**Energy Brief**

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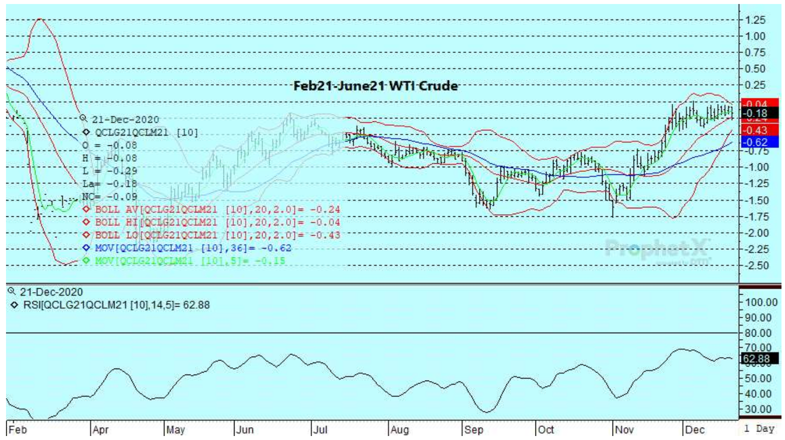
**Price Overview**


The petroleum complex traded on the defensive as reports of a new strain of the virus that has higher transmission rates was reported in Britain and raised anew demand concerns. The uncertainty increased fears the recovery in demand will be slower than expected.
Reports of tighter restrictions in the UK and new mobility restrictions across Europe dashed bullish sentiment following constructive news linked to the US stimulus package and FDA approval of the Moderna vaccine. The new COVID-19 strain was reported to be up to 70 percent more transmissible than the original and has raised concern over how effective the vaccines as currently developed will be at controlling the virus. Reports that a variety of countries have closed their borders to Britain raised anew concerns over air travel in particular. In addition, reports of other countries including Australia, the Netherlands and Italy reporting the new strain appeared to set back ideas prevalent last week that we were coming out of the pandemic and helped increase concerns over global growth prospects. The news appeared to prompt comments by the Russian Deputy Minister formerly the Oil Minister that recovery of global oil markets was happening at a pace slower than previously expected and might even take as much as 2-3 years before demand recovers fully.
Given the increase in speculative positions recently, the quick breakdown from Friday is not all that surprising as stocks remain stubbornly high in both crude and products. The surplus supplies might have accounted for the breakdown in the forward curve as the back months held up better

than the nearbys. The narrowing of the contango in the nearby has been a feature of the market of late and provided some upside impetus to the market on ideas the market had dramatically tightened. With supply availability particularly of crude likely to expand in the first quarter as OPEC+ loosens their curbs and other producers including the US, Norway and Libya expand output questions over demand could challenge both the flat price and spread structure to the downside with potential for Feb WTI to test the 44.30 area once today's low at 46.39 is taken out. could be challenged in the intermediate term




## Natural Gas

The Christmas trading week got off to a slow start as prices remained in their recent range on light volume. The February contract managed to test the 2.70 level yet again early in the session on support from an expected cold snap near Christmas that will spike demand for a couple of days. Selling pressure emanated from weekend production levels reaching 91 bcf/d and on forecast revisions that produced lower HDD expectations in the two week outlooks. Macro pressures emanated from a mutated strain of the Coronavirus reported in England that heightened concerns over potential lock-downs. The February contract ended the session 1 cent higher at 2.689. If the cold can materialize later this week and ultimately lead to a settlement above 2.70, it could open the door for an eventual test of 3.00 and a filling of the chart gap from mid-November. If downward revisions to HDD expectations continue to be strung together, the bottom end of the recent range at the 2.60 area would offer initial support with the 2.50 area likely close behind.