

Market Commentary

Recap: Oil prices traded higher on Wednesday encouraged by OPEC+'s commitment to output cuts, as equities strengthened and the U.S. dollar fell. Adding to Wednesday's support was the latest IEA report, suggesting that crude oil supplies are contracting, estimating a 4 million barrel per day drop in the fourth quarter. However, the agency warned supply drawdowns would be coming off of record inventory levels and could falter as a rise in the number of COVID-19 cases across the globe could result in new restrictions. November WTI settled at \$41.04 a barrel, up 84 cents, or 1.8%, while Brent for December delivery added 87 cents, or 1.5%, to settle at \$43.32 a barrel. Products gained as well, with November RBOB adding increasing by 1.44 cents to \$1.1971 a gallon, while November heating oil climbed 2.35 cents to settle at \$1.1925 a gallon.

Market Outlook: WTI rallied a bit on Wednesday, stretching toward the top of a previously formed consolidation pattern. The November contract pushed passed the 50-day moving average to reach toward the 200-day moving average. This average has provided a fair amount of resistance, and therefore we do not expect to see a significant move above it. We expect for this market to continue to trade in a choppy fashion and would keep an eye out for signs of exhaustion. Resistance is set at \$42 and above that at \$43.50. To the downside, support is set at \$40.22 and below that at \$39.

Fundamental News: The International Energy Agency said global oil stocks which increased during the height of the pandemic are being steadily reduced, but a second wave is slowing demand and will complicate efforts by producers to balance the market. OPEC+ producers plan to increase supply by 2 million bpd starting in January and the IEA predicts a ceasefire in Libya will increase output there to 700,000 bpd in December from 300,000 bpd currently. The IEA stated that "there is only limited headroom for the market to absorb extra supply in the next few months". Global oil supply fell in September as OPEC+ countries improved their compliance with output cuts and was aided by maintenance and outages which reduced flows from Brazil, Canada and the North Sea. The IEA said falls in oil stocks were especially sharp in floating storage, which was down by 70 million barrels globally to 139.1 million barrels in September. However, the draw-downs were not uniform, with stock in the U.S. and Japan down by 6.5 million and 1.8 million barrels respectively, while European storage was up by 3.3 million barrels. The International Energy Agency said global refining throughput will increase in the last quarter of the year by more than 2 million bpd, though the increase will not be sufficient to balance oil products markets. The IEA's monthly report said that global refinery crude throughput was at 73.7 million bpd in the third quarter, almost 9 million bpd down from the same period last year. It predicted the crude intake would rise by 2.1 million bpd to 75.8 million bpd in the final quarter of the year. Average global throughput in 2021 will rebound by 4.9 million bpd to 79.4 million bpd.

The Kremlin said that Russian cooperation with Saudi Arabia had proven effective in the past to stabilize global oil markets. The comments, made by Kremlin spokesman, Dmitry Peskov, come a day after President Vladimir Putin held a phone call with Saudi Crown Prince Mohammed bin Salman in which they discussed their countries' cooperation, including in the OPEC+ format.

Russia's Energy Minister, Alexander Novak, said that the OPEC+ group of leading oil producers will start easing output curbs as planned despite an increase in coronavirus cases worldwide.

Early Market Call - as of 8:25 AM EDT

WTI - Nov \$39.58, down \$1.46
 RBOB - Nov \$1.1551, down 4.2 cents
 HO - Nov \$1.1574, down 3.51 cents

All NYMEX | Prior Settlements

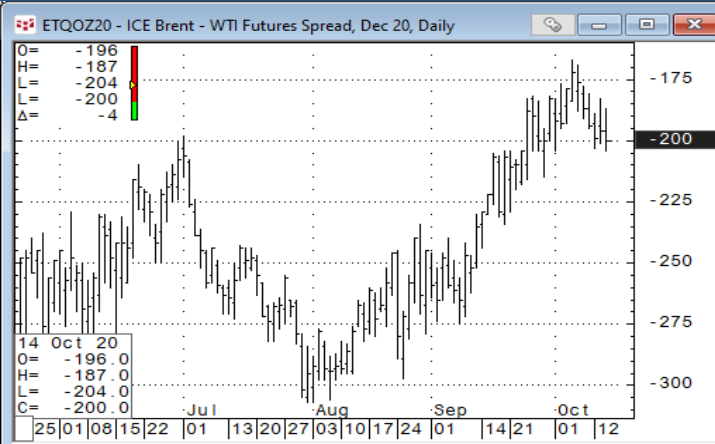
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Nov-20	1.1925	0.0235	-0.0317
Dec-20	1.1989	0.0222	-0.0266
Jan-21	1.2106	0.0210	-0.0236
Feb-21	1.2223	0.0195	-0.0216
Mar-21	1.2323	0.0188	-0.0202
Apr-21	1.2389	0.0180	-0.0193
May-21	1.2489	0.0174	-0.0191
Jun-21	1.2593	0.0167	-0.0179
Jul-21	1.2725	0.0163	-0.0165
Aug-21	1.2848	0.0162	-0.0155
Sep-21	1.2969	0.0160	-0.0147
Oct-21	1.3081	0.0156	-0.0142
Nov-21	1.3182	0.0155	-0.0141
Dec-21	1.3266	0.0152	-0.0143
Jan-22	1.3373	0.0153	-0.0142
Feb-22	1.3445	0.0154	-0.0135
Mar-22	1.3474	0.0151	-0.0121

		Close	Change
Crude - WTI	Nov Brent- WTI Spread \$1.98	\$41.3400	\$0.8500
Crude - Brent		\$43.3200	\$0.8700
Natural Gas		\$2.6360	-\$0.2190
Gasoline		\$1.1971	\$0.0144

API Report for the Week Ending October 9, 2020

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Down by 5.4 million bbls	Down 2.8 million barrels
Cushing, OK Crude Stocks	Up 2.2 million barrels	
Gasoline Stocks	Down 1.5 million barrels	Down 1.6 million barrels
Distillate Stocks	Down 3.9 million barrels	Down 2.1 million barrels
Refinery Runs	Down 601,000 bpd	Down 0.9%
Crude Imports	Up 23,000 bpd	

ICE December Brent-WTI Spread



November RBOB Crack Spread

