

Market Commentary

Recap: The oil market on Thursday sold off further, adding to the losses posted on Wednesday on the back of increasing US crude stocks and easing fears of an escalation on conflict between the US and Iran. The market seemed ready to post an inside trading day as it traded mostly sideways early in the session following Wednesday's large trading range. However, the market breached its previous low and sold off to a low of \$58.66 in mid-morning trading as the market shifted its focus towards rising US crude stocks. The crude market later bounced off its low and settled in a range ahead of the close. The February crude contract settled down 5 cents at \$59.56. The March Brent contract settled down 7 cents at \$65.37. Meanwhile, the product markets were mixed, with the heating oil market settling down 81 points at \$1.9501 and the RBOB market settling up 39 points at \$1.6527.

Technical Analysis: The crude market on Friday is seen retracing some of its sharp losses ahead of the weekend. The market is seen finding support at its low of \$58.66, followed by \$58.05, its 50% retracement level off a low of \$50.44 and a high of \$65.65, followed by \$56.25, its 62% retracement level. Meanwhile, resistance is seen at its high of \$60.31, \$61.27, its 38% retracement level off a low of \$58.66 to a high of \$65.65, followed by \$62.11, its 50% retracement level and \$62.94, its 62% retracement level.

Fundamental News: Kuwait's Oil Minister said Kuwaiti oil output in the Neutral Zone it shares with Saudi Arabia is expected to reach 250,000 bpd when production restarts at the end of this year. Kuwait and Saudi Arabia agreed last year to end a five-year dispute over the area in a deal which will allow production to resume at two oilfields that can produce up to 0.5% of the world's oil supply. The Gulf neighbors halted production at the Khafji and Wafra fields, which together produce some 500,000 barrels of oil a day (bpd), in 2014 and 2015, respectively.

The Norwegian Petroleum Directorate forecast that Norway's oil output will grow by 43% to 2.02 million bpd from 2019 to 2024 as new fields come on stream and older production facilities are upgraded.

In response to US President Donald Trump's call for a new nuclear pact with Iran, Iran's UN ambassador, Majid Takht Ravanchi, said Tehran could not trust any idea of dialogue when President Trump was threatening to intensify the "economic terrorism" of sanctions. Iran's Revolutionary Guards also issued new threats to the US, with one senior commander, Abdollah Araghi, warning of "harsher revenge soon". Brigadier General Esmail Ghaani, the new head of Iran's Quds Force, which oversees its foreign military operations, said he would follow the course pursued by his predecessor Soleimani. Analysts have stated that Iran, despite tough talk from political and military leaders, wanted to avoid a conventional war with US forces. The US said it had indications Iran was telling its allies to refrain from new action against US troops. US Vice President, Mike Pence, said the US was receiving "encouraging intelligence that Iran is sending messages" to its allied militias not to attack US targets.

China's Vice Premier Liu He, head of the country's negotiation team in Sino-U.S. trade talks, will sign a "Phase 1" deal in Washington next week, the commerce ministry said on Thursday.

Arrivals of diesel and gasoil from Asia and the Middle East into Europe are expected to remain high this week following a surge in chartering activity last month. January's total is currently tracking at 2.6 million tonnes, making it the largest tracked volume since June last year, according to Refinitiv data.

Early Market Call - as of 8:30 AM EDT

WTI - Feb \$59.51, down 6 cents
 RBOB - Feb \$1.6663, up 1.35 cents
 HO - Feb \$1.9510, up 9 points

All NYMEX | Prior Settlements

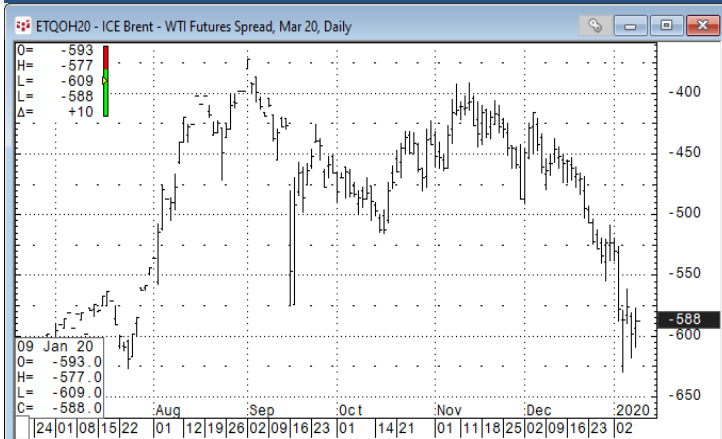
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-20	1.9501	-0.0081	0.0734
Mar-20	1.9507	-0.0078	0.0691
Apr-20	1.9441	-0.0070	0.0612
May-20	1.9360	-0.0067	0.0556
Jun-20	1.9286	-0.0058	0.0509
Jul-20	1.9248	-0.0048	0.0493
Aug-20	1.9216	-0.0035	0.0480
Sep-20	1.9197	-0.0023	0.0474
Oct-20	1.9176	-0.0019	0.0475
Nov-20	1.9159	-0.0013	0.0473
Dec-20	1.9132	-0.0014	0.0477
Jan-21	1.9106	-0.0012	0.0474
Feb-21	1.9029	-0.0010	0.0453
Mar-21	1.8903	-0.0005	0.0426
Apr-21	1.8699	-0.0001	0.0406
May-21	1.8555	0.0005	0.0405
Jun-21	1.8471	0.0001	0.0414

Other Front Month NYMEX		Close	Change
Crude - WTI	Mar Brent-	\$59.4400	-\$0.0200
Crude - Brent	WTI Spread	\$65.3700	-\$0.0700
Natural Gas	\$5.93	\$2.1660	\$0.0250
Gasoline		\$1.6527	\$0.0039

EIA Working Gas Storage Report

	03-Jan-20	27-Dec-19	Change	Year Ago
East	756	771	-15	652
Midwest	885	905	-20	768
Mountain	166	173	-7	134
Pacific	244	251	-7	206
South Central	1,097	1,093	4	867
Salt	323	313	10	301
Nonsalt	774	780	-6	566
Total	3,148	3,192	-44	2,627

ICE March Brent-WTI Spread



WTI Forward Curve

