# MarketWatch | Refined Products

Friday, May 13, 2022

## Market Commentary

**Recap:** Oil futures slipped in early trading on Thursday, as traders struggle with the direction of this market amid continued COVID lockdowns in China, high inflation fears and the Russian invasion of Ukraine. Adding to the early pressure was OPEC, which lowered its forecast for annual global demand. June WTI fell as much as 2.8%, to a session low of $102.66 a barrel, however, the down move was short-lived. Highly mixed oil data is also fueling a choppy trading market. US inventories of refined fuels such as diesel and gasoline have been declining sharply, which is price-supportive, but US demand for those very same fuels is falling, which is bearish. Additionally, analysts worry consumption rates could fall further if the US economy slips toward a recession. WTI for June delivery gained 42 cents per barrel, or 0.40% to $106.13, up $6.37 or 6.39% over the last two sessions. July Brent lost six cents per barrel, or 0.06% to $107.45 today, down three of the past four sessions. ULSD for June delivery lost 3.51 cents per gallon, or 0.89% to $3.9161, snapping a two session winning streak. RBOB Gasoline for June delivery gained 10.62 cents per gallon, or 2.88% to $3.7917, up 25.02 cents or 7.06% over the last two sessions

**Technical Analysis**: WTI came down to test the 50-day moving average, where it ran into quite a bit of support. This market has shown a lot of resiliency, and therefore we feel that a test at the upper line on the symmetrical triangle is on the horizon. This line has been intact since the beginning of March and it will take a lot of upward pressure to surpass it. Should we see a break to the upside, it is quite possible to see the $115 area. Support is set at $104.80 and below that at $102.27.

**Fundamental News**: In its monthly report, the IEA said lower output from Russia due to the fallout from its invasion of Ukraine will not leave the world short of oil as supply ramps up elsewhere and Chinese lockdowns impact demand. It revised down oil demand projections for this year by 70,000 bpd on Chinese lockdowns and high prices. It said Russia shut in nearly 1 million bpd of oil in April, cutting world oil supply to 98.1 million bpd. It added that Russian sanctions and lack of storage will cause Russian producers to shut in more wells. According to the IEA, Russian oil supply losses could expand to about 3 million bpd from July onwards. It sees an overall decline of Russian supply of 1.6 million bpd in May and 2 million bpd in June. However, the IEA stated that despite the sanctions, total Russian oil exports in April increased by 620,000 bpd on the month. Russia's oil exports of 8.1 million bpd were back to the January-February average. It said the new embargoes could accelerate the reorientation of trade flows in Russian oil towards Asia. The IEA also stated that global observed oil inventories fell by 45 million barrels in March.

The Executive Director of the IEA, Fatih Birol, said the IEA may release more oil in the future if it is necessary. He said Russian oil production is expected to fall by at least 3 million bpd in the second half of the year. He believes that this summer may be challenging for the oil market, while the winter may be challenging for the gas market.

OPEC cut its forecast for growth in world oil demand in 2022 for a second consecutive month, citing the impact of Russia's invasion of Ukraine, rising inflation and the resurgence of the Omicron coronavirus variant in China. In a monthly report, OPEC said world demand would increase by 3.36 million bpd in 2022, down 310,000 bpd from its previous forecast. OPEC still expects world consumption to surpass the 100 million bpd mark in the third quarter, and for the 2022 annual average to just exceed the pre-pandemic 2019 rate. The report showed OPEC output in April increased by 153,000 bpd to 28.65 million bpd, lagging the 254,000 bpd increase that OPEC is allowed under the OPEC+ deal. OPEC cut its 2022 non-OPEC oil supply forecast by 300,000 bpd to 2.4 million bpd. OPEC expects U.S. tight oil supply to increase by 880,000 bpd in 2022, unchanged from the previous forecast.

**Early Market Call - as of 8:20 AM EDT**

**WTI - June $108.15, up $2.04**

**RBOB - June $3.8990, up 10.69 cents**

**HO - June $3.9535, up 3.99 cents**

## All NYMEX | Prior Settlements

| Month | ULSD (HO) Close | Prior Settle Change | Change In One Week |
|---|---|---|---|
| Jun-22 | 3.9161 | -0.0351 | -0.1252 |
| Jul-22 | 3.7363 | -0.0183 | -0.0841 |
| Aug-22 | 3.6145 | -0.0163 | -0.0610 |
| Sep-22 | 3.5456 | -0.0189 | -0.1299 |
| Oct-22 | 3.4809 | -0.0201 | -0.0285 |
| Nov-22 | 3.4156 | -0.0206 | -0.0155 |
| Dec-22 | 3.3498 | -0.0210 | -0.0045 |
| Jan-23 | 3.2950 | -0.0195 | 0.0035 |
| Feb-23 | 3.2349 | -0.0174 | 0.0079 |
| Mar-23 | 3.1703 | -0.0162 | 0.0099 |
| Apr-23 | 3.0993 | -0.0149 | 0.0058 |
| May-23 | 3.0369 | -0.0149 | -0.0013 |
| Jun-23 | 2.9850 | -0.0148 | -0.0116 |
| Jul-23 | 2.9553 | -0.0151 | -0.0117 |
| Aug-23 | 2.9323 | -0.0156 | -0.0117 |
| Sep-23 | 2.9123 | -0.0154 | -0.0112 |
| Oct-23 | 2.8919 | -0.0156 | -0.0135 |
| **Sprague HeatCurve October 2022-April 2023** | | | **$3.2841** |

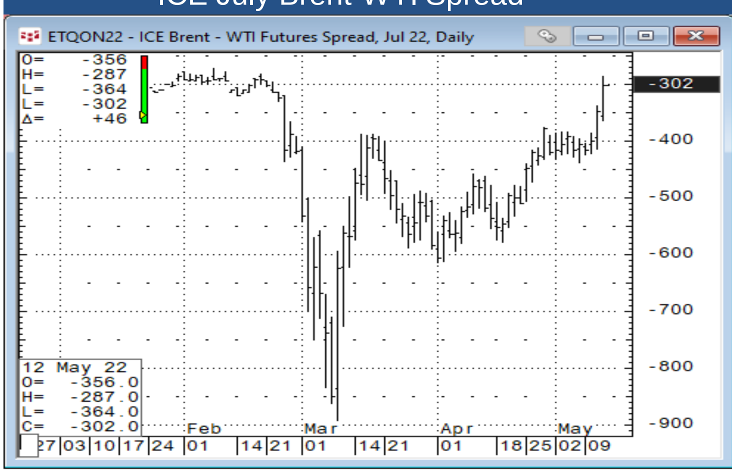
| | Close | Change |
|---|---|---|
| **Crude - WTI** | $104.4000 | $0.3700 |
| **Crude - Brent** | $107.4500 | -$0.0600 |
| **Natural Gas** | $7.7390 | $0.0990 |
| **Gasoline** | $3.7917 | $0.1062 |

**June Brent-WTI Spread $3.05**

### EIA Working Gas Storage Report

| | 06-May-22 | 29-Apr-22 | Change | 06-May-21 |
|---|---|---|---|---|
| **East** | 274 | 253 | 21 | 345 |
| **Midwest** | 342 | 324 | 18 | 456 |
| **Mountain** | 96 | 92 | 4 | 130 |
| **Pacific** | 183 | 176 | 7 | 233 |
| **South Central** | 749 | 721 | 28 | 854 |
| **Salt** | 241 | 233 | 8 | 268 |
| **Nonsalt** | 507 | 489 | 18 | 586 |
| **Total** | 1,643 | 1,567 | 76 | 2,019 |

## ICE July Brent-WTI Spread

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## WTI Forward Curve