

Market Commentary

Recap: After falling over 7% the previous session, oil prices rose Wednesday in response to the EIA report, which reflected a draw of 497,000 barrels in U.S. crude oil inventories. This was in stark contrast to the 3.5 million barrel build reported by the API on Tuesday afternoon. January WTI jumped 3.8%, to \$48.00 a barrel, while Brent for February delivery rose as much as 3.2%, to a high of \$58.11 a barrel. Strong demand for refined products aided in fueling gains, as demand for distillates rose to the highest level since January 2003. Distillate inventories fell 4.2 million barrels, versus expectations for a 573,000 barrel increase. Gains were pared as the dollar rebounded after the U.S. Federal Reserve voted to raise short term interest rates. January WTI settled at \$47.20 a barrel, up 96 cents, or 2.08%. February WTI which is now the front-month contract, settled at \$48.17, up \$1.57, or 3.4%. February Brent added 98 cents, or 1.7%, to \$57.42 a barrel. January gasoline finished up 2.7% at \$1.386 a gallon, while January heating oil rose 2.9% to \$1.805 a gallon.

Technical Analysis: For the second straight session, February WTI settled below \$49.32, the lower line of the sideways channel it broke out of yesterday. With moving oscillators appearing to turn to the upside, we would not be surprised to see a test back at this level. A retest and settlement below this level should spark a fresh round of selling. Support is set at 46.37 and below that at \$45.57, with resistance set at \$49.32 and the psychological level of \$50.00.

Fundamental News: The EIA reported that crude oil stocks fell by 497,000 barrels in the week ending December 14th, a much smaller than expected draw. Crude stocks at Cushing, Oklahoma increased by 1.09 million barrels. The EIA reported that distillates stocks fell by 4.2 million barrels while gasoline stocks increased by 1.8 million barrels.

Saudi Arabia's Energy Minister, Khalid al-Falih, said he expected inventories would be drawing down by the end of the first quarter but said the oil market was hit by geopolitical and macroeconomic factors, as well as speculation. He said sanctions and trade wars between the US and China were among the factors that affected the energy market. Saudi Arabia's Energy Minister said OPEC and non-OPEC producers are committed to reducing stocks under the agreement reached on December 7th.

Libya's Prime Minister, Fayez al-Sarraj, flew to the southern El Sharara oilfield on Wednesday to meet protesters who shut down the facility. Libya's government of national accord said the oilfield was reopened following a visit by the Prime Minister. In another apparent bid to appease the protesters, the Tripoli government approved a development fund worth 1 billion Libyan dinars or \$717 million for the long neglected south.

Iraq's Oil Ministry reported that the country has agreed on a deal with Schlumberger Ltd to drill 40 wells in the Majnoon oilfield.

The Norwegian Petroleum Directorate reported that the country's oil and gas output in November was lower than originally expected due to a collision between a navy frigate and an oil tanker that triggered shutdowns of major export facilities and several offshore fields. Oil output increased slightly in November to 1.48 million bpd but was 3.9% below the NPD's forecast for the month. Also, Norway's gas output was 6.5% lower than expected.

IIR Energy reported that US oil refiners are expected to shut in 72,000 bpd of capacity in the week ending December 21st, increasing available refining capacity by 186,000 bpd from the previous week. IIR expects offline capacity to fall to 45,000 bpd in the week ending December 28th.

Early Market Call - as of 8:30 AM EDT

WTI - Jan \$46.71, down 1.47 cents

RBOB - Jan \$1.3689, down 1.62 cents

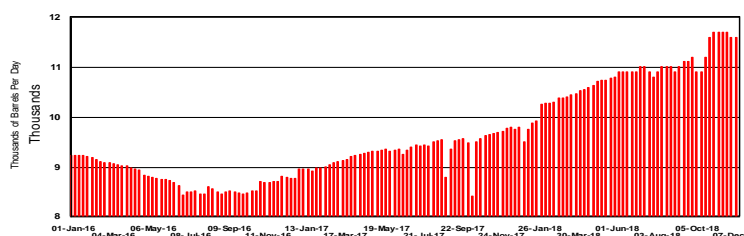
HO - Jan \$1.7740, down 2.94 cents

All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Jan-19	\$1.8054	\$0.0515	-\$0.0455
Feb-19	\$1.7967	\$0.0494	-\$0.0471
Mar-19	\$1.7824	\$0.0475	-\$0.0526
Apr-19	\$1.7663	\$0.0448	-\$0.0585
May-19	\$1.7635	\$0.0440	-\$0.0602
Jun-19	\$1.7683	\$0.0436	-\$0.0593
Jul-19	\$1.7793	\$0.0435	-\$0.0566
Aug-19	\$1.7905	\$0.0436	-\$0.0541
Sep-19	\$1.8023	\$0.0433	-\$0.0524
Oct-19	\$1.8128	\$0.0426	-\$0.0521
Nov-19	\$1.8214	\$0.0418	-\$0.0529
Dec-19	\$1.8282	\$0.0410	-\$0.0536
Jan-20	\$1.8344	\$0.0407	-\$0.0530
Feb-20	\$1.8361	\$0.0406	-\$0.0526
Mar-20	\$1.8352	\$0.0402	-\$0.0517
Apr-20	\$1.8306	\$0.0405	-\$0.0469
May-20	\$1.8322	\$0.0407	-\$0.0430

Other Front Month NYMEX		Close	Change
Crude - WTI	Feb Brent-	\$48.1700	\$1.5700
Crude - Brent	WTI Spread	\$57.2400	\$0.9800
Natural Gas	\$9.07	\$3.7260	-\$0.1120
Gasoline		\$1.3863	\$0.0358

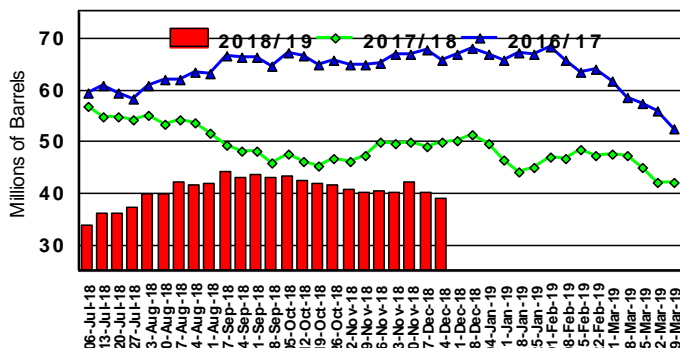
U.S. Domestic Crude Production



EIA Weekly Petroleum Status Report for the Week Ending December 14, 2018

Distillate Stocks

PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 497,000 barrels

Cushing, OK Crude Stocks Up 1.091 million barrels

Gasoline Stocks Up 1.766 million barrels

Distillate Stocks Down 4.237 million barrels

Refinery % Operated 95.4%, Up 0.3%

PADD #1

Distillate Stocks (in million bbls)	Week Ending Dec 14, 2018	Week Ending Dec 7, 2018	Week Ending Dec 15, 2017
New England	6.7	6.6	8.3
Central Atlantic	21.4	21.9	29.8
Total PADD #1	38.9	40.0	49.9
Distillate Imports (thousands b/d)	102	121	373