

## Market Commentary

**Recap:** The last day of trading for crude oil futures was a choppy one, with both benchmarks posting modest session gains. Thursday's session culminates what was a chaotic year, as the COVID-19 pandemic wreaked havoc across the globe. Although both Brent and WTI have more than doubled from April's record lows, global crude oil prices lost more than 20% year on year, as global lockdowns due to the pandemic depressed economic infrastructures and weighed heavily on demand. Though prices have climbed the last two months, additional lockdowns have weighed again on fuel demand and a new, highly infectious variant of the virus has raised alarms. With several vaccines now being dispensed, traders are hoping that 2021 will be a better year for demand. February WTI finished the year at \$48.52 a barrel, up 12 cents, or 0.25%, while Brent ended at \$51.80 a barrel, up 17 cents, or 0.33%, down 21.5% for the year, its largest annual drop since 2015. January RBOB fell 0.3%, to \$1.4084 a gallon, and down 17% on the year. January WTI fell 0.9%, to \$1.4763 a gallon, down 27.2% on the year.

**Market Outlook:** WTI continues to trade back and forth, as traders try to boost it toward \$50, where there lies an awful lot of resistance. At the start of the New Year, we would expect to see further erratic trading, with a possible break toward \$44.50. We will have to wait and see what the vaccine promises to do for demand, while OPEC+ plans to ramp up production. We would trade with caution, under light volume until we see everything unfold.

**Fundamental News:** Oil prices are unlikely to see much of a recovery in 2021 as a new coronavirus variant and related travel restrictions threaten already weakened fuel demand. A Reuters survey of 39 economists and analysts conducted in the second half of December forecast Brent crude prices would average \$50.67/barrel next year. That is up from a poll last month that forecast a 2021 average price of \$49.35/barrel but little changed from Brent trading at around \$51/barrel on Thursday. West Texas Intermediate U.S. crude futures are expected to average \$47.45/barrel in 2021. It is up from a November consensus of \$46.40/barrel but little changed from Thursday WTI trading near \$48. Analysts said oil demand recovery will depend on the pace of deployment of the vaccines being developed to combat the virus, with some expecting no return to pre-pandemic levels before late 2022 or 2023.

According to the EIA, U.S. crude oil production fell by 442,000 bpd in October to 10.419 million bpd, led by declines in the offshore U.S. Gulf of Mexico. Production in the offshore Gulf fell by 448,000 bpd in October, the latest month for which data is available, while top onshore producers Texas and North Dakota reported modest gains of 3,000 bpd and 6,000 bpd, respectively. The EIA also reported that U.S. shipments of crude oil via rail in October fell by 24,000 bpd from the previous month to 292,000 bpd. Shipments within the United States in October fell by 8,000 bpd from the previous month to 193,000 bpd, while shipments from Canada to the United States fell by 16,000 bpd from the previous month to 99,000 bpd.

Gasoline stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp terminal in the week ending December 31<sup>st</sup> fell by 6.76% on the week but increased by 8.1% on the year to 1.214 million tons. Gasoil stocks fell by 0.08% on the week but increased by 4.06% on the year to 2.587 million tons, while its fuel oil stocks increased by 1.54% on the week and by 37.44% on the year to 1.384 million tons.

Director of the National Institute of Allergy and Infectious Diseases, Dr. Anthony Fauci, said he foresees America achieving enough collective COVID-19 immunity through vaccinations to regain "some semblance of normality" by autumn 2021, despite early setbacks in the vaccine rollout.

### Early Market Call - as of 8:20 AM EDT

WTI - Feb \$48.37, down 15 cents

RBOB - Feb \$1.4131, up 30 points

HO - Feb \$1.4916, up 76 points

## All NYMEX | Prior Settlements

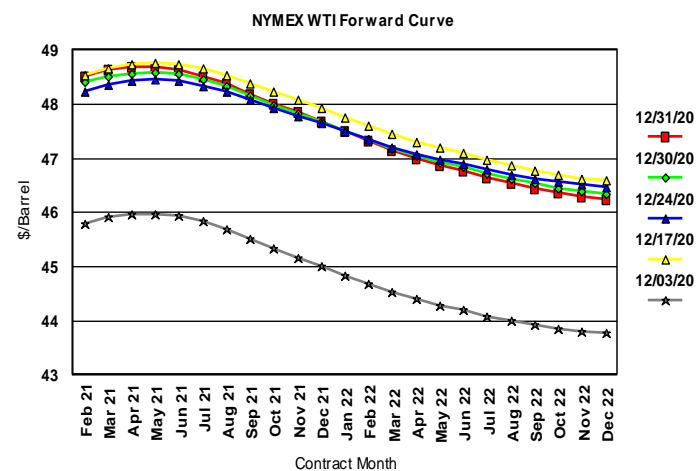
Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Jan-21	1.4763	-0.0135	0.0137
Feb-21	1.4840	-0.0078	0.0063
Mar-21	1.4854	-0.0059	0.0041
Apr-21	1.4851	-0.0052	0.0034
May-21	1.4860	-0.0048	0.0026
Jun-21	1.4905	-0.0041	0.0010
Jul-21	1.4960	-0.0037	0.0007
Aug-21	1.5012	-0.0036	0.0008
Sep-21	1.5075	-0.0033	0.0005
Oct-21	1.5143	-0.0035	0.0003
Nov-21	1.5205	-0.0037	0.0006
Dec-21	1.5252	-0.0040	0.0006
Jan-22	1.5314	-0.0040	0.0003
Feb-22	1.5331	-0.0038	-0.0001
Mar-22	1.5297	-0.0041	0.0002
Apr-22	1.5209	-0.0042	0.0004
May-22	1.5182	-0.0043	0.0003

		Close	Change
Crude - WTI	Mar Brent-	\$48.6300	\$0.1300
Crude - Brent	WTI Spread	\$51.8000	\$0.1700
Natural Gas	\$3.17	\$2.5390	\$0.1170
Gasoline		\$1.4084	-\$0.0036

## EIA Working Gas Storage Report

	25-Dec-20	18-Dec-20	Change	Year Ago
East	810	844	-34	778
Midwest	973	1,015	-42	910
Mountain	204	212	-8	174
Pacific	289	296	-7	254
South Central	1,183	1,207	-24	1,093
Salt	334	337	-3	312
Nonsalt	849	870	-21	782
Total	3,460	3,574	-114	3,209

## WTI Forward Curve



## ICE March Brent-WTI Spread

