



MarketWatch | Refined Products

Wednesday, October 10, 2018

Market Commentary

Recap: Oil prices bounced on Tuesday after industry sources reported a decline in Iranian oil exports ahead of the November imposition of new U.S. sanctions against Iran. November WTI bounced off of \$74.00, posting an intraday high of \$75.14, while Brent pulled away from its low of \$83.42 for an intraday high of \$84.96. Both WTI and Brent dipped briefly to the downside, but were once again pulled higher, this time by the partial shutdown of production in the Gulf of Mexico as Hurricane Michael draws near. Fresh highs were made, with November WTI peaking the session at \$75.28 a barrel and Brent topping out at \$85.44 a barrel. Gains were pared just prior to the settlement period, with November WTI finishing up 67 cents, or 0.90%, to settle at \$74.96 a barrel. December Brent settled at \$85.00, up \$1.09, or 1.30%. November RBOB settled at \$2.077 a gallon, down 0.8%, and November heating oil rose 1.2% to \$2.424 a gallon.

Technical Analysis

November WTI continued to pull away from \$72.95, the 38% retracement between October's high of \$76.90 and the September low of \$66.57, while moving oscillators work lower. We would expect for bottom pickers to enter the market with each dip back toward the 10-day moving average currently set at \$74.18. Breaks below \$72.95 will most likely prompt length lightening. Below this level, additional support is set at \$71.74. Resistance is set at \$76.90 and \$77.40.

Please note that the API and EIA reports have been delayed one day as a result of this week's Columbus Day holiday.

Fundamental News: The National Hurricane Center this morning noted that Hurricane Michael continued to move northward at 13 mph, with sustained wind speeds of 145 mph. The storm became a Category 4 hurricane overnight, and is expected to make landfall this afternoon as either a Category 3 or 4 storm.

The U.S. Bureau of Safety and Environmental Enforcement reported at midday that as Hurricane Michael continued to march northward across the Gulf of Mexico, oil and gas producers operating in the Gulf continued to shut in oil and gas production at offshore platforms as a precaution. As of mid-day Tuesday some 40% of oil production and 28% of natural gas production in the Gulf of Mexico had been shut in. This represents 670,832 barrels per day of oil production and 726 million cubic feet per day of natural gas.

Eurostock oil data released Tuesday showed that total oil stocks in the 15 European members and Norway stood at 1.080.66 million barrels down 0.7% from August and down 1% from a year ago.

Bank of America Merrill Lynch in a research note to clients on Tuesday said gasoil refining margins could spike to \$40 a barrel in 2020 as more shippers shift to middle distillate fuels when the IMO new sulfur rules take effect. They noted that with a majority of shippers eyeing a shift to marine gasoil or very low sulfur fuel oil, diesel cracks could rally as marine gasoil supply tightens into 2020 and a 1.3-4.0 million b/d surge in middle distillate demand could result. They also expect less than 900 ships to have new sulfur scrubbers installed before 2020, but the installation capacity should grow and by 2025 some 7,000 ship may have the technology installed.

Early Market Call - as of 9:31 AM EDT

WTI - Nov \$74.60 down 36 cents

RBOB - Nov \$2.0697 down 77 points

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Nov-18	\$2.4238	\$0.0296	\$0.0162
Dec-18	\$2.4258	\$0.0287	\$0.0143
Jan-19	\$2.4277	\$0.0286	\$0.0134
Feb-19	\$2.4247	\$0.0282	\$0.0128
Mar-19	\$2.4181	\$0.0279	\$0.0127
Apr-19	\$2.4082	\$0.0277	\$0.0130
May-19	\$2.4017	\$0.0274	\$0.0137
Jun-19	\$2.3973	\$0.0269	\$0.0155
Jul-19	\$2.4000	\$0.0264	\$0.0177
Aug-19	\$2.4037	\$0.0260	\$0.0191
Sep-19	\$2.4087	\$0.0255	\$0.0196
Oct-19	\$2.4134	\$0.0249	\$0.0201
Nov-19	\$2.4172	\$0.0249	\$0.0206
Dec-19	\$2.4199	\$0.0252	\$0.0215
Jan-20	\$2.4197	\$0.0244	\$0.0204
Feb-20	\$2.4116	\$0.0245	\$0.0201
Mar-20	\$2.4003	\$0.0246	\$0.0197

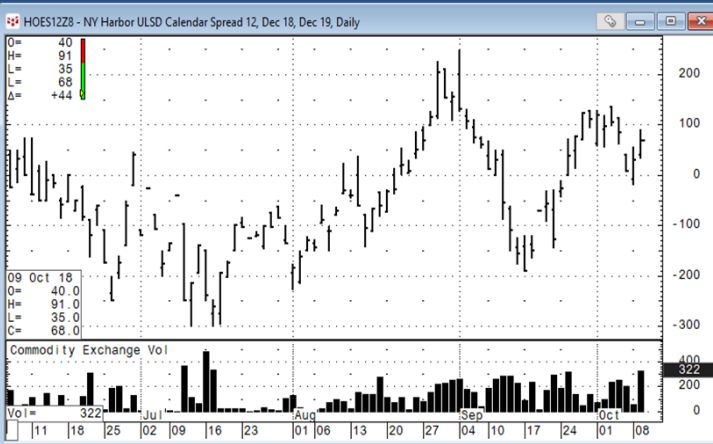
Sprague Heat Curve November 18- March 19 \$2.4244

Other Front Month NYMEX		Close	Change
Crude - WTI	Dec Brent-	\$74.8100	\$0.6400
Crude - Brent	WTI Spread	\$85.0000	\$1.0900
Natural Gas	\$10.190	\$3.2660	-\$0.0010
Gasoline		\$2.0774	-\$0.0163

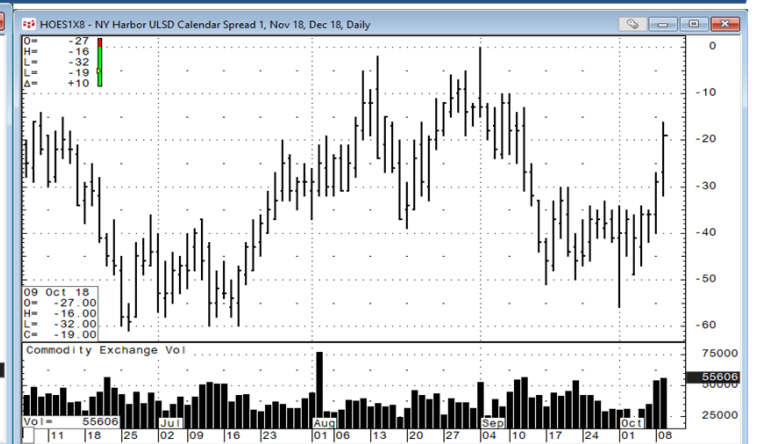
nydex ULSD Dec 19 - Dec 20



NYMEX ULSD Dec 18 - Dec 19 Spread



NYMEX NOV - DEC ULSD Spread



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