



MarketWatch | Refined Products

Monday, August 21, 2023

Market Commentary

All NYMEX | Prior Settlements

Recap: The oil market settled higher on the day but fell 2% on the week following seven weeks of gains as concerns over China's economy offset any signs of tight supply. The market's seven week rally was the longest streak this year for both WTI and Brent, with WTI increasing by more than 20% and Brent increasing by about 18% in the seven weeks ending August 11th. The crude market traded mostly sideways in overnight trading and posted a low of \$79.59 early in the session. It later bounced off that level and breached its previous high and the upper boundary of its downward trend channel as it traded to \$81.25 by mid-morning, where it held some resistance. The market later extended its gains following the release of the Baker Hughes U.S. oil and gas rig count report, which showed that the number of rigs fell for the sixth consecutive week. The oil market rallied to a high of \$81.61 before it retraced some of its gains ahead of the close. The September WTI contract settled up 68 cents at \$81.25 and the October Brent contract settled up 68 cents at \$84.80. The product markets ended the session in positive territory, with the heating oil market settling up 6.59 cents at \$3.1597 and the RB market settling up 15 points at \$2.8232.

Technical Analysis: While the oil market settled higher and over the upper boundary of its downward trend channel, its stochastics are still trending lower. The market will remain driven by economic news amid concerns over China's economy and its impact on demand. Another factor weighing on prices are concerns that the U.S. Federal Reserve is not quite finished raising interest rates, which could impede economic growth and in turn reduce overall demand for oil. The crude market is seen finding resistance at its high of \$81.25, \$81.43, followed by \$82.91, \$83.20, \$83.81 and \$84.89. Meanwhile, support is seen at its low of \$79.59, \$78.95, \$78.69, \$78.55, \$78.29, \$78.16 and \$77.07.

Fundamental News: Citi Research expects downside for crude in the fourth quarter, with Brent averaging \$78/barrel. It sees Brent crude prices averaging \$73/barrel.

Traders and analysts said China is drawing on record inventories amassed earlier this year as refiners scale back purchases after OPEC+ supply cuts increased global prices above \$80/barrel. Low Chinese demand could weigh further on oil prices, with benchmark Brent having fallen 4% from a six-month high of \$87.55 in early August, weighed down by worries over China's weakening economy. Data compiled by data analytic firms Kpler and Vortexa showed that China's crude stocks have been increasing since March, reaching a historical high of about 1 billion barrels in late July, driven by lower prices and optimism about a fuel demand recovery after COVID-19 lockdown measures were lifted late last year. Kpler and Vortexa data showed there were some draws in the first quarter. Over the first seven months, China's crude oil throughput was 14.69 million bpd, lower than the combined of 11.22 million bpd of imports and 4.21 million bpd of domestic crude output. However, demand has declined, leading refiners to build up crude inventories and ramp up fuel exports. However, China is now destocking as refiners increase production and cut imports in July. Kpler and Vortexa estimate that inventories are down 13-30 million barrels from July's peak. However, stockpiles are at least 30 million barrels above year-ago levels.

Baker Hughes reported that U.S. energy firms this week cut the number of oil and natural gas rigs operating for a sixth consecutive week. It reported that the oil and gas rig count fell by 12 to 642 in the week ending August 18th, the lowest since February 2022. U.S. oil rigs fell by five to 520 this week, their lowest since March 2022, while gas rigs fell by six.

IIR Energy reported that U.S. oil refiners are expected to shut in about 180,000 bpd of capacity in the week ending August 18th, increasing available refining capacity by 32,000 bpd.

Colonial Pipeline Co is allocating space for Cycle 49 on Line 1, its main gasoline line from Houston, Texas to Greensboro, North Carolina.

Early Market Call - as of 8:30 AM EDT

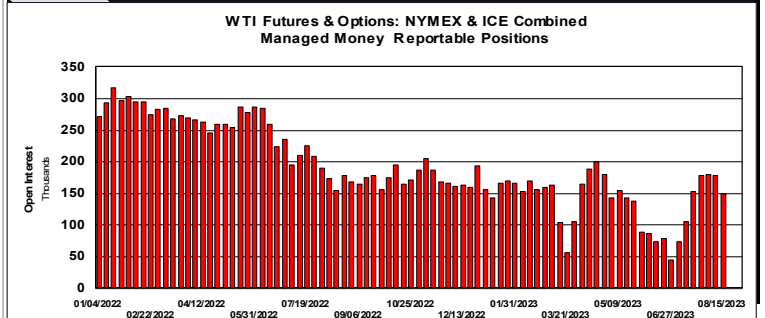
WTI - September \$82.36 up \$1.11 per barrel

RBOB - September \$2.8118 down 1.14 cents per gallon

HO - September \$3.1609 up 0.12 cents per gallon

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Sep-23	3.1597	0.0659	0.0382
Oct-23	3.1279	0.0600	0.0320
Nov-23	3.0426	0.0480	0.0111
Dec-23	2.9435	0.0382	-0.0080
Jan-24	2.8839	0.0288	-0.0215
Feb-24	2.8355	0.0211	-0.0277
Mar-24	2.7853	0.0162	-0.0296
Apr-24	2.7326	0.0139	-0.0275
May-24	2.6973	0.0129	-0.0247
Jun-24	2.6723	0.0124	-0.0203
Jul-24	2.6621	0.0108	-0.0207
Aug-24	2.6540	0.0097	-0.0221
Sep-24	2.6466	0.0089	-0.0231
Oct-24	2.6367	0.0080	-0.0242
Nov-24	2.6233	0.0088	-0.0238
Dec-24	2.6066	0.0097	-0.0213
Jan-25	2.5902	0.0101	-0.0191

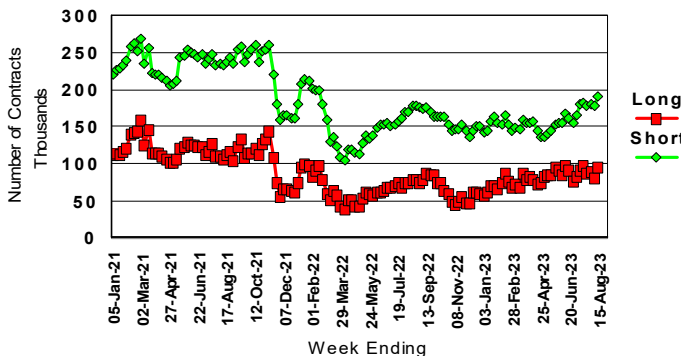
Sprague HeatCurve October 2023-April 2024			\$2.8926
		Close	Change
Crude - WTI	Oct Brent-WTI Spread \$4.14	\$80.6600	\$0.7600
Crude - Brent		\$84.8000	\$0.6800
Natural Gas		\$2.5510	-\$0.0700
Gasoline		\$2.8232	\$0.1500



Commitment of Traders Report for the Week Ending August 15, 2023

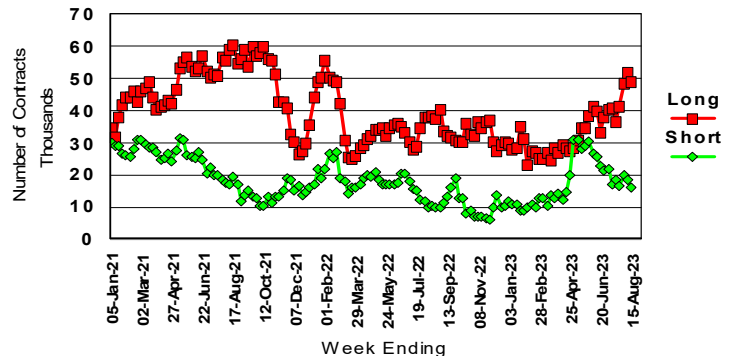
Producer/Merchant Heat Positons

CFTC Commitment of Traders Report



Managed Money Heat Positons

CFTC Commitment of Traders Report



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