MarketWatch | Refined Products

Wednesday, October 19, 2022

Market Commentary

Recap: Oil futures ended lower on Tuesday, as talk of another release of crude from the U.S. Strategic Petroleum Reserve combined with ongoing fears of a recession that could slow energy demand to push prices to their lowest settlement in more than two weeks. Oil markets were driven by a Bloomberg report that said the Biden administration is moving toward a release of another 10 to 15 million barrels of oil from the SPR in an effort to keep gasoline prices from rising further. A release would be the latest portion of a 180-million barrel program of releases that began earlier this year. Sources close to the White House have said that the release could come as early as Wednesday. If the Organization of the Petroleum Exporting Countries sees fit, they could easily offset another SPR release and probably will have the incentive to do so because the Biden administration hasn't exactly been very diplomatic with Saudi Arabia or the rest of the cartel. As of now, traders are awaiting the next EIA release due out Wednesday morning. WTI for November delivery lost $2.64 per barrel, or 3.09% to $82.82, while Brent for December delivery lost $1.59 per barrel, or 1.74% to $90.03. RBOB Gasoline for November delivery lost 4.25 cents per gallon, or 1.64% to $2.5506 and ULSD for November delivery lost 9.17 cents per gallon, or 2.24% to $3.9935.

Market Analysis: Recession fears, along with unrelenting COVID restrictions in China continue to keep a lid on oil prices. Traders are concerned the long-term restrictions in China will severely impact demand as China persists with its stringent zero-COVID policy. While the daily fundamentals and near-term technical indicators are primarily bearish, the market is being underpinned by a weaker U.S. dollar, which may be generating some foreign buying. WTI is trading back toward the upper trend line on a previous downward channel, while the 10-day moving average is closing in on the 50-day moving average. Should it cross below it, we will see a fresh round of selling, with the possibility of WTI re-entering the downward channel. Support is seen at $80.63, $79.14 and $76.25. On the upside, resistance is seen between $87.28 and $88.01 and above that at $90.

Fundamental News: Two sources said that the Biden administration has spoken with energy companies as it considers a plan to use the Strategic Petroleum Reserve to both lower oil prices for consumers and support longer-term demand for producers. The discussions, which involve combining new releases from the stockpile and setting the schedule for buying the oil back, reflect the White House's desire to combat rising pump prices without hurting domestic drillers or refiners. The sources said the administration has spoken with energy companies about buying back oil through 2025 to replenish the SPR, after Biden in March announced the biggest sale ever of 180 million barrels starting from May to October. A third source said that in order to stabilize oil prices, it is also preparing to sell about an additional 40 million barrels of SPR oil, which could be announced soon. According to the AAA, the average U.S. gasoline prices was $3.89/gallon on Monday, up about 20 cents from a month ago and 56 cents higher than last year.

The European Union's statistics office, Eurostat, reported that the EU's emergency oil stocks recovered slightly in July after two coordinated releases cut the levels to a record low in June. The EU held 103.6 million tons of emergency oil stocks in July, up 2.5% from a historical low of 101.1 million tons in June. Data showed Germany, France and Spain were the members with the largest emergency stocks in July followed by Italy and Poland.

OPEC Secretary General, Haitham al-Ghais, said the OPEC+ group moved unanimously to cut output to prevent a crisis later on and stem a tide of volatility.

China is likely to export 4 million tons of diesel, aviation fuel and gasoline in October, the highest level since June 2021, after Beijing's surprise release of quotas. These exports, led by China's state oil giants, could help ease a tight global gasoil market, where inventories ahead of the northern hemisphere winter are at multi-year lows, and add to already rising gasoline stockpiles.

Early Market Call - as of 8:25 AM EDT

WTI - November $84.15, up $1.33

RBOB - November $2.5699, up 1.94 cents

HO - November $3.8483, down 14.52 cents

All NYMEX | Prior Settlements

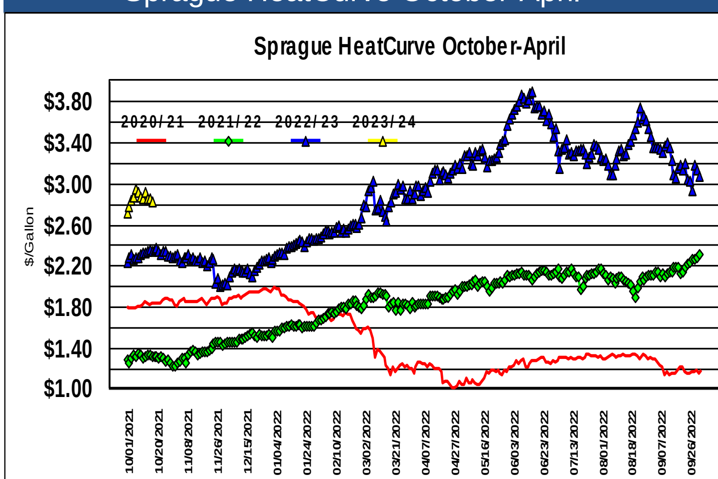
Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Nov-22	$3.9935	-$0.0917	$0.0627
Dec-22	$3.6291	-$0.0582	$0.0061
Jan-23	$3.4880	-$0.0611	-$0.0197
Feb-23	$3.3884	-$0.0567	-$0.0302
Mar-23	$3.2877	-$0.0531	-$0.0378
Apr-23	$3.1802	-$0.0483	-$0.0437
May-23	$3.0940	-$0.0425	-$0.0464
Jun-23	$3.0214	-$0.0393	-$0.0503
Jul-23	$2.9776	-$0.0385	-$0.0543
Aug-23	$2.9465	-$0.0379	-$0.0570
Sep-23	$2.9218	-$0.0378	-$0.0588
Oct-23	$2.8997	-$0.0370	-$0.0588
Nov-23	$2.8762	-$0.0361	-$0.0584
Dec-23	$2.8531	-$0.0347	-$0.0556
Jan-24	$2.8286	-$0.0349	-$0.0535
Feb-24	$2.8074	-$0.0341	-$0.0506
Mar-24	$2.7796	-$0.0332	-$0.0529
Sprague HeatCurve October 2023-April 2024			**$2.8245**

		Close	Change
Crude - WTI	**Dec Brent-WTI Spread $7.96**	$82.0700	-$2.4600
Crude - Brent		$90.0300	-$1.5900
Natural Gas		$5.7450	-$0.2540
Gasoline		$2.5506	-$0.0425

API Report for the Week Ending October 14, 2022

	Actual	**Mkt Expectations**
Crude Oil Stocks(exl SPR)	Down 1.3 million barrels	Up 1.4 million barrels
Gasoline Stocks	Down 2.2 million barrels	Down 1.1 million barrels
Distillate Stocks	Down 1.1 million barrels	Down 2.2 million barrels
Refinery Runs		Down 0.3% at 89.6%

Sprague HeatCurve October-April



WTI Continuation

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