

## Market Commentary

**Recap:** After finishing Friday at their highest level since November, oil prices slipped on Monday, hammered by disappointing U.S. factory data, and signs that U.S. crude oil inventories held at Cushing. March WTI fell as much as 3.5 percent, to a low of \$53.29, while Brent for April delivery slipped as much as 2.3 percent, reaching a low of \$61.28. Trading was volatile, as prices were caught up in the aforementioned news, strength in equity markets and geopolitical tensions, which worked together in lifting oil prices off the lows of the day. Losses were trimmed, with March WTI falling 70 cents, or 1.27 percent, to settle at \$54.56 a barrel, while April Brent lost 24 cents, or 0.38 percent, to settle at \$62.51 a barrel. March RBOB fell 0.3% to end at \$1.432 a gallon, and March heating oil shed 0.3% to \$1.907 a gallon.

**Technical Analysis:**

Technical indicators are calling for higher prices, as March WTI came down to test Friday's break above the neckline on the inverse head and shoulders pattern and settled above it for the second straight session. March's rebound back above the line prompted technical traders into buying action. Based upon this, we would look for continued moves higher with an upside objective of \$65.80. Support rests back at the neckline of \$54.28 and below that at \$53.19.

**Fundamental News:**

Nine European countries joined the US in recognizing Venezuelan opposition leader, Juan Guaido, as Venezuela's interim president on Monday. France, Spain, Germany, Britain, Portugal, Sweden, Denmark, Austria and the Netherlands' coordinated move came after the expiry of an eight-day ultimatum for Venezuela's Nicolas Maduro to call a new election. The Venezuelan leader, accused of running Venezuela like a dictatorship and ruining its economy, had defied them and said European rulers are sycophantically following US President Donald Trump. He blames a US-led economic war and also accuses the US of seeking a coup against him. Meanwhile, Japan's Prime Minister, Shinzo Abe, said Japan wants a stable, democratic and prompt solution to the Venezuelan situation. In response, Venezuela's government said it would revise bilateral relations with European Union member states that have recognized opposition leader Juan Guaido as legitimate head of state.

According to Bloomberg, Venezuela's oil exports fell to a 10-month low in January, as supply to the US came to a halt after the US announced sanctions against PDVSA on January 28<sup>th</sup>. Total January exports fell by 11% on the month and 16% on the year to 1.11 million bpd. Shipments to the US fell by 16% on the month and 12% on the year to 355,800 bpd.

Separately, according to Kpler, tankers holding about 6 million barrels of Venezuelan crude are floating in the US Gulf Coast or heading there.

Citigroup said US sanctions on Venezuela pose substantial upside risks to crude oil prices. The Citigroup analysts suggest buying May Brent \$63/\$73/barrel call spreads.

According to JPMorgan, the risk to Venezuela's oil is an additional supply-side risk that is likely to tighten oil markets more than what has already been priced in and could impact the OPEC and non-OPEC decision in April.

IIR Energy reported that US oil refiners are expected to shut in 1.4 million bpd of capacity in the week ending February 8<sup>th</sup>, cutting available refining capacity by 148,000 bpd from the previous week. IIR expects offline capacity to fall to 1.2 million bpd in the week ending February 15<sup>th</sup>.

**Early Market Call - as of 8:50 AM EDT**

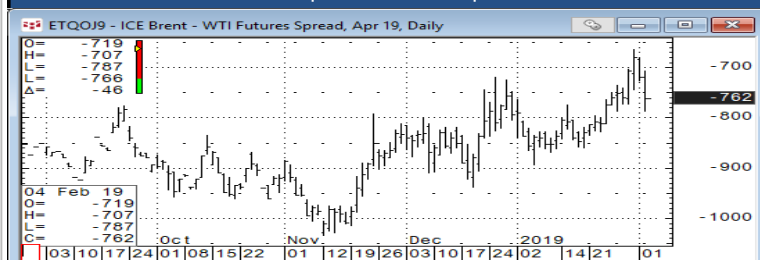
WTI - Mar \$54.06, down 49 cents  
 RBOB - Mar \$1.4205, down 1.23 cents  
 HO - Mar \$1.9010, down 64 points

## All NYMEX | Prior Settlements

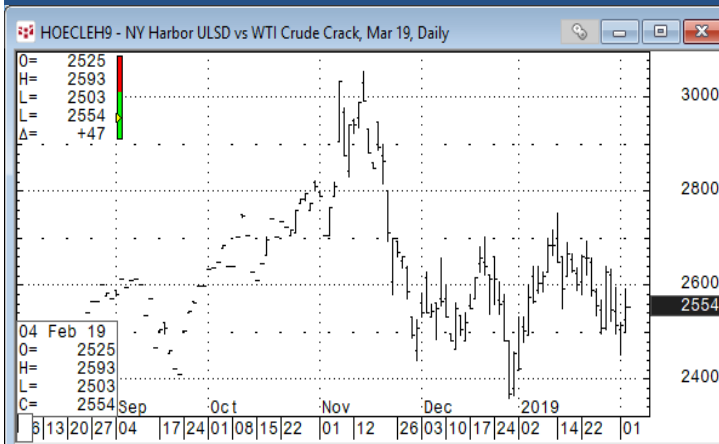
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Mar-19	1.9074	-0.0053	0.0728
Apr-19	1.9003	-0.007	0.0729
May-19	1.8973	-0.0075	0.0714
Jun-19	1.9001	-0.0074	0.07
Jul-19	1.9087	-0.0072	0.0687
Aug-19	1.9179	-0.0072	0.068
Sep-19	1.9278	-0.0073	0.0673
Oct-19	1.9373	-0.0069	0.0673
Nov-19	1.9469	-0.0064	0.0679
Dec-19	1.9549	-0.0063	0.0681
Jan-20	1.9618	-0.006	0.0678
Feb-20	1.9628	-0.0058	0.0675
Mar-20	1.96	-0.0055	0.0673
Apr-20	1.9499	-0.0054	0.0653
May-20	1.9448	-0.0054	0.0621
Jun-20	1.9437	-0.005	0.0604
Jul-20	1.9465	-0.0051	0.0595

Other Front Month NYMEX		Close	Change
Crude - WTI	Apr Brent-	\$54.8900	-\$0.6600
Crude - Brent	WTI Spread	\$62.5100	-\$0.2400
Natural Gas	\$7.62	\$2.6600	-\$0.0740
Gasoline		\$1.4323	-\$0.0046

### ICE April WTI-Brent Spread



## March Heating Oil Crack Spread



## March RBOB Crack Spread

