



Discover the Pattern, Anticipate the Future

We would be happy to discuss this commentary with you and provide additional market insights. Feel free to call us at +1 859-687-2748 or email us at rachel.poole@fundamentalanalytics.com

The comments below reflect updates and commentaries that we send regularly to our subscriber lists. Because some time may have now passed since the original release of this content, it should not be regarded as up-to-date market commentary. If you wish to receive this type of analysis in a timely fashion, subscribe to our weekly commentaries by contacting us at the phone number or email above.

Monthly Newsletter: December 2019

By Joel Fingerman and Rachel Poole

Greetings!

Fundamentals

Weekly Commentary

Fundamental Analytics offers timely weekly commentaries tied to reporting from the DOE, as well as weekly reports on crude oil and natural gas. We also offer a bi-weekly commodity market update highlighting development in agricultural and energy markets. If you are interested in receiving any or all of these updates, please let us know.

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To see what the FA platform can do for you [sign up](#) for a webinar and free trial on our website or contact one of our team members.

Benefits of FA:

- Easy to use, web-based and menu driven platform.
- Extensive history of data.
- Superior graphing capabilities
- Competitively priced.

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DOE Insights

Crude Oil Stocks Build, Expectations were for a Draw

The DOE reported Total Crude Oil Inventories increased by 1.6 million barrels to 452.0 million barrels for the week ending November 22, 2019, while the expectations average was for a .4-million-barrel draw.

Total hydrocarbon supplies increased by 100,000 barrels to 1,269 million barrels.

Crude Oil Production increased by 100,000 barrels to 12.9 million barrels per day.

Total Crude Imports increased by 200,000 barrels per day to 6.2 million barrels per day.

Total Crude Exports increased by 453,000 barrels per day to 3.5 million barrels per day.

Total Refinery Crude Runs were down 100,000 barrels per day at 16.33 million barrels per day.

Chart 1

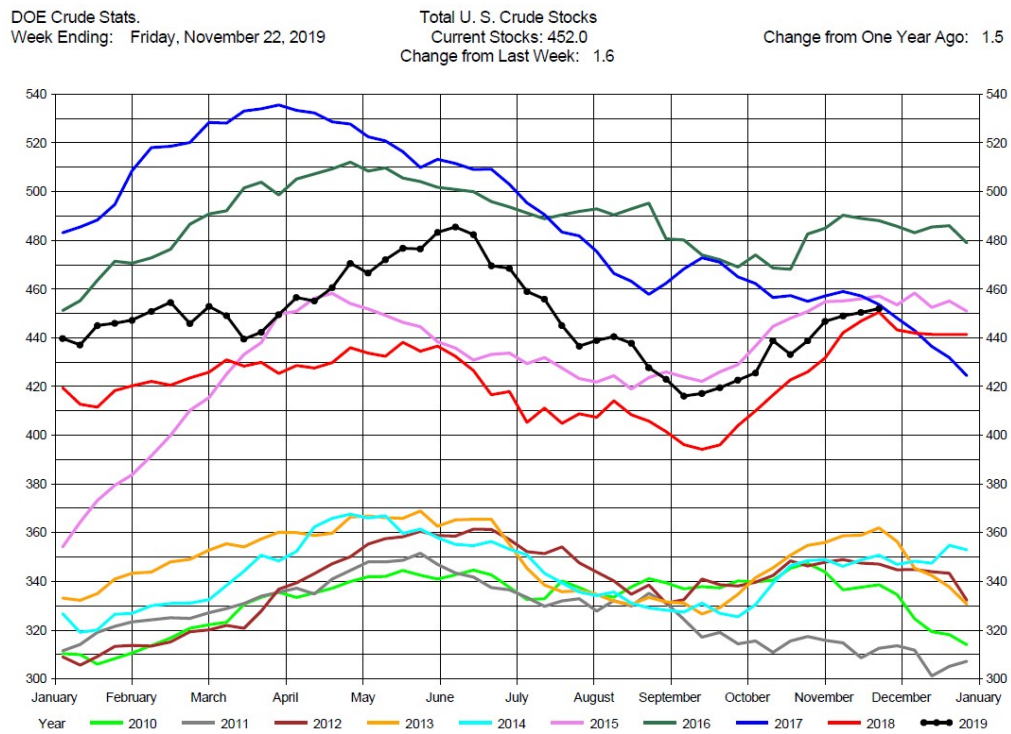


Chart 2

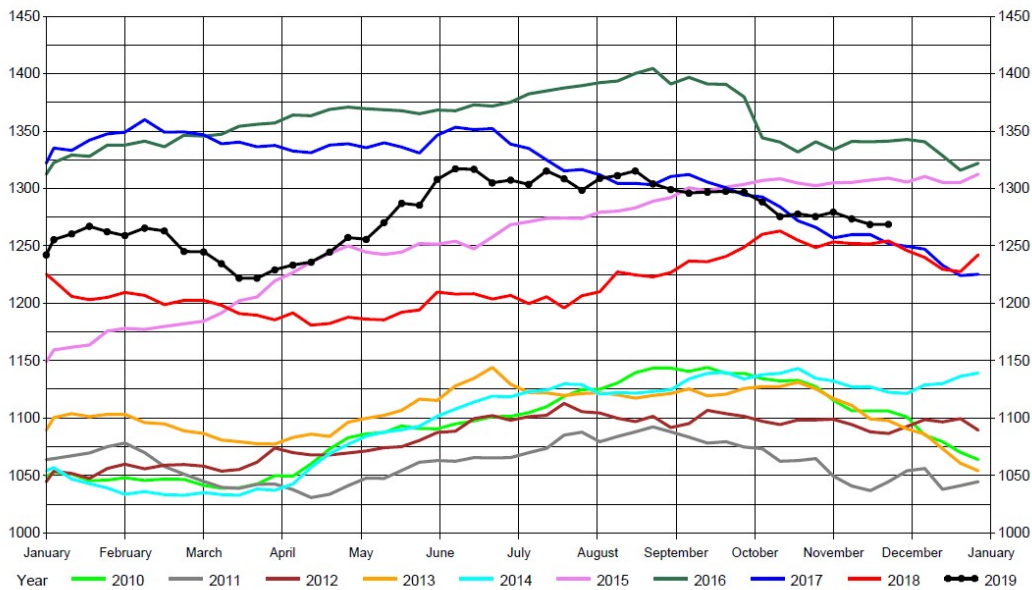


Chart 3

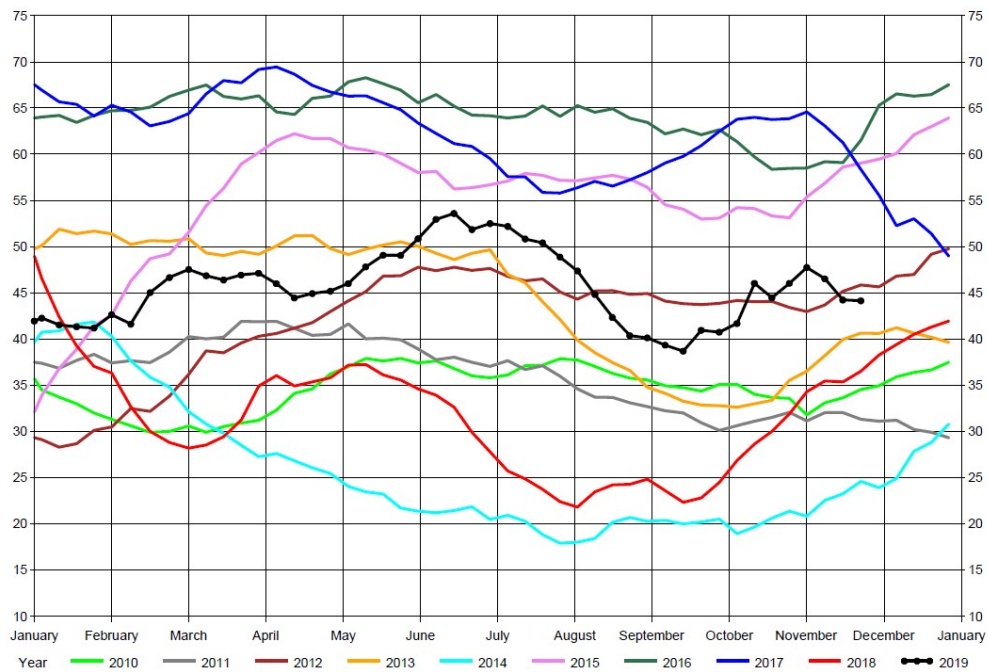
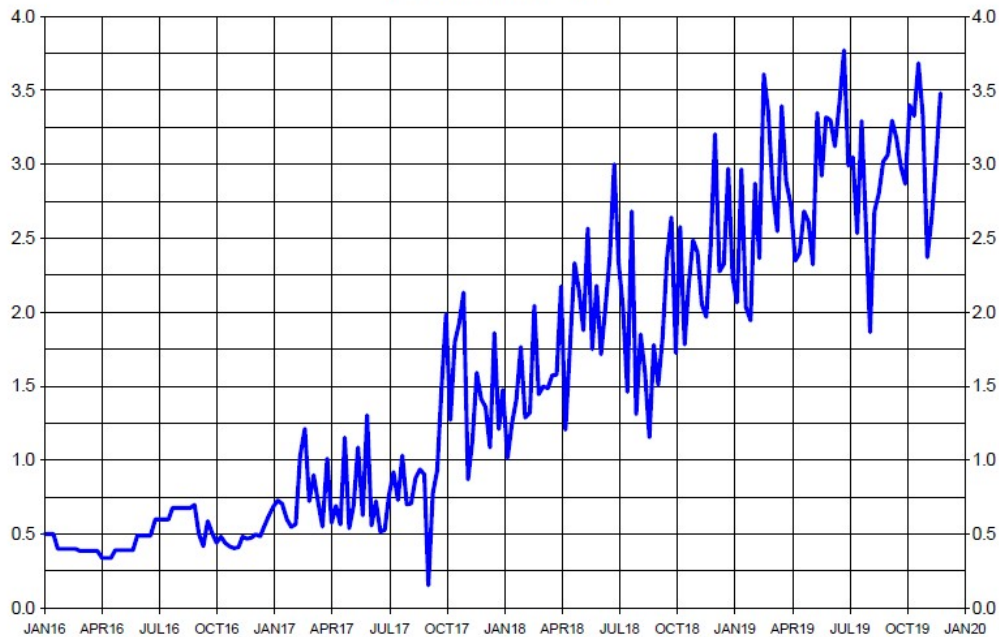


Chart 4



This is only a sample of the full DOE Insights report Joel publishes weekly. Each weekly report also includes a summary of data reported on Gasoline stocks and Distillates stocks.

**EIA Insights
 Withdrawal Near Expectations**

The EIA reported a 28 Bcf storage withdrawal for the week ending November 22, 2019. The withdrawal was at the average for this week of the year and close to the average of expectations, 27 Bcf.

Storage at 3,610 Bcf is 556 Bcf above inventories for this time last year and 31 Bcf below the five-year average.

Weather forecasts will continue to be the main driver of prices and volatility.

Chart 1

EIA Weekly Natural Gas Storage Data Report

As of Friday, November 22, 2019

	Bcf in Storage	Week Change	Last Week Storage	Week Change	Last Year Storage
East Region	894	-15	909	-23	778
Midwest Region	1,052	-17	1,069	-37	938
Mountain Region	204	-1	205	-2	171
Pacific Region	293	1	292	2	254
South Region	1,166	2	1,164	-33	914
U. S. Total Storage	3,610	-28	3,638	-94	3,054

Chart 2

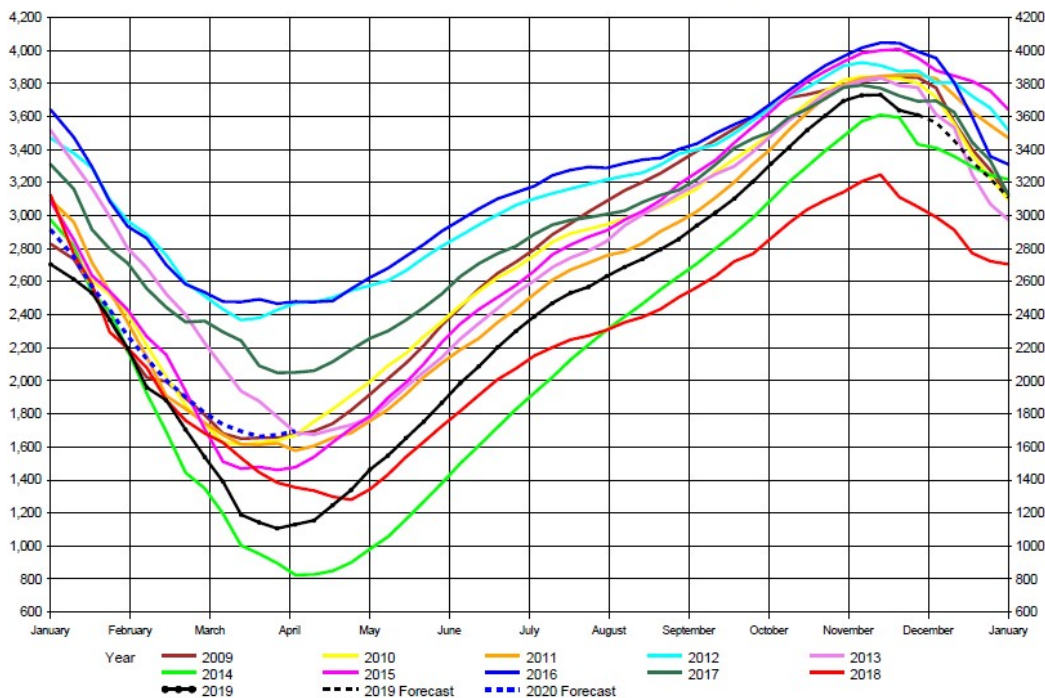


Chart 3

EIA Withdrawal Season - Total Working Gas
 Withdrawal Distribution (Bcf)
 Latest Weekly Data as of: Friday, November 22, 2019 -28 (Bcf)

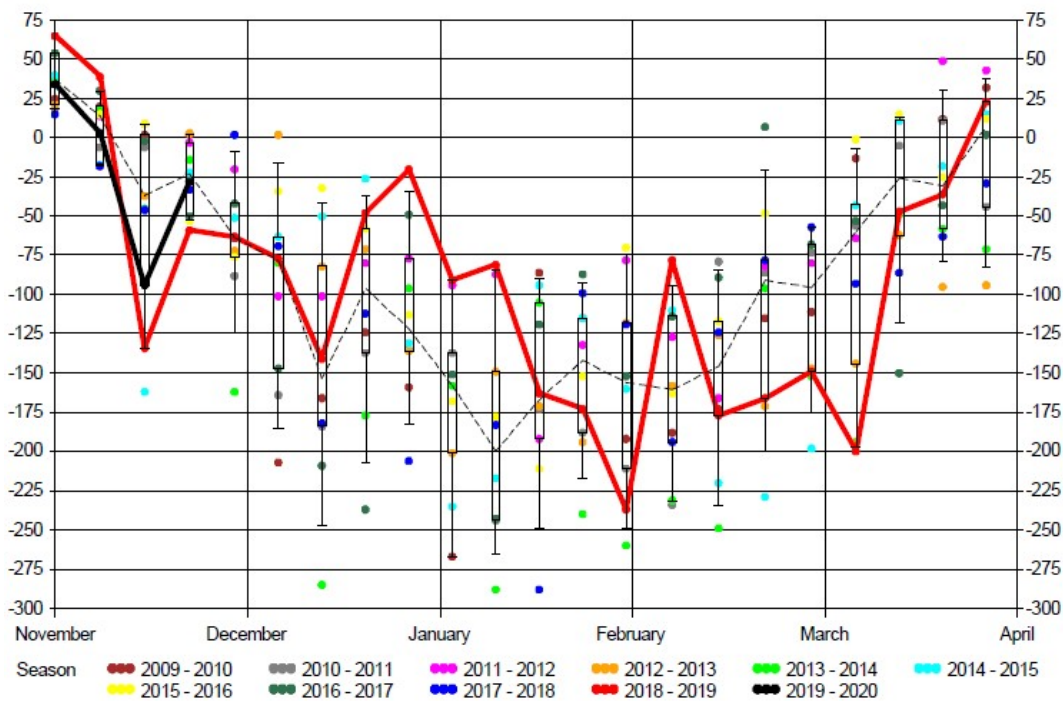
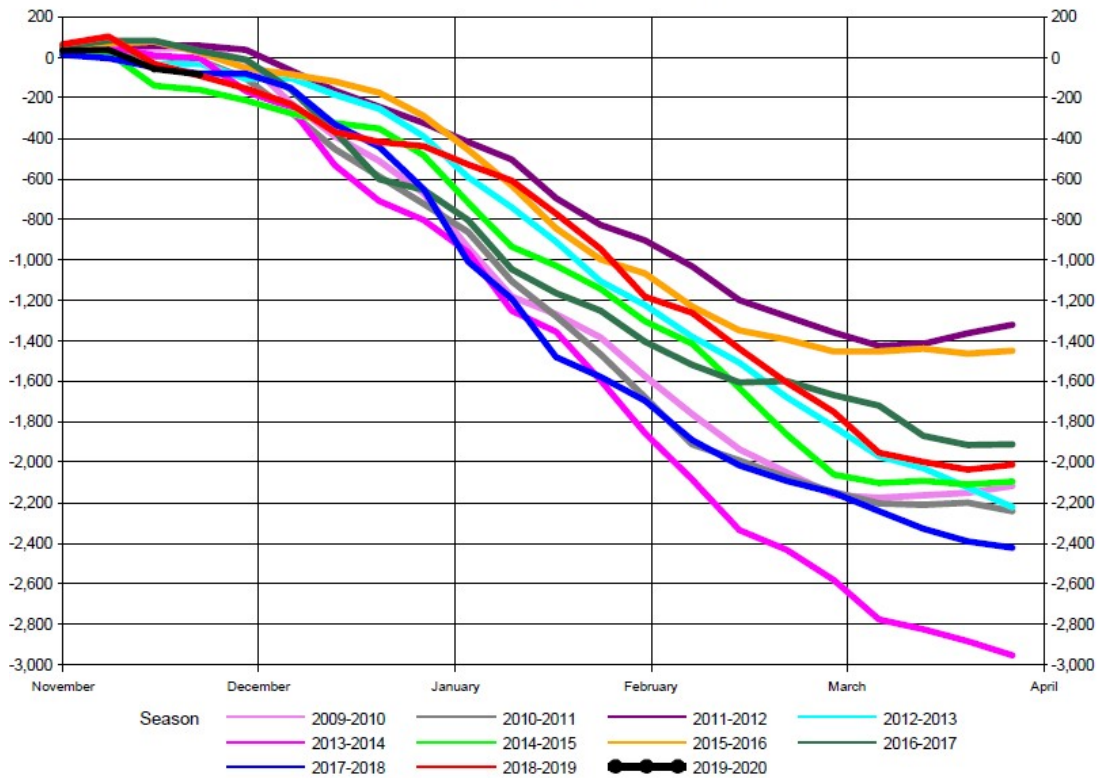


Chart 4

Total EIA Cumulative Storage Withdrawal (Bcf)



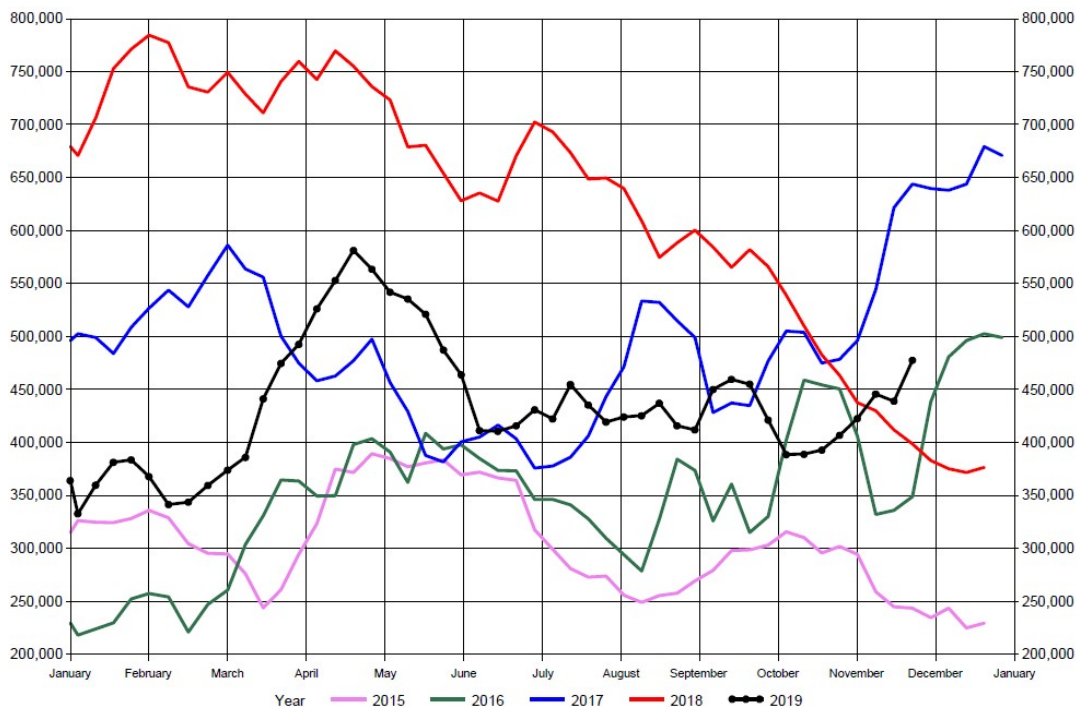
Latest CFTC Report

The CFTC Commitment of Traders Report as of Tuesday, November 26, 2019 shows the Non-Commercials Net Long Positions in WTI Crude Oil increased during the week by 38,643 contracts to 477,604 contracts. 12,468 new Long positions were added and 26,175 Short positions were covered.

The large price jump on Wednesday, November 20 probably contributed to the increase in the funds net long positions.

Chart 1

CFTC WTI Crude Oil Non-Commercials Net Long Postions
Open Interest
As of Tuesday, November 26, 2019 477,604 Contracts 38,643 Change



Commodity Market Update - November 22nd

Will the new IMO 2020 fuel regulation have a significant impact on prices?

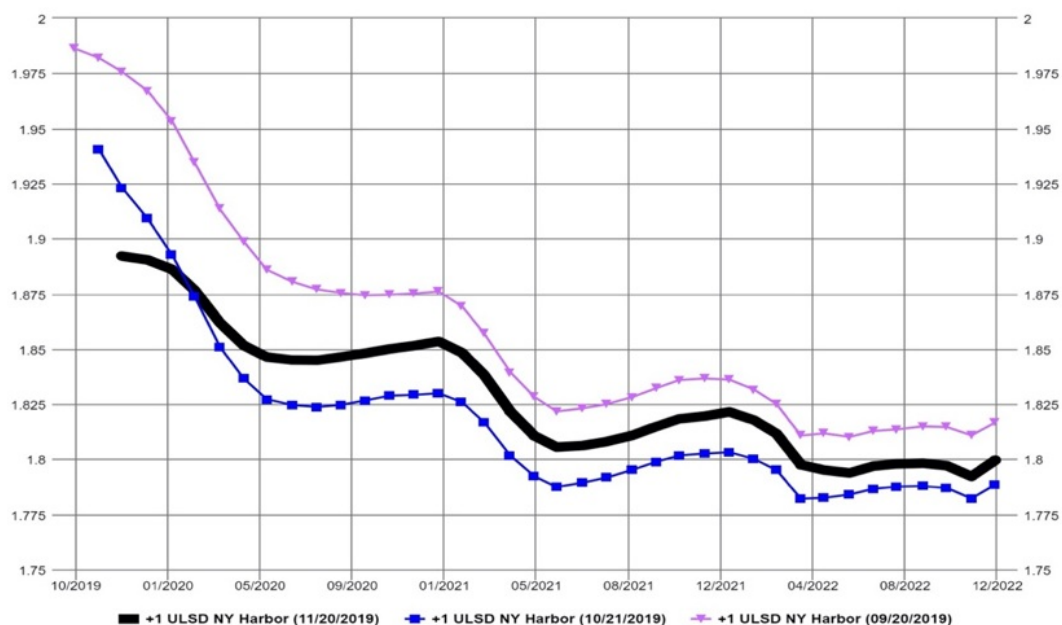
Last spring the International Maritime Organization (IMO) announced that new regulations limiting sulfur content of bunker fuel to 0.5% (down from 3.5%) will take effect on January 1, 2020. It is estimated that a small portion of the roughly 51,000 ships in the global shipping fleet already uses compliant fuel, but the remaining ships will have four options to comply with the regulations:

1. Convert to low-sulfur or a blend of high sulfur fuel oil (HFO) and low-sulfur that meets the emission standards.
2. Install expensive scrubbers and continue to burn HFO, the cheapest grade of fuel;
3. Convert to liquefied natural gas (LNG) by replacing HFO-burning ships with new LNG vessels.
4. Obtain waivers or non-compliance. For the latter, IMO-2020 provides waivers in a situation where compliant fuel is not available.

There are concerns that global oil refining will not be able to meet the additional demand for low-sulfur fuels, such as diesel fuel. Some economists fear this problem will have severe global economic impacts. For example, the oil economist Phillip Verleger predicted that IMO 2020 would send oil prices as high as \$200 per barrel, causing significant economic damage.

However, it is interesting to note that current prices do not appear to reflect this concern with only six weeks before the IMO 2020 regulations take effect. The chart below shows three heating oil price forward curves for November 20, 2019 (black line), October 21, 2019 (blue line), and September 20, 2019 (violet line). Since September, the front of the market prices have decreased from about \$1.98 per gallon to \$1.89. The deferred prices of the November forward curve are below the September prices and slightly above the October prices. So, while there is concern about the future supply of low-sulfur fuels to meet the demand needs, this concern is not reflected in prices only six weeks away from IMO 2020 commencing.

Chart 1



Platform Potential

The commodity market research platform offered by Fundamental Analytics is intuitive and easy to use. The year-on-year default visualizations of certain pricing and fundamental data along with the ability to easily create spreads charts offer a superb tool for analyzing relevant data. Research done by our team in November exemplifies how

combined analysis of pricing, spreads, and fundamental data can offer meaningful market insights.

What to Watch in the Upcoming Weeks

Below are a few things to watch in early/mid-December of 2019. These factors are likely to impact energy and agricultural markets.

- US-China trade war developments as hopes for a trade deal are high.
- OPEC plus Russia agreement to further cut crude oil production.
- Natural gas prices remaining low despite colder than normal temperatures.

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Regards,
The Fundamental Analytics Team