



MarketWatch | Refined Products

Thursday, February 9, 2017

Market Commentary

Recap: After falling to an almost three-week low on Tuesday, oil prices rebounded as unexpected decline in U.S. gasoline inventories bolstered futures prices across the board. Despite the 13.8 million barrel increase, the second largest on record, oil prices reversed early losses to finish the session with a slight gain. March WTI settled at \$52.34 a barrel, up 17 cents, or 0.33%. April Brent tacked on 7 cents, or 0.13%, to settle at \$55.12 a barrel. March RBOB futures gained 6.5 cents, or 4.4%, to settle at \$1.553 a gallon. March heating oil rose 1.4 cents, or 0.9%, to \$1.636 a gallon. With today's rebound in gasoline futures, the March RBOB/WTI crack spread settled at \$12.90, \$1.49 higher on the day. With gasoline stocks in PADD 1 possibly leveling off, the unseasonable weakness that has been weighing on this spread could be coming to an end. As of now, it appears to be 2 weeks behind the seasonal ascent, so it has some catching up to do.

Fundamental News: The US Energy Department said it will sell 10 million barrels of sour crude from the SPR. The sale was mandated by a law passed last year to increase medical research funding that calls for the sale of 25 million barrels over three years, starting with the sale of 10 million barrels this year.

Saudi Aramco will supply full contract volumes of crude oil to two Asian buyers in March. Separately, Saudi Arabia's crude oil supplies to Japan increased to a 10 year high in 2016. Saudi Arabia's crude supplies to Japan last year averaged 1.18 million bpd, up 4.7% on the year and accounted for about 36% of Japan's total imports of 3.31 million bpd. Coupled with spot supplies from Saudi Aramco's leased storage in Okinawa, Japan's crude imports from Saudi Arabia increased in 2016 on the back of the country's response to incremental demand for its oil, despite no increase in term import contractual volumes. Saudi crude supplies to Japan are expected to remain high in 2017, supported by occasional spot shipments out of state-owned Saudi Aramco's leased storage in Okinawa.

Qatar's Energy Minister, Mohammed al-Sada, said higher oil prices may increase shale oil production but added that the global oil market can accommodate this as demand remains healthy. He also stated that it is too early to say whether the agreement between OPEC and non-OPEC producers needs to be extended beyond six months, but stated that the market is responding positively to the deal.

Goldman Sachs said the US gasoline surplus is driven by transient excess supply, not demand weakness. It stated that going forward, we expect that current low forward margins, seasonally higher turnarounds and sustained demand growth will lead to gasoline inventories normalizing. Goldman Sachs said it is keeping its strong global demand growth for gasoline unchanged.

US Census data showed that the US exported 371.2 million liters of ethanol in December, down 19.6% or 90.5 million liters from November.

Genscape reported that gasoil stocks in the Amsterdam-Rotterdam-Antwerp terminal in the week ending February 3rd fell by 4.9% to 6.033 million tons. It was the first decline after six weeks of builds.

Plains All American Pipeline said crude production in the Permian Basin could reach 3.5 million bpd by 2020 and potentially surpass that level depending on how many rigs are added. It estimated 18-20% production growth for the Permian Basin in 2017. Plains' forecast assumes an average US crude price of \$55/barrel.

IIR reported that US oil refiners are expected to shut in 1.415 million bpd of capacity in the week ending February 10th, reducing available refining capacity by 378,000 bpd from the previous week.

Early Market Call - as of 9:00 AM EDT

WTI - Mar \$52.98, up 64 cents

RBOB - Mar \$1.5648, up 1.15 cents

HO - Mar \$1.6522, up 1.62 cents

All NYMEX | Prior Settlements

Month	USLD (HO)	Prior Settle	Change In
	Close	Change	One Week
Mar-17	\$1.6360	\$0.0139	-0.0380
Apr-17	\$1.6441	\$0.0133	-0.0356
May-17	\$1.6525	\$0.0131	-0.0338
Jun-17	\$1.6610	\$0.0125	-0.0324
Jul-17	\$1.6705	\$0.0120	-0.0322
Aug-17	\$1.6792	\$0.0117	-0.0316
Sep-17	\$1.6888	\$0.0116	-0.0304
Oct-17	\$1.6989	\$0.0117	-0.0288
Nov-17	\$1.7091	\$0.0118	-0.0273
Dec-17	\$1.7173	\$0.0115	-0.0266
Jan-18	\$1.7255	\$0.0112	-0.0259
Feb-18	\$1.7281	\$0.0110	-0.0253
Mar-18	\$1.7229	\$0.0108	-0.0250
Apr-18	\$1.7091	\$0.0104	-0.0248
May-18	\$1.7024	\$0.0099	-0.0247
Jun-18	\$1.6998	\$0.0095	-0.0246

Sprague HeatCurve Oct 2017-April 2018*

\$1.7189

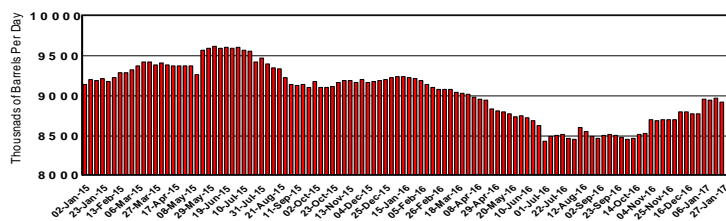
* Degree Day weighted NYMEX strip (no differentials)

Other Front Month NYMEX

	Close	Change
Crude - WTI	\$52.9100	\$0.1300
Crude - Brent	\$55.1200	\$0.0700
Natural Gas	\$3.1260	-\$0.0040
Gasoline	\$1.5527	\$0.0652

U.S. Domestic Crude Production

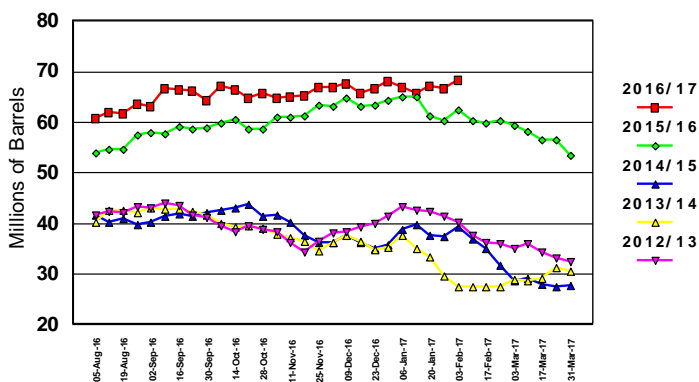
Source: EIA Weekly Status Report



EIA Weekly Petroleum Report for the Week Ending February 3rd

PADD #1 Distillate Stocks

Source: EIA



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 13.83 million barrels

Cushing, OK Crude Stocks Up 1.14 million barrels

Gasoline Stocks Down 869,000 million barrels

Distillate Stocks Up 29,000 barrels

Refinery % Operated 87.7%, Down 0.5%

PADD #1

Distillate Stocks (in million bbls)	Week Ending Feb 3, 2017	Week Ending Jan 27, 2017	Week Ending Feb 5, 2016
New England	13.3	12.5	11.7
Central Atlantic	41.0	41.6	37.7
Total PADD #1	68.2	66.7	62.3
Distillate Imports (thousands b/d)	203	235	158

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