

Market Commentary

Recap: Trading was quiet with prices trading flat in both the WTI and Brent markets, as traders came back from the Christmas/New Year holidays. Prices were supported by signs of improving trade relations between the U.S. and China but strength in the dollar worked to keep a lid on prices. February WTI finished the session at \$61.18 a barrel, up 12 cents, or 0.20%, while Brent for March delivery tacked on 25 cents, or 0.38%. February RBOB rose 0.8% to \$1.7042 a gallon, while February heating oil added nearly 0.1% to \$2.0241 a gallon.

Technical Analysis: February WTI bounced off of \$60.64 and has now created a double bottom. The bounce pushed this spot contract back above the 10-day moving average, which is currently set at \$61.02. For now, it appears that WTI will trade sideways between the range of \$59.53 and \$62.08, the 38% and 50% retracements provided by the April high of \$72.90 and the October low of \$51.27, with the 10-day average acting as a pivotal level. A clean break below the 200-day moving average currently set at \$60.52 sets up for a run at \$59.53, the bottom of the aforementioned range. To the upside resistance is set at \$63.64.

Fundamental News: Spending cuts and production declines common to shale wells mean US output growth is expected to fall from 2019's pace that pushed domestic production past 13 million bpd. Analysts forecasts for next year call for growth to slow, potentially to a rate of just 100,000 bpd. Analysts currently expect US crude oil to average \$58/barrel in 2020, which would represent a modest pullback from current levels. Yet even if oil prices were to remain above \$60/barrel next year, analysts say it will not cause another production increase because of the pressure for returns. Morgan Stanley noted in early December, that publicly traded shale companies' output growth was just 460,000 bpd for the 12 months ending in September, compared with 1.3 million bpd for the 12 months before that.

Russia's Energy Ministry reported that the country's oil and gas condensate production reached a record high of 11.25 million bpd in 2019, surpassing the previous record of 11.16 million bpd set a year earlier. In December, total oil and gas condensate output stood at 11.262 million bpd, up from 11.244 million bpd in November. Russian oil pipeline exports in December stood at 4.286 million bpd, up from 4.147 million bpd in November. Russian oil shipped by Transneft to ports for export increased to 2.506 million bpd in December from 2.293 million bpd in November. Russian natural gas production was at 67.21 billion cubic meters in December, or 2.17 bcm a day, compared with 64.04 bcm in November.

Iraq's oil exports fell to 3.428 million bpd in December from 3.5 million bpd in November. Exports from its southern Basra terminals reached 3.326 million bpd, down from 3.4 million bpd in November.

Gasoline stocks held in the Amsterdam-Rotterdam-Antwerp refining and storage hub in the week ending January 2nd increased by 12.98% on the week but fell by 18.27% on the year to 1.123 million tons. Gasoil stocks increased by 3.54% on the week and by 21.68% on the year to 2.486 million tons, while fuel oil stocks increased by 9.1% on the week but fell by 16.57% on the year to 1.007 million tons. Naphtha stocks increased by 14.68% on the week and by 9.06% on the year to 289,000 tons, while jet fuel stocks fell by 3.47% on the week but increased by 0.69% on the year to 584,000 tons.

The Houston Pilots said the Houston Ship Channel was shut in both directions due to heavy fog. The closure of the ship channel, if prolonged, could impact weekly data on US oil inventories as both exports and imports of crude oil and fuels could be impacted as tankers wait to load or unload.

Early Market Call - as of 8:45 AM EDT

WTI - Feb \$63.38, up \$2.20

RBOB - Feb \$1.7584, up 5.43 cents

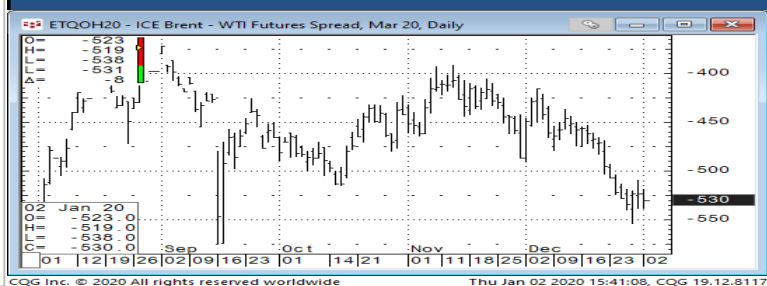
HO - Feb \$2.0828, up 5.81 cents

All NYMEX | Prior Settlements

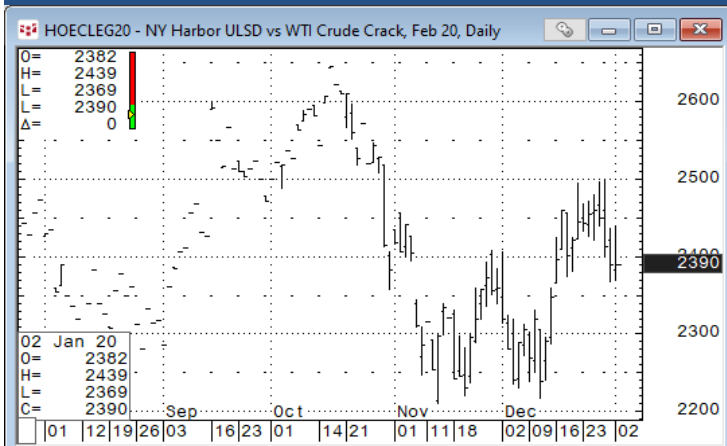
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-20	2.0241	0.0013	0.0337
Mar-20	2.0198	0.0033	0.0269
Apr-20	2.0053	0.0056	0.0242
May-20	1.9916	0.0074	0.0221
Jun-20	1.9795	0.0082	0.0208
Jul-20	1.9741	0.0086	0.0201
Aug-20	1.9696	0.0090	0.0197
Sep-20	1.9671	0.0095	0.0189
Oct-20	1.9651	0.0102	0.0182
Nov-20	1.9632	0.0108	0.0178
Dec-20	1.9609	0.0114	0.0175
Jan-21	1.9580	0.0119	0.0172
Feb-21	1.9482	0.0126	0.0168
Mar-21	1.9329	0.0130	0.0165
Apr-21	1.9105	0.0132	0.0171
May-21	1.8960	0.0132	0.0170
Jun-21	1.8885	0.0134	0.0170

Other Front Month NYMEX		Close	Change
Crude - WTI	Mar Brent-	\$60.9500	\$0.1800
Crude - Brent	WTI Spread	\$66.2500	\$0.2500
Natural Gas	\$5.30	\$2.1220	-\$0.0670
Gasoline		\$1.7042	\$0.0137

ICE March Brent-WTI



February Heating Oil Crack Spread



February RBOB Crack Spread

