

## Market Commentary

**Recap:** Oil futures traded higher on Tuesday, following a rise in equity markets and weakness in the dollar and discounting a cut in the International Energy Agency's forecast for 2021 demand. The market was also lifted by optimism that a U.S. government stimulus package will boost the economy and in turn increase demand. This has offset concerns over renewed COVID-19 lockdowns that have eaten away at demand. WTI for February delivery rose 62 cents, or 1.2%, to settle at \$52.98 a barrel, March WTI, the most actively traded contract, climbed by 56 cents, or 1.1%, to \$52.98 a barrel. March will become the front-month contract at the end of Wednesday's session. March Brent gained \$1.15, or 2.1%, to end at \$55.90 a barrel. WTI gained ground last week, while Brent slumped 1.6%. There was no settlement for WTI on Monday when U.S. markets were closed for the Martin Luther King Jr. Day holiday. February RBOB added 0.6%, to settle at \$1.5381 a gallon, while February heating oil tacked on 0.4%, to close at \$1.5987 a gallon.

**Technical Analysis:** WTI gained a bit after gapping lower early in the session on Tuesday. Investors are focusing on the new administration about to take office in the U.S. and the prospects of more economic stimulus. With demand for Q1 expected to be sluggish due to COVID-19, traders are putting their focus on Q2 and the second half of the year. We would also pay close attention to the U.S. dollar, as it has an inverse correlation to oil prices. Although there appears to be a bullish flag forming, we would look for this market to range trade between \$50 and \$55, as demand continues to lag. Buying dips for in and out trades suits for now, as there is an awful lot of resistance up at \$55. If March WTI can get back above \$53, we will most likely see buyers enter the market, with a push toward \$53.95.

**Fundamental News:** The International Energy Agency said oil demand recovery will take a hit from a spike in new coronavirus cases before vaccine roll-outs and stimulus measures help in the second half of the year. In its monthly report, the IEA stated that "border closures, social distancing measures and shutdowns...will continue to constrain fuel demand until vaccines are more widely distributed, most likely only by the second half of the year". Noting that an improvement to global oil demand went into reverse in December, the IEA lowered its forecast for the first quarter by 580,000 bpd and its outlook for 2021 by 300,000 bpd. Oil demand fell by 8.8 million bpd in 2020. However, global oil demand is expected to recover by 5.5 million bpd to 96.6 million bpd in 2021. Supply and demand are on track for recovery this year, and efforts by major producers to balance the market by reining in output are helping draw down oil stocks worldwide. Global oil supply is expected to increase by more than 1 million bpd in 2021 after falling by 6.6 million bpd in 2020.

The U.S. EIA said U.S. oil output from seven major shale formations is expected to fall for the fourth consecutive month to about 7.52 million bpd in February, the lowest level since June.

OPEC's Secretary General, Mohammed Barkindo, told a virtual conference on Tuesday he was cautiously optimistic the oil market would recover this year from the decline in demand brought about by the coronavirus pandemic.

Oil prices are expected to remain lower even once the coronavirus pandemic is over and the economy recovers. Brent is expected to average \$55-\$60/barrel this year, down by \$10 from a previous forecast of \$65-\$70/barrel, as the industry gradually pulls out of last year's decline.

Canada's Prime Minister, Justin Trudeau, said Canada is urging people at the highest levels of U.S. President-elect Joe Biden's incoming administration to reconsider canceling the Keystone XL pipeline.

### Early Market Call - as of 8:50 AM EDT

WTI - Feb \$53.54, up 56 cents

RBOB - Feb \$1.5491, up 1.1 cents

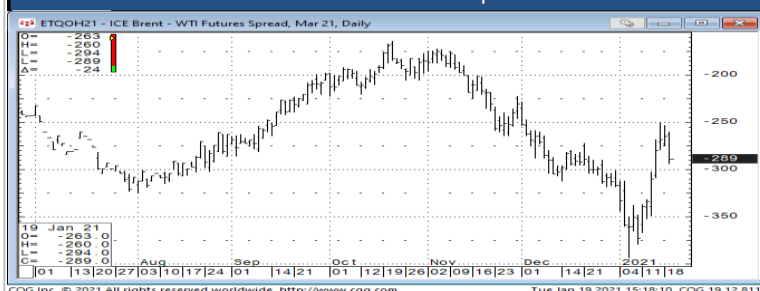
HO - Feb \$1.6005, up 18 points

## All NYMEX | Prior Settlements

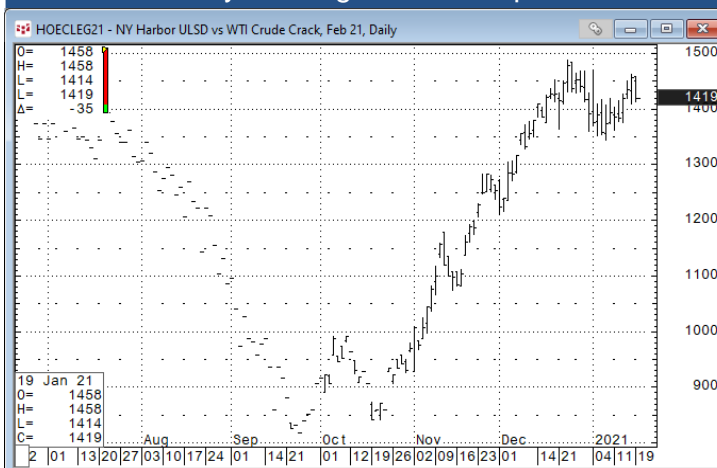
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-21	1.5987	0.0058	-0.0020
Mar-21	1.6002	0.0060	-0.0017
Apr-21	1.5978	0.0069	-0.0017
May-21	1.5965	0.0073	-0.0022
Jun-21	1.5969	0.0075	-0.0019
Jul-21	1.6004	0.0076	-0.0016
Aug-21	1.6044	0.0078	-0.0015
Sep-21	1.6091	0.0080	-0.0018
Oct-21	1.6138	0.0081	-0.0023
Nov-21	1.6171	0.0081	-0.0024
Dec-21	1.6187	0.0081	-0.0026
Jan-22	1.6217	0.0081	-0.0027
Feb-22	1.6208	0.0081	-0.0021
Mar-22	1.6134	0.0077	-0.0022
Apr-22	1.6002	0.0073	-0.0022
May-22	1.5940	0.0067	-0.0023
Jun-22	1.5907	0.0060	-0.0027

		Close	Change
Crude - WTI	Mar Brent-	\$52.9800	\$0.5600
Crude - Brent	WTI Spread	\$55.9000	\$1.1500
Natural Gas	\$2.92	\$2.5460	-\$0.1910
Gasoline		\$1.5381	\$0.0097

### ICE March Brent-WTI Spread



## February Heating Oil Crack Spread



## February RBOB Crack Spread

