2/20/2020 11:00:15     PURCHASE.
2/20/2020 11:00:15     [ ]
2/20/2020 11:00:16     >> Andrew: HI, THERE.
2/20/2020 11:00:16     WELCOME TO "COMMODITIES" AND
2/20/2020 11:00:17     HAPPY TOURNAMENTS WE ARE GETTING
2/20/2020 11:00:19     THOSE U.S. INVENTORIES
2/20/2020 11:00:21     MOMENTARILY.
2/20/2020 11:00:22     LOOKS LIKE THE CRUDE OIL
2/20/2020 11:00:24     INVENTORIES BUILT MUCH MORE
2/20/2020 11:00:26     SLOWLY THAN EXPECTED ONLY
2/20/2020 11:00:29     415,000 BARRELS.
2/20/2020 11:00:29     THERE ARE SOME OF THE STORIES WE
2/20/2020 11:00:30     ARE TRACKING TODAY.
2/20/2020 11:00:32     BRENT OLE UP FOR AN EIGHTH DAY.
2/20/2020 11:00:42     SHELL IS LOOKING FOR PORTS FOR
2/20/2020 11:00:44     THOSE LNG TANKERS ON THE HIGH
2/20/2020 11:00:47     SEAS THAT CAN'T DOCK IN CHINA AS
2/20/2020 11:00:50     DEMAND SLIDES BECAUSE OF THE
2/20/2020 11:00:52     VIRUS.
2/20/2020 11:00:52     WE WILL BE ALL OVER THOSE
2/20/2020 11:00:54     STORIES TODAY.
2/20/2020 11:00:55     CHINA'S COPPER IMPORTS FALLING
2/20/2020 11:00:58     FOR A SECOND CONSECUTIVE YEAR.
2/20/2020 11:00:59     SORRY ABOUT THAT.
2/20/2020 11:01:01     WHY NOT GET TO THOSE INVENTORIES
2/20/2020 11:01:04     RIGHT NOW.
2/20/2020 11:01:04     SO IT LOOKS LIKE PRETTY SMALL
2/20/2020 11:01:08     BILLS IN INVENTORIES IN THE
2/20/2020 11:01:10     LATEST WEEK ACCORDING TO THE
2/20/2020 11:01:12     U.S. GOVERNMENT.
2/20/2020 11:01:13     ONLY ABOUT 415,000 BARRELS AND
2/20/2020 11:01:15     THE MEDIAN ESTIMATE WAS
2/20/2020 11:01:20     3.2 MILLION.
2/20/2020 11:01:20     OF COURSE WE WILL DRILL INTO THE
2/20/2020 11:01:21     OTHER NUMBERS.
2/20/2020 11:01:23     DISTILLATES ARE A CRUCIAL FACTOR
2/20/2020 11:01:25     AS WELL.
2/20/2020 11:01:25     WE ARE JOINED, THOUGH, BY
2/20/2020 11:01:27     STEPHEN SHORT EDITOR OF THE
2/20/2020 11:01:29     SHORT REPORT.
2/20/2020 11:01:30     STEPHEN, THANKS SO MUCH FOR
2/20/2020 11:01:32     COMING ON THE SHOW.
2/20/2020 11:01:33     I KNOW YOU HAVEN'T HAD A CHANCE
2/20/2020 11:01:34     TO GO THROUGH THE NUMBERS YET.
WE WILL WALK THROUGH THEM BUT
WHAT IS THE PICTURE IN THE U.S.
MARKET?
IS OIL BACKING UP OR PRODUCT
BACKING UP IN THE U.S. BECAUSE
OF A DROP IN CHINESE DEMAND?
>> ABSOLUTELY.
I THINK IT IS THE CHINESE DEMAND
RELATED TO CORONAVIRUS OF COURSE
IS I THINK A SECONDARY IMPACT.
I THINK, ANDY, THE BIGGER IMPACT
IS THE LACK OF INDUSTRIAL DEMAND
FOR ENERGY IN GENERAL.
THE UNITED STATES LIKE MOST OF
ASIAS, FACTORY SIDE OF EACH'S
ECONOMY IS IN RECESSION RIGHT
NOW SO THE LACK OF DEMAND COMING
FROM THE INDUSTRIAL SIDE IS
CERTAINLY WEIGHING ON THE
MARKET.
COUPLED WITH THE FACT THAT THE
UNITED STATES IS NOW PRODUCING,
OF COURSE, RECORD LEVELS AMOUNT
OF CRUDE OIL.
SO WE ARE LOOKING AT AN OIL
MARKET HERE IN THE UNITED STATES
THAT IS LITERALLY CANNOT SWING A
CAT WITHOUT HITTING A BARREL OF
OIL.
WE ARE WELL SUPPLIED BY NOW.
>> Andrew: THE OIL INVENTORIES
MUCH LESS THAN EXPECTED ONLY
415,000.
THE ESTIMATE WAS MORE THAN
3 MILLION THE INCREASE.
SO THAT SOUNDS BULLISH.
>>> THE GASOLINE INVENTORIES
THIS ALSO SOUNDS BULLISH,
STEPHEN.
I KNOW THESE NUMBERS SWIMMING
AROUND.
INVENTORIES DOWN
2 MILLION BARRELS AND THE
ESTIMATE WAS FOR A SLIGHT RISE.
SO DID THE REFINERIES SCALE BACK PRODUCTION OF GASOLINE?

>> WELL, KEEP IN MIND IT DOES SOUND BULLISH, A LARGE 2 MILLION-BARREL SLOWDOWN IN GASOLINE BUT IT'S NOT.

KEEP IN MIND IN WE ARE AT THAT POINT IN THE SEASON WHERE WE BEGIN TO TRANSITION FROM A DIFFERENT TYPE OF GASOLINE, A GASOLINE THAT IS ABLE TO BE MANUFACTURED AND CONSUMED DURING THE WINTER MONTHS TO NOW A GASOLINE THAT HAS TO BE MANUFACTURED DURING THE SPRING AND THE SUMMER MONTHS.

SO RIGHT NOW WE HAVE TO HAVE SURPLUS SUPPLY OF GASOLINE. GASOLINE STOCKS IN THE UNITED STATES WERE AT AN ALL-TIME HIGH. WE HAVE SEEN LARGE DRAWDOWNS IN GASOLINE STOCKS LAST TWO WEEKS. IT'S NOT NECESSARILY BECAUSE WE ARE JUST NOT MANUFACTURING GASOLINE OR GASOLINE DEMAND IS STRONG. WE SIMPLY HAVE TO PURGE THE TANKS. WE HAVE TO GET RID OF THIS WINTER GRADE GASOLINE BECAUSE OVER THE NEXT COUPLE OF WEEKS WE WILL NOT BE ABLE TO CONSUME IT BECAUSE IT WILL BE OFF SPECMENT. LET'S NOT GET TOO EXCITED ABOUT THAT DRAWDOWN IN GASOLINE. IT IS NOT BULLISH JUST BECAUSE IT WAS A DRAW. >> Andrew: TALK TO BUS THE GLOBAL OIL PRICE.

BRENT OIL UP THIS MORNING FOR AN EIGHTH DAY IN A ROW.

WHAT IS PROPELLING THE MARKET HIGHER?

LESSENING FEARS OVER THE VIRUS?
YEAH, I THINK THERE IS THIS HOPEIUM IN THE MARKETS. THIS IS WHAT I HAVE BEEN TELLING CLIENTS IN OUR DAILY RESEARCH NOTE THAT WE SEEM TO BE POO POOING THIS ISSUE OH, THIS IS LIKE 1997 AVIAN BIRD FLUFF. THIS IS LIKE 2003 SARS. YES, IT HAD AN IMPACT BUT IT WAS SHORTLIVED. I AM NOT BUYING INTO THAT CAMP BUT THERE IS CERTAINLY A LOT OF PEOPLE SMOKING HOPEIUM LIKE WE SAW IN 2003 SARS. THE CHINESE COMPANY WAS 4% OF THE GLOBAL GOALTENDER. TODAY IT'S THE SECOND LARGEST ECONOMY 7% OF GDP. THERE IS THAT SPECULATION IN THE MARKET THAT THINGS ARE NOT GOING TO BE AS DIRE AND NOW YOU FACTOR IN THE SANCTIONS ON THE TRADING ARM OF THE LARGE OIL TRADING COMPANY OUT OF RUSSIA AND THE IMPACT OF THE FURTHER LOSS OF VENEZUELAN OIL A BARREL AND THAT'S HELPING TO SUPPORT PRICES AT THIS MOMENT. ABSOLUTELY. AND IF THEY CONTINUE TO TRANSACT WITH VENEZUELA IT WILL MAKE IT HARDER FOR THEM TO MOVE IT. VENEZUELAN OIL ON TO THE WORLD MARKET? SO WE ARE LOOKING AT POTENTIALLY
THE TRADE SHIFT IN OIL SO
REFINERIES FROM LOOK THE GULF
COAST OF THE UNITED STATES ALL
THE WAY OVER TO EUROPE WILL
POTENTIALLY TAKE A HIT WITH THE
LOSS OF OIL COMING OUT OF THE
EURO EXPORT MARKETS.
SO COULD BE A POTENTIAL BOON FOR
BRAZILIAN, COLOMBIAN OIL TO
THESE MARKETS AS WELL AS
POTENTIALLY CANADIAN HEAVY OIL
GOING TO THESE MARKETS.
>> Andrew: OF COURSE.
IF WE CAN GET IT TO MARKET AND
THAT'S THE PROBLEM.
YOU PROBABLY HEARD ABOUT THE
RAIL BLOCKADES IN THIS COUNTRY,
STEPHEN?
I KNOW IT'S PROBABLY NOT TOP OF
YOUR AGENDA.
WHAT'S YOUR FEELING?
WHAT KIND OF COMMENTARY HAVE YOU
SEEN SOUTH OF THE BORDER ABOUT
OUR RAIL BLOCKADE?
>> I TELL WHAT YOU.
I THINK ENVIRONMENTALISTS ARE
THE OIL BULL'S BEST FRIEND AT
THIS POINT WITH THE ROADBLOCKS.
LITERALLY AND METAPHORICALLY
THAT THEY WANT TO PUT INTO THE
EXPLORATION AND TRANSPORTATION
OF FOSSIL FUELS CREATING
ARTIFICIAL SHORTAGES IN THE
MARKET AND ARTIFICIAL SPIKES IN
PRICE.
>> Andrew: THAT'S INTERESTING
DISTORTING THE MARKET.
SO WTI AS YOU KNOW EARLY LAST
WEEK DIPPED BELOW $50 TRADING
AROUND 54 RIGHT NOW.
IS THERE A PROSPECT OF WTI GOING
SUB50 U.S. ANY TIME SOON?
>> ABSOLUTELY.
BASED ON THE MODEL THAT WE RUN
FOR OUR CLIENTS HERE DAILY WHEN WE LOOK AT THE PARAMETERS OF THE POTENTIAL PRICE RANGE IN THIS QUARTER KEEP IN MIND THAT THIS IS THE WEAKEST DEMAND QUARTER REFINERIES IN THEIR MAINTENANCE SEASON SO NATURALLY THEY ARE BUYING FEWER BARRELS. CLEARLY AS TO YOUR POINT LAST WEEK WE DID DIP BELOW $50 A FEW TIMES.

OUR MODEL IS SHOWING A POTENTIAL DOWNTURN TO AS LOW AS $42 A BARREL. I DON'T THINK WE WILL LAST THERE BUT CERTAINLY THAT IS THE POTENTIAL BUT CERTAINLY WHEN WE GET INTO THE THIRD QUARTER WE GET INTO THE PEAK HOLIDAY SEASON TO THE SUMMER SEASON AND WE BEGIN DRIVING MORE CONSUMING MORE ENERGY. THIS WOULD BE SUPPORTIVE OF PRICE. ONCE AGAIN WE ARE LOOKING AT WORST CASE NATURE JOE 45, 42 BASED ON OUR MODELING. ON THE UP SIDE PROBABLY HIGH 50s, LOW 60s WHICH IS PRETTY MUCH THE TRADING RANGE WE HAVE BEEN IN THE PAST # YEARS.

I DON'T SEE ANY REASON FOR THAT TO CHANGE. >> Andrew: OPEC HAS HELD FIRM AND ITS ALLIES. THEY HAVE NOT ANNOUNCED PRODUCTION CUTS TO TIGHTEN THE MARKET. DO YOU THINK THEY WILL AT THIS STAGE?

>> I THINK THEY HAVE TO, ANDY, AT THIS POINT. RIGHT NOW IT'S A RACE BETWEEN DEMAND DECAY STEMMING FROM
INDUSTRIAL RECESSION IN A NUMBER OF THE WORLD'S ECONOMIES NOW COMPOUNDED BY THE LOSS OF DEMAND STEMMING FROM CORONAVIRUS AND THE UNKNOWN KNOWN OF HOW LONG WILL THAT LAST.

SO WE ARE LOOKING AT A MARKET WHERE DEMAND HAS TAKEN A SIGNIFICANT HIT ALREADY OVER THE PAST YEAR AND CERTAINLY THROUGH THE FIRST HALF OF THIS YEAR DEMAND WILL FURTHER DECAY WHEREAS SUPPLY REMAINS STEALTH IN THE UNITED STATES IS PRODUCING OIL LIKE A BANCHEE AND THAT'S NOT GOING TO CHANGE THIS YEAR.

SO OPEC REALLY DOESN'T HAVE A CHOICE BUT TO CUT AT THEIR NEXT MEETING.

LIKE A BATTING AVERAGE YEAR WE WILL LEAVE IT ON THAT NOTE, THANK YOU VERY MUCH INDEED STEPHEN SCHORK EDITOR OF THE SCHORK REPORT.

LET'S HAVE A LOOK AT SOME OTHER GUEST ON OUR FULL ONE HOUR SPECTACTULAR MIKE WALLS WILL JOIN US SENIOR CRUDE OIL ANALYST AT GENSCAPE.

WE HAVEN'T SEEN A BIG DISCOUNT EMERGING APPARENTLY ON WESTERN CANADIAN SELECT YOU THINK YOU WOULD BECAUSE TUTOR PICKERING YESTERDAY SAID THE PETROLEUM PRODUCTS HAVE BEEN DELAYED BY THESE RAIL BLOCKADES. WOULD YOU THINK THAT WOULD BE TRAPPING MORE OIL IN ALBERTA. THEN KEVIN BOOK MANAGING DIRECTOR AT CLEAR VIEW ENERGY PARTNERS WILL WALK US THROUGH THE GEOPOLITICS INVOLVED IN THESE U.S. SANCTIONS ON THE
RUSSIAN ENERGY GIANT ROSSNET.

HOW THE KEY COMMODITIES HAVE BEEN TRADING TODAY.

WE HAVE SEEN STRENGTH ONCE AGAIN IN WTI.

NOT FAR SHORT OF 55 BUCKS.

WHAT A RALLY.

REMEMBER LAST WEEK FOR TWO DAYS IN A ROW IT CLOSED BELOW $50 WTI.

WE STILL GOT THAT CONFLICT IN LIBYA BLOCKADING PORTS.

AND STEPHEN SCHORK JUST TALKED ABOUT THAT U.S. SANCTIONS ON ROSNEFT COULD CUT MORE VENEZUELAN CRUDE OUT OF THE MARKET.

GLOBAL QUOTE TRADING NORTH OF $59 EARLY BRENT.

IT GOT TO 59.

71 FOR AN EIGHTH STRAIGHT DAY OF GAINSMENT.

>>> LET'S LOOK AT NATURAL GAS.

INTRIGUING STORY FROM BLOOMBERG ON THE GLOBAL NATURAL GAS MARKET.