MarketWatch | Refined Products

Wednesday, January 18, 2022

Market Commentary

Recap : The oil market continued on its upward trend on Tuesday following Monday's shortened trading session due to the Martin Luther King, Jr. holiday. The market was supported as easing COVID restrictions in China raised hopes of a demand recovery in the world's top crude importer. China's crude imports in December increased 4% on the year and an expected rebound in travel for the Lunar New Year holiday at the end of the week raised the outlook for demand for transportation fuels. The market was also supported by the weaker U.S. dollar. The crude market, which traded to a high of $80.22 during Monday's trading session before it sold off ahead of the early close, bounced off its lows in overnight trading and rallied to a high of $81.23 by mid-morning on Tuesday. The market later erased most of its gains before some late day buying pushed the market over the $80 level once again, ahead of the close. The February WTI contract settled up 32 cents at $80.18. The market settled in positive territory for the eighth consecutive session, the longest winning streak since February 10, 2021. Meanwhile, the March Brent contract settled up $1.46 at $85.92. The product markets ended the session mixed, with the heating oil market settling down 49 points at $3.2510 and the RB market settling up 1.23 cents at $2.5451.

Technical Analysis:The oil market will likely retrace some of its gains before it continues on its upward trend. However, while the market continues to trade higher on the expectations that China's reopening will increase demand, the market should take note that the country's increase in travel for the Lunar New Year holiday this coming weekend may be accompanied by an increase in COVID cases, which could cut its oil demand. The crude market is seen finding resistance at $81.23, $81.50, $81.91, its 50% retracement level off a low of $70.08 to a high of $93.74, $82.74, $83.34 and $84.70, its 62% retracement level. Support is however seen at $80.20, $79.25, $79.90 and $78.53, $77.97 and $77.10.

Fundamental News: OPEC Secretary General, Haitham al-Ghais, said Chinese demand for oil is expected to increase demand by 500,000 bpd after the country curbed its COVID -19 restrictions. He added that demand from India and China could compensate for shrinkage expected from developed countries. Separately, OPEC's Secretary General said it is still early to assess the impact of sanctions on Russian oil supply.

In its monthly report, OPEC forecast that world demand in 2023 will increase by 2.22 million bpd or 2.2%, unchanged from last month's forecast. OPEC said "The global momentum in the fourth quarter of 2022 appears stronger than previously expected, potentially providing a sound base for the year 2023." OPEC expects Chinese demand to grow by 510,000 bpd in 2023. OPEC said its crude oil output in December increased by 91,000 bpd to 28.97 million bpd.

According to Refinitiv tracking data, European seaborne diesel imports so far this month have increased to 7.1 million tons, up from 5.99 million tons scheduled a week ago and compared with the record 8.2 million tons in December. Exports from Russia this month are estimated at 3.15 million tons so far.

According to Reuters, a senior Russian source said Russia expects Western sanctions to have a significant impact on its oil products exports and therefore its production, but that will likely leave more crude oil to sell. The source said the sanctions will lead to more crude oil supplies from Russia, which lacks storage capacity for oil products. Ron Smith of Moscow-based brokerage BCS said "We think that the refined product embargo may be more significant than the crude embargo, given that exporting a given amount of products is much more logistically complex than an equivalent amount of crude." He said "Our assumption has been that the two embargoes combined would reduce Russian oil output and total exports by perhaps 1 million bpd by the end of (first quarter) 2023." The senior Russian source gave a median projection for the decline in refinery runs at 15% this year, in line with an official forecast.

Early Market Call - as of 8:35 AM EDT

WTI - February $81.67, up $1.49

RBOB - February $2.5792, up 3.41 cents

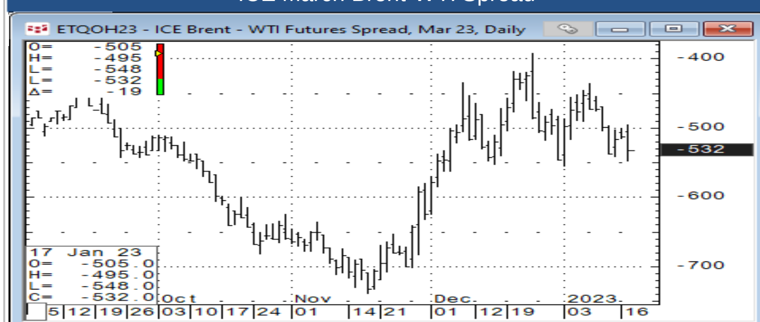
HO - February $3.2854, up 3.44 cents

All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Feb-23	3.251	-0.0049	0.1153
Mar-23	3.1691	0.0042	0.1564
Apr-23	3.0437	0.015	0.1659
May-23	2.9551	0.0174	0.1609
Jun-23	2.8991	0.0167	0.1492
Jul-23	2.8702	0.0159	0.1381
Aug-23	2.852	0.0157	0.1307
Sep-23	2.8424	0.0157	0.1259
Oct-23	2.8325	0.0161	0.1215
Nov-23	2.8204	0.0163	0.1176
Dec-23	2.8062	0.0165	0.1138
Jan-24	2.7937	0.0155	0.1098
Feb-24	2.7803	0.015	0.1062
Mar-24	2.759	0.013	0.1022
Apr-24	2.7309	0.0113	0.0999
May-24	2.7124	0.011	0.0987
Jun-24	2.6989	0.0101	0.0942
Sprague HeatCurve October 2023-April 2024			$2.7883

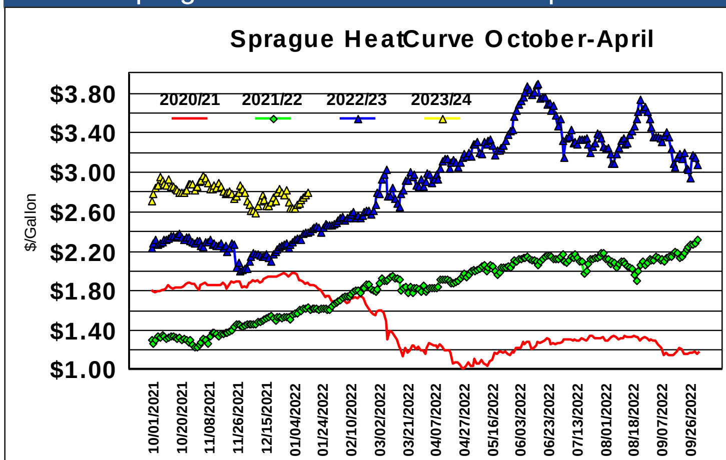
		Close	Change
Crude - WTI	Mar Brent-WTI Spread $5.47	$80.4500	$0.3400
Crude - Brent		$85.9200	$1.4600
Natural Gas		$3.5860	$0.1670
Gasoline		$2.5451	$0.0123

ICE March Brent-WTI Spread



CQG Inc. © 2023 ETQOH23,D | 01/17/2023 15:14:26, CQG 22.12.8050

Sprague Heat Curve October- April



WTI Forward Curve