

## Market Commentary

**Recap:** Continued optimism over trade talks between the U.S. and China, combined with a larger than expected fall in U.S. crude oil inventories and a drop of 630,000 in OPEC production for the month of December pushed oil prices higher for the 8<sup>th</sup> straight session. In its initial reaction to the crude oil inventory numbers, WTI slipped by almost \$1.00, as the 1.7 million barrel draw reported by the EIA was much smaller than the 6.1 million barrel drop reported Tuesday evening by the API. The down move was short lived, with prices getting a boost from stronger global equity markets. February WTI rose as much as 5.6 percent, to a four week high of \$52.58 a barrel, while Brent tacked on as much as 5 percent, to a high of \$61.69 a barrel. Gains were trimmed, with February WTI settling at \$52.36 a barrel, up \$2.58, or 5.18% and March Brent settling at \$61.44 a barrel, up \$2.72, or 4.63%. February RBOB rose 4.6% to \$1.425 a gallon, while February heating oil added 2.9% to \$1.881 a gallon.

**Technical Analysis:** For the first time since October, WTI traded above the 50-day moving average, while at the same time settling above the descending trend line drawn off of the October high of \$77.40. As mentioned previously, there is a rounded bottom that has formed on a daily spot continuation chart with a breakout point of \$54.87. Given the strength of this market, we would look for attempts to trade toward this level and would reevaluate the market at that point. Prior to this level, resistance is set at \$53.59. Support is set at \$50.00 and below that at \$48.34.

**Fundamental News:** Saudi Arabia plans to lower its shipments of crude further in February as it follows through on a global deal to cut output to prevent a build-up in supplies. Saudi Arabia's Energy Minister, Khalid al-Falih, said the country would export 7.1 million bpd in February, down from 7.2 million bpd in January. He also stated that Saudi Arabia was producing 10.2 million bpd, delivering on an earlier pledge to cut output further than required by a supply-limiting deal between OPEC and non-OPEC producers. Separately, he said he was confident that action to cut output by OPEC and its allies would bring the oil market into balance. He also said he would not rule out calling for further action by OPEC and its allies in the future. Saudi Arabia's Oil Minister also stated that Saudi Arabia plans to list Saudi Aramco by 2021. He said the valuation of the company depends on the market. He said the country's petroleum reserves are one of the basis for Aramco's valuation.

Saudi Arabia announced an upward revision to the country's proven oil and gas reserves following an independent audit. Saudi Arabia's total proven oil and gas reserves stood at around 268.5 billion barrels of oil and 325.1 trillion standard cubic feet of gas at the end of 2017.

Saudi Aramco will give its full contractual volume for February sales to four Asian refiners, while cutting supplies to another processor in the region.

IIR Energy reported that US oil refiners are expected to shut in 697,000 bpd of capacity in the week ending January 11<sup>th</sup>, cutting available refining capacity by 544,000 bpd on the week. IIR expects offline capacity to fall to 660,000 bpd in the week ending January 18<sup>th</sup>.

The EIA reported that US gasoline inventories increased by 8.1 million barrels in the week ending January 4<sup>th</sup> to 248.1 million barrels, the largest weekly increase since December 2016. US Gulf Coast gasoline inventories increased to 89.37 million barrels last week, hitting new record highs.

The UAE's Energy Minister, Suhail al-Mazrouei, said that the trade tensions between China and the US was a concern for the oil market.

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

WTI - Feb \$52.11, down 25 cents

RBOB - Feb \$1.4296, up 43 points

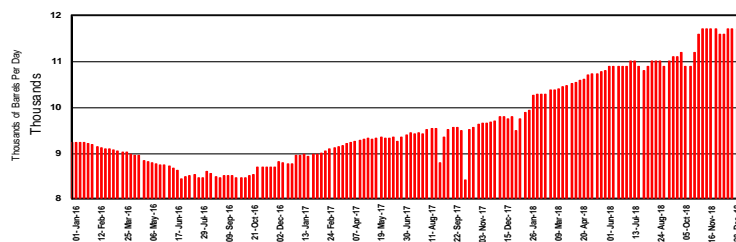
HO - Feb \$1.8858, up 49 points

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-19	\$1.8808	\$0.0538	\$0.1802
Mar-19	\$1.8748	\$0.0554	\$0.1820
Apr-19	\$1.8630	\$0.0553	\$0.1820
May-19	\$1.8596	\$0.0552	\$0.1790
Jun-19	\$1.8638	\$0.0546	\$0.1741
Jul-19	\$1.8733	\$0.0542	\$0.1702
Aug-19	\$1.8824	\$0.0542	\$0.1668
Sep-19	\$1.8918	\$0.0538	\$0.1637
Oct-19	\$1.9009	\$0.0536	\$0.1621
Nov-19	\$1.9090	\$0.0535	\$0.1614
Dec-19	\$1.9164	\$0.0534	\$0.1616
Jan-20	\$1.9229	\$0.0532	\$0.1610
Feb-20	\$1.9232	\$0.0527	\$0.1598
Mar-20	\$1.9196	\$0.0521	\$0.1582
Apr-20	\$1.9131	\$0.0514	\$0.1557
May-20	\$1.9137	\$0.0501	\$0.1524
Jun-20	\$1.9192	\$0.0484	\$0.1487

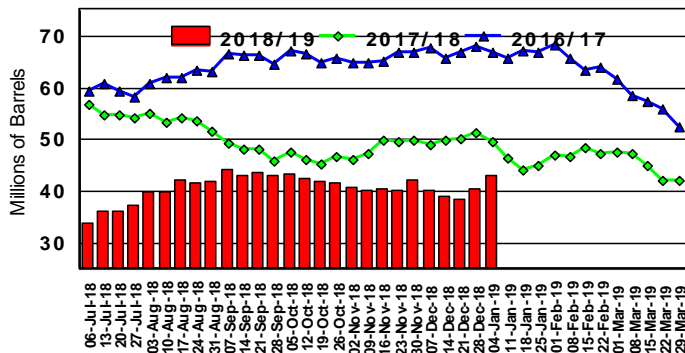
Other Front Month NYMEX		Close	Change
Crude - WTI	Feb Brent-	\$52.6900	\$2.5800
Crude - Brent	WTI Spread	\$61.4400	\$2.7200
Natural Gas	\$8.75	\$2.9840	\$0.0017
Gasoline		\$1.4254	\$0.0628

### U.S. Domestic Crude Production



## EIA Weekly Petroleum Status Report for the Week Ending January 4, 2019

### Distillate Stocks PADD #1



### Overall U.S. Stats

- Crude Oil Stocks(excluding SPR) Down 1.68 million barrels
- Cushing, OK Crude Stocks Up 330,000 barrels
- Gasoline Stocks Up 8.066 million barrels
- Distillate Stocks Up 10.611 million barrels
- Refinery % Operated 96.1%, Down 1.1%

#### PADD #1

Distillate Stocks (in million bbls)	Week Ending Jan 4, 2019	Week Ending Dec 28, 2019	Week Ending Jan 5, 2018
New England	8.0	7.6	7.5
Central Atlantic	22.5	21.9	29.2
Total PADD #1	43.1	40.4	49.7
Distillate Imports (thousands b/d)	234	187	153