



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: February 2020

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 monthly 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, Greater than Expectations

The DOE reported Total Crude Oil Inventories increased by 3.5 million barrels to 431.7 million barrels for the week ending January 24, 2020, while the expectations average was for a .5 million barrel build.

Total hydrocarbon supplies increased by 1.0 million barrels to 1,295 million barrels.

Crude Oil Production was unchanged at 13.0 million barrels per day.

Total Crude Imports increased by 100,000 barrels per day to 6.7 million barrels per day.

Total Crude Exports increased by 950,000 barrels per day to 3.5 million barrels per day.

Total Refinery Crude Runs decreased by 900,000 barrels per day to 15.92 million barrels per day.

Prices are now near a three-month low and the potential of significant decrease in crude oil demand due to the spread of coronavirus is a concern. First quarter inventory builds are predicted to be large even after the OPEC+ agreement to deepen production cuts. The threat to Asian demand from the slowdown in economic activity caused by efforts to control the spread of coronavirus may make these builds larger than anticipated.

Chart 1

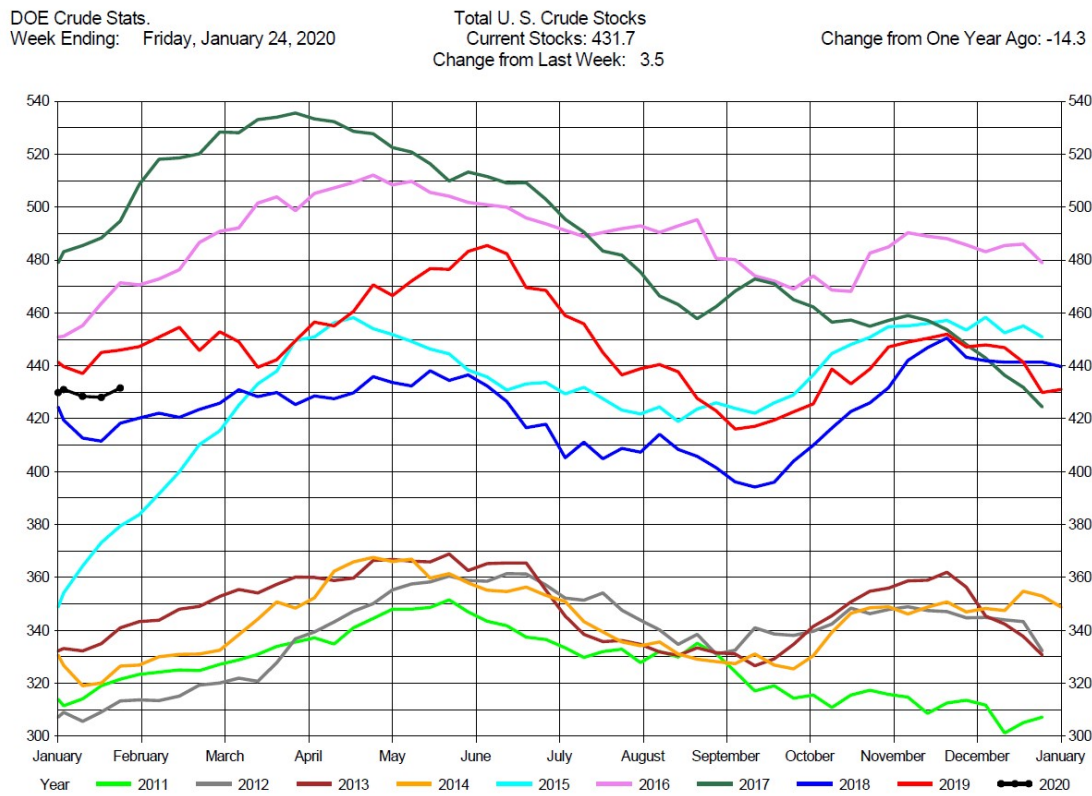


Chart 2

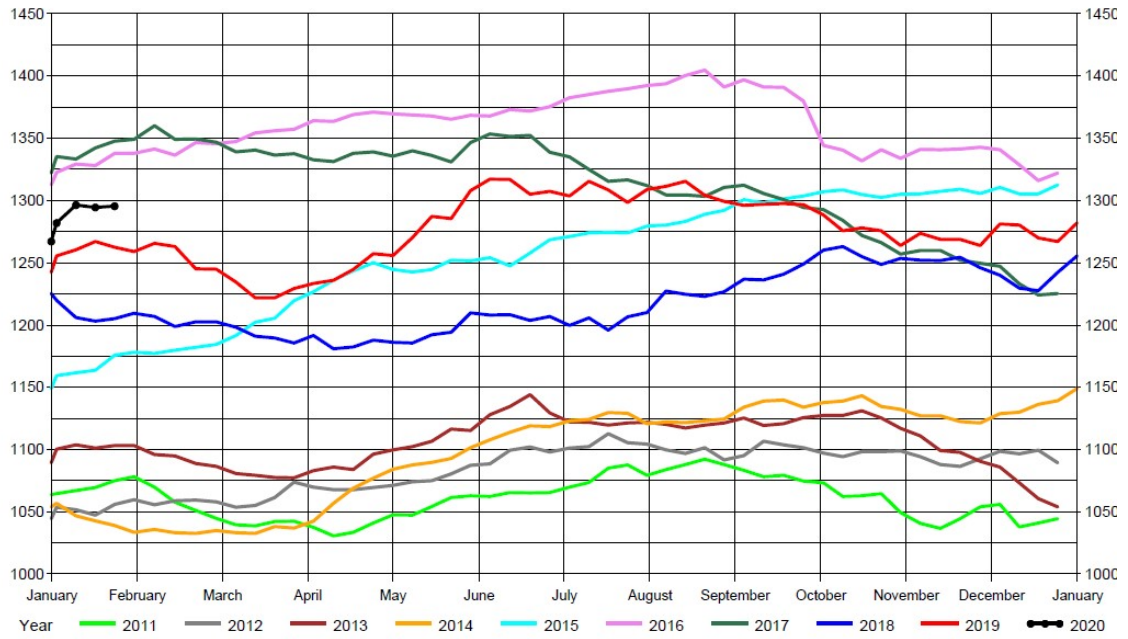


Chart 3

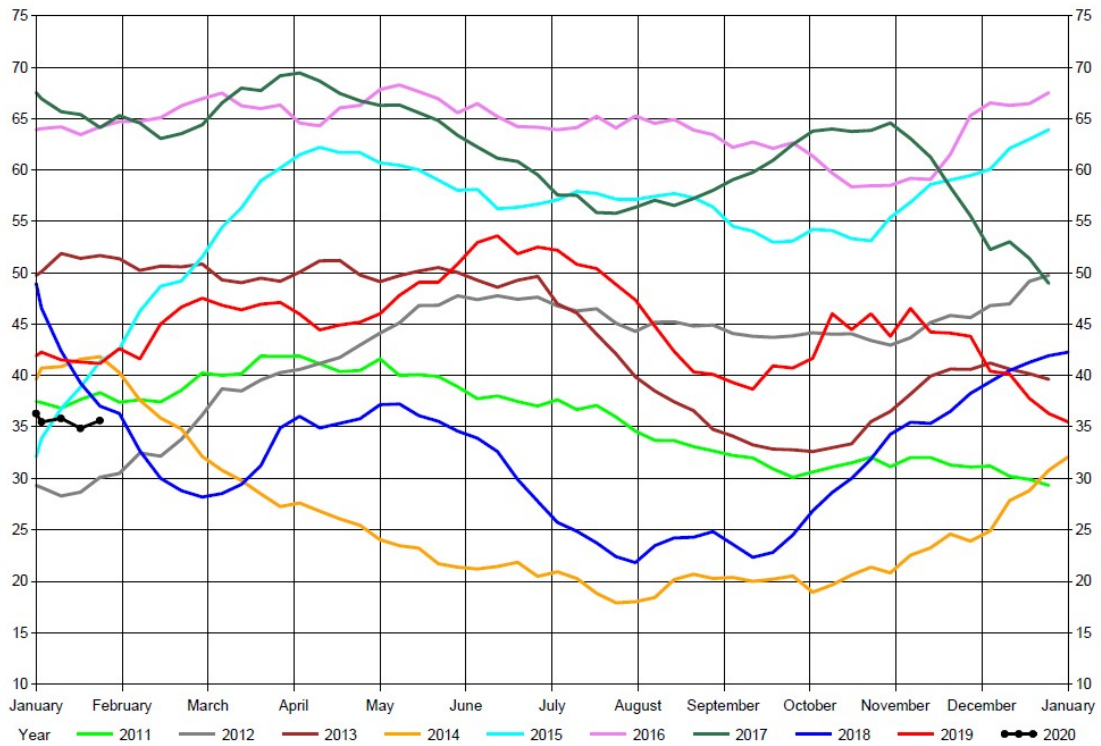
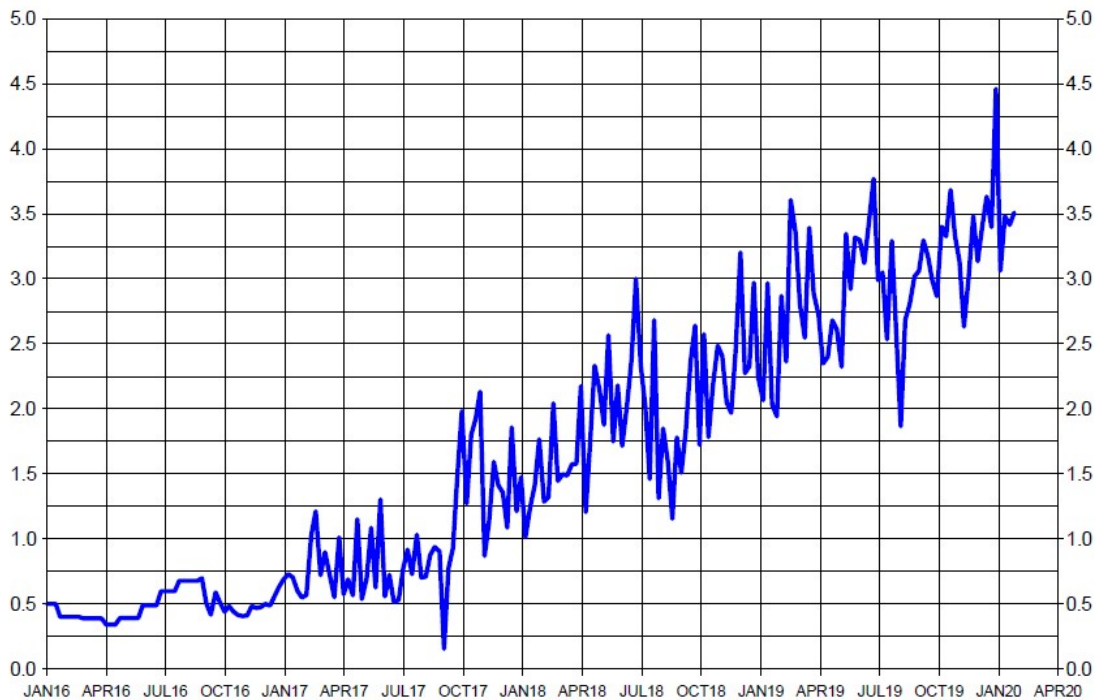


Chart 4



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 Slightly Less Than Expectations

The EIA reported a 201 Bcf storage withdrawal for the week ending January 24, 2019. The withdrawal was one of the largest since 2014 for this week of the year, greater than the average, 150 Bcf, but close to the average of expectations, 204 Bcf.

Storage at 2,746 Bcf is 549 Bcf above inventories for this time last year and 193 Bcf above the five-year average.

The withdraw was slightly less that expectations but still one the largest for this week of the year. Yet the market response was not bullish, prices dropped with the release of report and traded lower through much of the trading day. It appears the sentiment of the market is quite bearish despite bullish information.

Chart 1

EIA Weekly Natural Gas Storage Data Report

As of Friday, January 24, 2020

	Bcf in Storage	Week Change	Last Week Storage	Week Change	Last Year Storage
East Region	638	-58	696	-20	527
Midwest Region	761	-54	815	-36	606
Mountain Region	143	-8	151	-10	114
Pacific Region	210	-10	220	-15	178
South Region	9,956	8891	1,065	-11	771
U. S. Total Storage	2,746	-201	2,947	-92	2,197

Chart 2

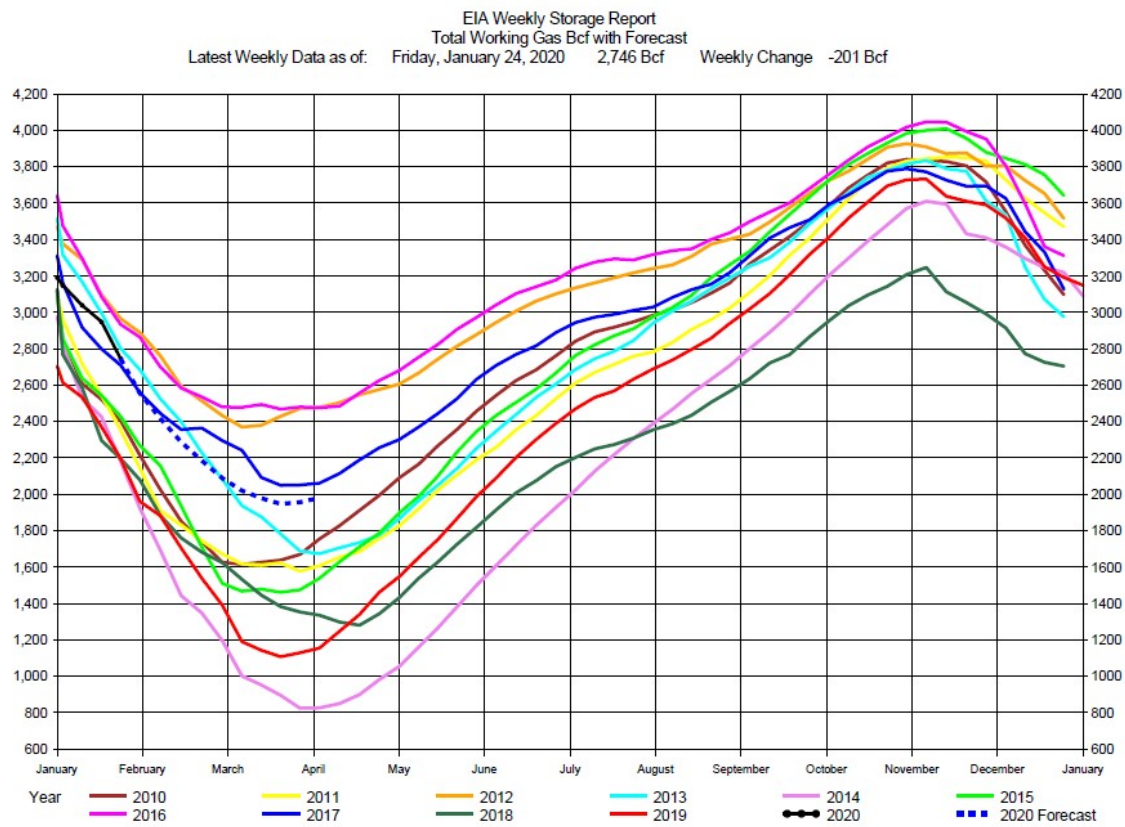


Chart 3

EIA Withdrawal Season - Total Working Gas Withdrawal Distribution (Bcf)

Latest Weekly Data as of: Friday, January 24, 2020 -201 (Bcf)

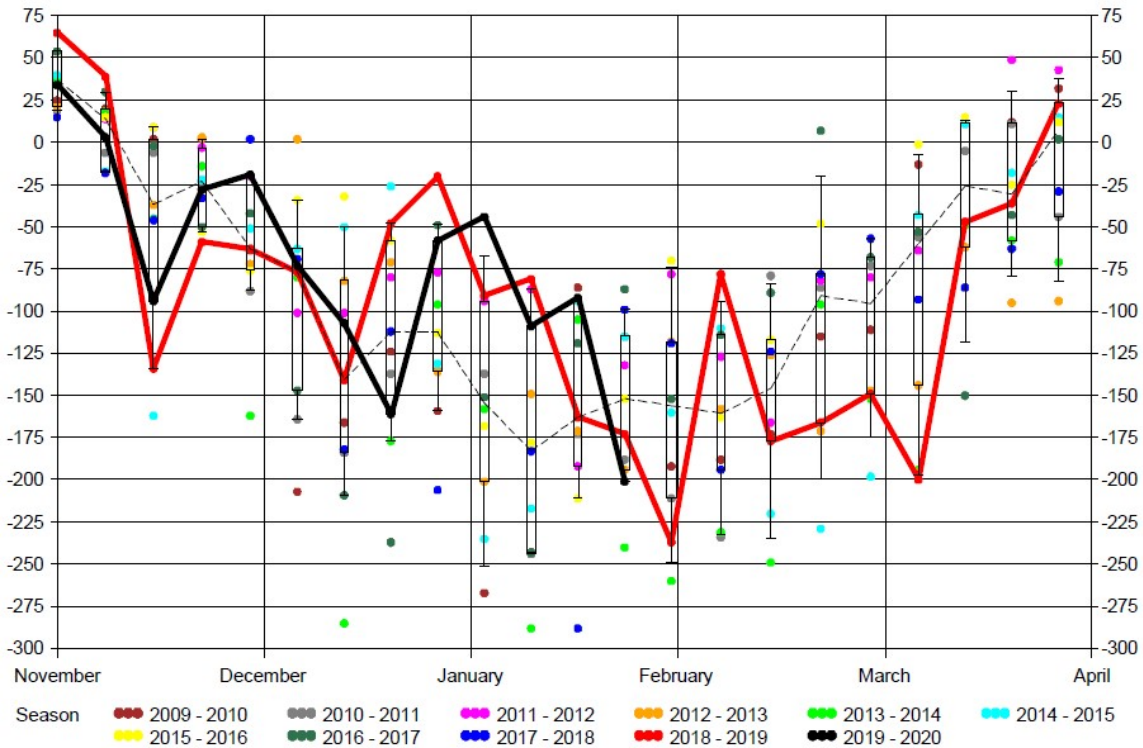
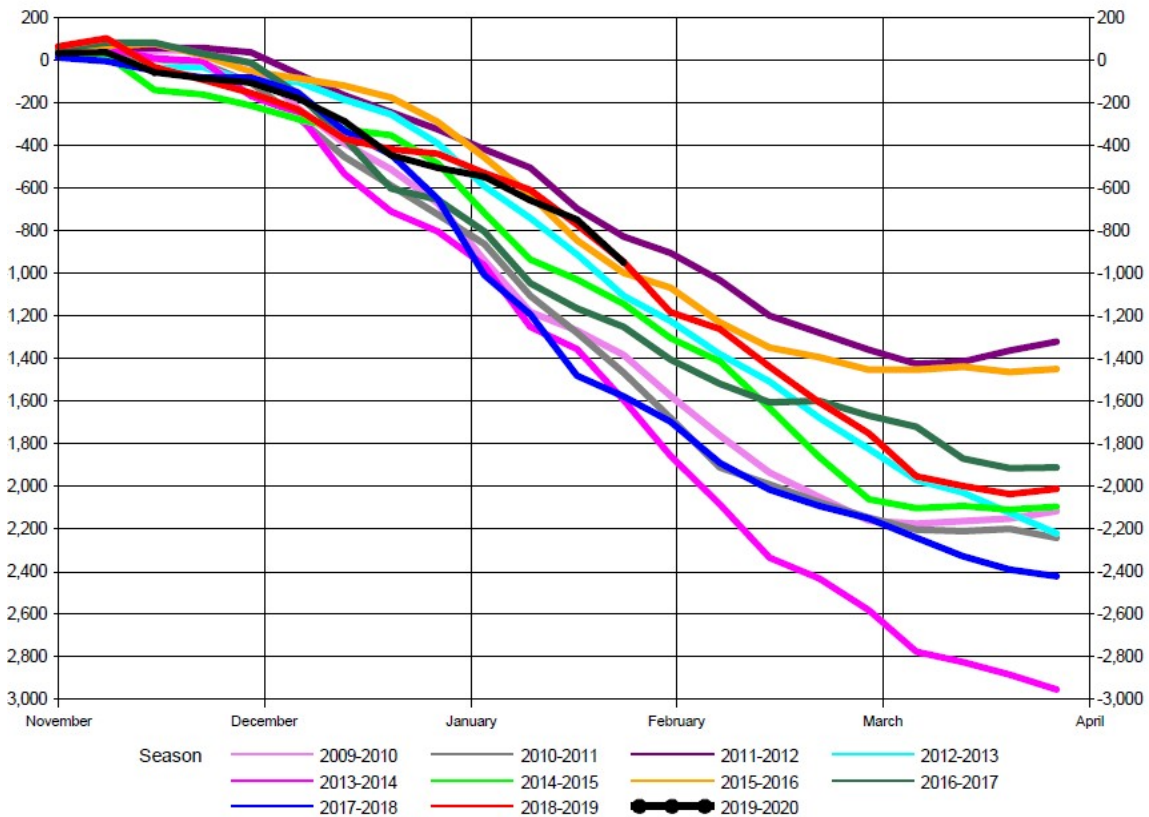


Chart 4

Total EIA Cumulative Storage Withdrawal (Bcf)

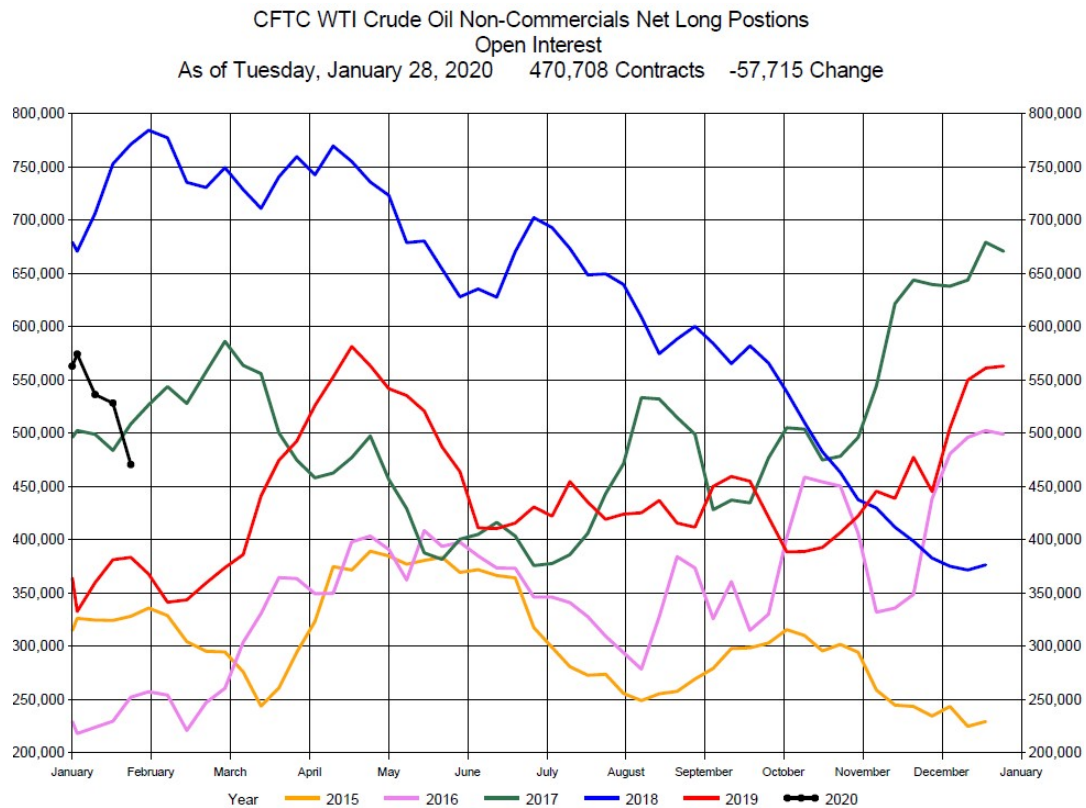


Latest CFTC Report

The CFTC Commitment of Traders Report as of Tuesday, January 28, 2020 shows the Non-Commercials Net Long Positions in WTI Crude Oil decreased during the week by a significant 57,715 contracts to 470,708 contracts. 26,599 Long positions were closed and 31,116 new Short positions were added.

The Funds were bearish on crude oil this last week as they closed long positions and added new shorts, helping pressure prices down nearly \$6. With the concerns about how the coronavirus will affect China's economy and, in turn the global economy, the crude oil market is very bearish. We expect continued price declines.

Chart 1



Commodity Market Update - January 31, 2020

From the beginning of January to January 21, crude oil prices dropped from about \$63/barrel to \$58/barrel, about an 8% decline, as we can see by the March 2020 contract.

During the same period, the March 2020 heating oil prices have fallen in tandem with crude oil prices, but greater, from about \$2.06/gallon to \$1.83/gallon, which is about an 11% fall. Consequently, the March 2020 heating oil crack spread has decreased about 13% from about \$24/barrel to \$18/barrel.

If we consider some fundamental data during this time period, we see that low sulfur distillate stocks have increased a sizable 8.3 million barrels, from 123.5 million barrels to 131.8 million barrels. Implied demand has dropped from 4.4 million barrels per day to 3.9 million barrels per day. Furthermore, if we normalize the stocks by demand we observe that Days Forward Supply has increased from 28.2 days to 33.4 days.

These three fundamental data are all bearish for heating oil prices. Should the fundamental data trends continue we would expect more downward pressure on prices and crack spreads.

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 January 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-February of 2020. These factors are likely to impact energy and agricultural markets.

- Trade negotiations between the United Kingdom and the European Union now that Brexit has been formalized.
- Spread of the coronavirus affecting both Chinese and global growth.
- Middle East tensions affecting crude oil prices.

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Regards,
The Fundamental Analytics Team