

XI DROPS IN, MARKETS POP UP

TOP HEADLINES:

- Mnuchin hopes for ‘productive’ trade meetings in China
- Oil gets boost from Saudi output pledge, declining U.S. inventories
- Venezuela turns to India for oil exports as U.S. sanctions bite

MarketUpdate	Month	Last Close	Change	S/T Bias	Viewpoint
WTI Crude Oil	March	53.77	0.67	Neutral	Prices moderate of conflicting inputs
Brent Crude Oil	April	63.44	1.02	Neutral	OPEC on path to reduce supply overhang
RBOB Gasoline	March	1.4505	.0233	Neutral	Growing glut pressuring prices
ULSD Heating Oil	March	1.9364	.0292	Neutral	Diesel demand rapidly on the wane
Natural Gas	March	2.579	-.109	Neutral	Volatility is the watchword

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US ECONOMIC EVENTS TO WATCH THIS WEEK

Monday 2/11

- Industrial Production (UK)
- GDP (UK)
- Factory Orders (USA)

Tuesday 2/12

- New Loans (CHN)
- OPEC Report (EUR)
- JOLTs (USA)

Wednesday 2/13

- IEA Report (EUR)
- Industrial Production (EUR)
- CPI (USA)
- EIA Petroleum (USA)
- GDP (JPN)

Thursday 2/14

- GDP (GER, EUR)
- Jobless Claims (USA)
- Natural Gas (USA)

Friday 2/15

- B-H Rig Count (USA)

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[Full Weekly Economic Calendar Overview \(Bloomberg\)](#)

Global Macroeconomic

Global equity markets continue in rally mode, as hopes for a U.S. – China trade deal rise. The latest developments have President Trump considering a delay in raising in the tariff rates on Chinese goods set for March 1st. And there may be a meeting between President Xi and the U.S. treasury secretary in Beijing this week. Meanwhile, we get the sense that the U.S. side is already working to temper expectations. The rally off of the December low has been more than impressive, if not incredible. You can’t fight the tape, but it is also advisable not get sucked into a rally that is hard to trust.

Petroleum Complex Fundamentals

The oil market is starting to feel like it is in the eye of a hurricane. There is a relative calm on the screen, but there are elements swirling around the market that are surely bullish. The crisis in Venezuela, the sanctions on Iran, and the apparent determination of Saudi Arabia to lower global inventories via output and export cuts. Despite those factors and more, prices remain relatively tame. No doubt, they have rallied by a decent amount off of their recent lows, but they have not gone parabolic. Growing supplies are weighing, and that will persist.

Technical Analysis: WTI Crude Oil

Prices are nearing resistance at \$54.00, which is the middle of the most current trading range between \$52.00 and \$56.00. A move above \$54.00 will likely engender a retest of the recent high near \$56.00, which would then open the floodgates for more buying. The current sideways action comes on the heels of the downtrend channel off of the October high, making for a bearish descending wedge pattern. While we are inclined to play for more losses, we are closely monitoring the price action around \$54.00.

Natural Gas Fundamentals

The looming warm-up has sunk the recent attempted rally, as the cold weather expected for month-end is also looking less impressive. Tomorrow’s storage report will not be helpful either, when a mere 73 Bcf net withdrawal of gas is posted. That will be about half of what was pulled from storage last year and the five-year average. The deficit to both measures will, obviously, reduce again, taking away a pillar of price strength in the market. Play for more losses, until we can get some visibility on the summer demand outlook.

Technical Analysis: Natural Gas

Prices have sold-off hard in overnight trading, going right down to the recent low. Prices bottomed at \$2.562, in overnight trading. It is a fairly large price bar, already. A new price range is emerging between \$2.55 and \$2.70. The current price action fits in well with the downtrend channel that developed off of the high from November and, more recently, mid-January. We continue to see the chart as forecasting a slow grind down to \$2.50, the near-term, downside price objective.