

Market Commentary

Recap: Oil prices picked up tailwinds on Monday, following equities lower after an emergency Federal Reserve interest rate cut did little to quell the panic among investors caused by the rapidly spreading coronavirus. Adding additional pressure is the fact that Saudi Arabia and Russia failed to agree on how to react as the reduction in global economic activity cuts demand for oil. Both WTI and Brent slipped below \$30 a barrel, with April WTI hitting a session low of \$28.10 and May Brent bottoming out at \$29.52. Some losses were recovered, with April WTI settling at \$28.70 a barrel, down \$3.03, or 9.55%, while Brent for May delivery slipped \$3.80, or 11.23%, to settle at \$30.05. April RBOB ended down more than 23% to settle at 68.99 cents a gallon—that was the largest daily percentage drop since the reformulated gasoline contract started trading in October 2005. Prices haven't settled at a level that low since 2002, according to FactSet data, based on the most-active contracts. U.S. gasoline refining margins slipped briefly into negative territory, with the April crack spread hitting a low of -.66. April HO also fell 8% to \$1.0466 a gallon, the lowest finish since February 2016.

Technical Analysis: April WTI fell below the period of sideways trading between the range of \$36.35 and \$30.00. At this point in time, we would look for a run at \$27.30. Resistance is set at \$30.00 and above that at \$33.85.

Fundamental News: An Energy Department source said the US could begin purchasing US produced crude for the SPR as soon as two weeks from now and fill it in several months. Late Friday, US President, Donald Trump, said he ordered the Energy Department to fill the reserve "to the top." The Energy Department has stated that the reserve, which has a capacity of 713 million barrels, can take an additional 77 million barrels of oil.

An OPEC and non-OPEC technical meeting planned for Wednesday in Vienna has been called off. An agreement between OPEC and non-OPEC producers to cut oil output is due to expire at the end of this month.

The IEA and OPEC said in a rare joint statement that developing nations' oil and gas income will fall by 50% to 85% this year to a more than two-decade low if current market conditions persist. The statement from IEA Director, Fatih Birol, and OPEC Secretary-General, Mohammad Barkindo, said this is likely to have "major social and economic consequences", notably for public sector spending in areas like healthcare and education.

Goldman Sachs Equity Research said "in the near-term, we believe that oil prices will likely need to move lower towards cash costs." Goldman Sachs sees the US economy contracting 5% in the second quarter after zero growth in the first, with the short downturn probably deemed a recession. The full-year GDP forecast was cut to 0.4% on predictions for growth of 3% and 4% in the final two quarters and strong gains in early 2021.

Saudi Aramco's Chief Financial Officer, Khalid al-Dabbagh, said the company can sustain a low break-even oil price. He said Saudi Aramco was "very comfortable" with \$30/barrel oil prices and that it can meet its dividends commitments and shareholders expectations even with current low oil prices. Meanwhile, Saudi Aramco's CEO, Amin Nasser, said the company is likely to sustain higher oil output planned for April and May, signaling it is prepared to live with low oil prices for a while. He said the company would draw 300,000 bpd from its oil inventories to reach that record supply next month, and that it can sustain its maximum oil production capacity of 12 million bpd for a year with no need for further spending.

According to the EIA, US oil output growth from the Permian basin is expected to offset declines in every other shale formation in April, helping to increase overall production up by about 18,000 bpd to 9.08 million bpd.

Early Market Call - as of 9:00 AM EDT

WTI - Apr \$28.90, up 20 cents

RBOB - Apr \$.6980, up 82 points

HO - Apr \$1.059, up 1.22 cents

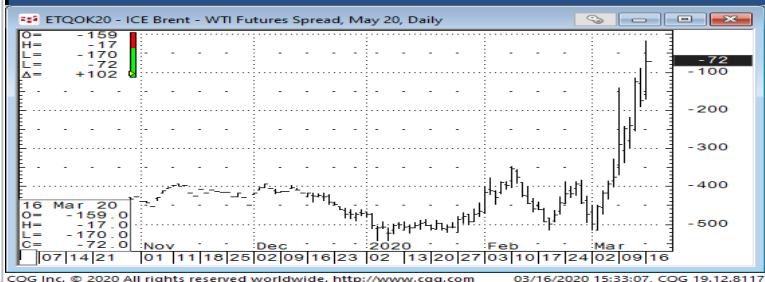
All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Apr-20	1.0466	-0.0908	0.1163
May-20	1.0514	-0.0943	0.1130
Jun-20	1.0688	-0.0926	0.1033
Jul-20	1.0940	-0.0904	0.0951
Aug-20	1.1191	-0.0887	0.0892
Sep-20	1.1450	-0.0861	0.0837
Oct-20	1.1687	-0.0838	0.0800
Nov-20	1.1899	-0.0819	0.0778
Dec-20	1.2084	-0.0800	0.0768
Jan-21	1.2264	-0.0789	0.0757
Feb-21	1.2410	-0.0782	0.0747
Mar-21	1.2530	-0.0773	0.0731
Apr-21	1.2608	-0.0752	0.0707
May-21	1.2742	-0.0737	0.0673
Jun-21	1.2883	-0.0729	0.0647
Jul-21	1.3072	-0.0722	0.0621
Aug-21	1.3241	-0.0719	0.0608

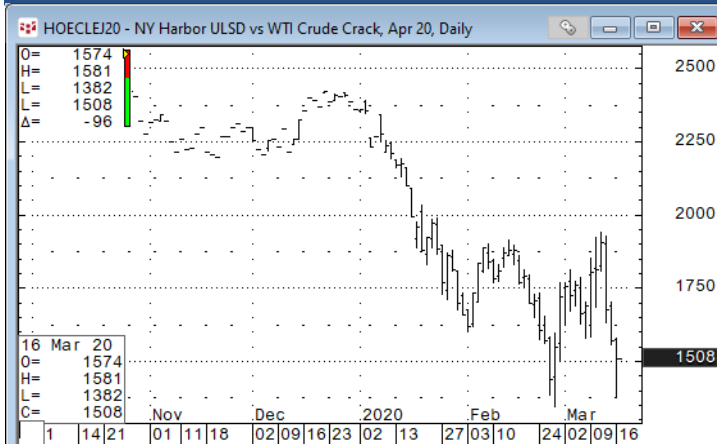
Sprague Heat Weighted Strip October-April 20/2021 \$1.2248

Other Front Month NYMEX	Close	Change
Crude - WTI	\$29.0000	-\$3.1100
Crude - Brent	\$30.0500	-\$3.8000
Natural Gas	\$1.8150	-\$0.0540
Gasoline	\$0.6899	-\$0.2093

ICE May Brent-WTI Spread



April Heating Oil Crack Spread



April RBOB Crack Spread

