reported that the White House could request close to \$1 billion from US lawmakers to help increase the country's response to the coronavirus.

Genscape reported that crude oil stocks held in Cushing, Oklahoma in the week ending Friday, February 21<sup>st</sup> increased by 1,223,837 barrels and by 233,831 barrels from Tuesday, February 18<sup>th</sup> to 40,480,238 barrels.

Saudi Aramco expects the coronavirus impact on oil demand to be short-lived and for consumption to increase in the second half of the year.

Goldman Sachs said commodity prices could fall sharply before Chinese stimulus to combat the coronavirus impact later this year helps the sector achieve its 12-month return forecast of about 10%. The bank forecast returns of -0.5%, 4.9% and 9.5% on commodities over a three-, six- and 12-month horizon, respectively, on the S&P GSCI Commodity Index. Over a 12-month period, the bank forecast returns of 14.3% from energy, 4.3% from industrial metals and a negative 0.8% from precious metals. It is adjusting its NYMEX RBOB and Heating Oil forecasts down to \$1.69, \$1.69 and \$1.57 and \$1.65, \$1.72 and \$1.78 for three, six and 12 months, respectively.

Bank of America expects Brent crude prices to average \$62/barrel in 2020, with medium-term downside risks due to slowing global growth.

IIR Energy reported that US oil refiners are expected to shut in 1.135 million bpd of capacity in the week ending February 28<sup>th</sup>, cutting available refining capacity by 105,000 bpd from the previous week. Offline capacity is expected to increase by 1.214 million bpd in the week ending March 6<sup>th</sup>.

**Early Market Call - as of 8:35 AM EDT**

WTI - Apr \$51.54, up 11 cents

RBOB - Mar \$1.6075, down 35 points

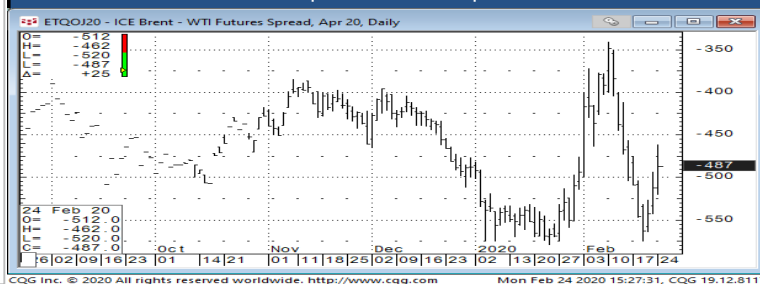
HO - Mar \$1.6163, up 34 points

## All NYMEX | Prior Settlements

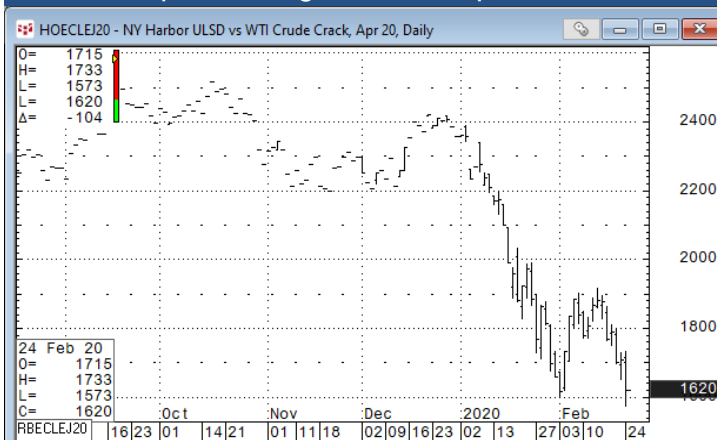
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Mar-20	1.6132	-0.0734	0.0592
Apr-20	1.6092	-0.0723	0.0598
May-20	1.6052	-0.0716	0.0611
Jun-20	1.6057	-0.0700	0.0614
Jul-20	1.6105	-0.0683	0.0609
Aug-20	1.6185	-0.0665	0.0601
Sep-20	1.6287	-0.0644	0.0592
Oct-20	1.6386	-0.0625	0.0584
Nov-20	1.6475	-0.0612	0.0579
Dec-20	1.6547	-0.0596	0.0567
Jan-21	1.6619	-0.0579	0.0551
Feb-21	1.6654	-0.0560	0.0532
Mar-21	1.6644	-0.0528	0.0504
Apr-21	1.6591	-0.0494	0.0472
May-21	1.6611	-0.0463	0.0443
Jun-21	1.6645	-0.0432	0.0418
Jul-21	1.6714	-0.0409	0.0391

Other Front Month NYMEX		Close	Change
Crude - WTI	Apr Brent-	\$51.4300	-\$1.9500
Crude - Brent	WTI Spread	\$56.3000	-\$2.2000
Natural Gas	\$4.87	\$1.8270	-\$0.0780
Gasoline		\$1.6091	-\$0.0415

## ICE April Brent-WTI Spread



## April Heating Oil Crack Spread



## April RBOB Crack Spread

