



MarketWatch | Refined Products

Thursday, December 14, 2023

Market Commentary

Recap: The oil market on Wednesday traded lower in light of the EIA report showing an unexpected build in crude stocks on the week, with record U.S. oil output and larger than expected builds in product stocks. The crude market retraced more than 62% of its move from a high of \$79.67 to a low of \$67.98 as it posted a high of \$75.37 ahead of the release of the EIA's weekly petroleum stock report. It was well supported by concerns over global trade disruption and geopolitical tensions in the Middle East following the recent attacks on ships by Yemen's Houthi militants in the Red Sea. On Wednesday, the leader of the Houthi militants warned that his group would start firing missiles at U.S. warships if Washington got more involved in its affairs or targeted Yemen. This followed his comments on Tuesday when he vowed to defy the U.S.-led naval mission and to keep targeting Red Sea shipping. However, the crude market erased all of its earlier gains and traded below the \$74.00 level following the release of the EIA report. It posted a low of \$73.60 in afternoon trading. The February WTI contract settled up 28 cents at \$74.22 and the February Brent contract settled up 47 cents at \$79.70. Meanwhile, the product markets ended the session in negative territory, with the heating oil market settling down 83 points at \$2.7085 and the RB market settling down 1 point at \$2.2007.

Technical Analysis: The oil market is seen remaining range bound as traders weigh the stock builds reported by the EIA against the concerns over the geopolitical tensions in the Middle East. The crude market is seen finding resistance at its high of \$75.37, \$75.91 followed by \$76.81 and \$79.67. Meanwhile, support is seen at its low of \$73.60, \$72.55, \$72.14, \$71.68, \$70.99 and \$70.80. Further support is seen at \$70.64, \$69.82 and \$67.98.

Fundamental News: The EIA reported that crude oil stocks increased by 2.909 million barrels in the week ending December 15th. The report showed that U.S. crude oil production increased by 200,000 bpd on the week to a record 13.3 million bpd.

The head of Yemen's Iran-aligned Houthis, Abdel-Malek al-Houthi, said his group would start firing missiles at U.S. warships if Washington got more involved in its affairs or targeted Yemen.

IIR Energy reported that U.S. oil refiners are expected to shut in 14,000 bpd of capacity in the week ending December 22nd, after operating at full capacity in the previous week.

U.S. Gulf Coast refiners have reduced gasoline export prices to their lowest since 2021 because restrictions on shipping through the Panama Canal have left exporters unable to send as much of the motor fuel to international markets. The number of U.S. gasoline cargoes crossing the waterway nearly halved last month from year-ago levels. The canal is the shortest route for fuel tankers from the U.S. Gulf Coast to South America's Pacific Coast and eastern Asia.

Analysts said some less cost-efficient U.S. refiners may need to reduce production to prevent fuel inventories building, as the canal maintains transit restrictions in place at least through year end. That could hit supplies of products like heating fuel, which see higher demand in the winter. Some Gulf Coast refiners have offered gasoline for export at as low as \$75/barrel this month for the first time since February 2021. They have been forced to cut prices to make it economically viable for shippers without reservations who face higher costs to either secure passage slots through the Panama Canal's daily auctions or to take much longer routes sailing around it. The restrictions in Panama have led foreign buyers of U.S. gasoline to begin sourcing product elsewhere. Data from ship tracking service Kpler showed that Chile, a big buyer of U.S. gasoline via the waterway, cut its imports from the Gulf Coast to the lowest level in three years, while Asian purchases were the slowest in half a decade. According to Kpler data, Gulf Coast gasoline exports through the Panama Canal fell about 40% in November from a year ago to 203,000 bpd. Meanwhile, shipments of U.S. gasoline to storage facilities in the Bahamas were at their highest rate last month since the Covid-19 pandemic crushed demand in April 2020.

Early Market Call - as of 8:20 AM EDT

WTI - February \$73.04, down \$1.19

RBOB - January \$2.1417, down 5.9 cents

HO - January \$2.6744, down 3.41 cents

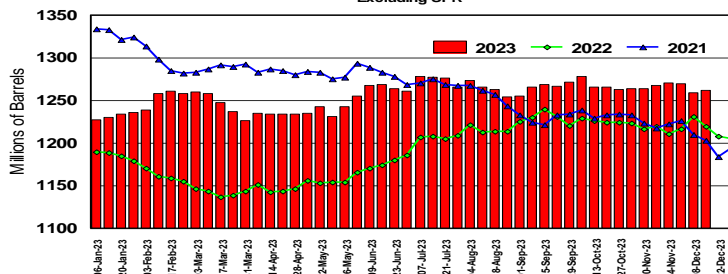
All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Dec-23	2.7085	-0.0083	0.1604
Jan-24	2.6842	-0.0052	0.1616
Feb-24	2.6434	-0.0042	0.1578
Mar-24	2.5935	-0.0032	0.1476
Apr-24	2.5561	-0.0037	0.1375
May-24	2.5296	-0.0034	0.1271
Jun-24	2.5214	-0.0037	0.1199
Jul-24	2.5182	-0.0044	0.1149
Aug-24	2.5203	-0.0049	0.1120
Sep-24	2.5223	-0.0055	0.1087
Oct-24	2.5188	-0.0058	0.1042
Nov-24	2.5100	-0.0066	0.0991
Dec-24	2.5014	-0.0072	0.0943
Jan-25	2.4911	-0.0075	0.0895
Feb-25	2.4781	-0.0080	0.0853
Mar-25	2.4596	-0.0089	0.0812
Apr-25	2.4462	-0.0095	0.0749

Sprague HeatCurve October 2024-April 2025		\$2.4972
	Close	Change
Crude - WTI	\$74.2200	\$0.2800
Crude - Brent	\$79.7000	\$0.4700
Natural Gas		
Gasoline		

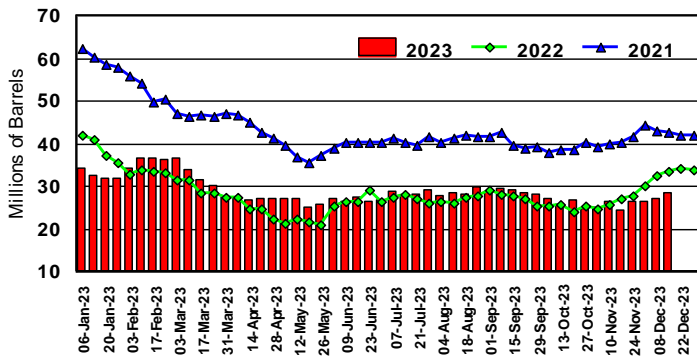
Feb Brent-WTI Spread \$5.48

Total U.S. Oil Stocks Excluding SPR



Weekly EIA Petroleum Status Report for the Week Ending December 15, 2023

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 2.909 million barrels
 Cushing, OK Crude Stocks Up 1.686 million barrels
Gasoline Stocks Up 2.71 million barrels
Distillate Stocks Up 1.485 million barrels
Refinery % Operated 92.4%, up 2.2%

PADD #1

	Week Ending Dec 15, 2023	Week Ending Dec 8, 2023	Week Ending Dec 16, 2022
Distillate Stocks (in million bbl)			
New England	3.8	3.9	4.3
Central Atlantic	13.4	12.5	16.1
Total PADD #1	28.6	27.2	33.7
Distillate Imports (thousands b/d)	201	197	165

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