



MarketWatch | Refined Products

Thursday, October 11, 2018

Market Commentary

Recap Oil prices fell to an almost two-week low on Wednesday, along with the equities market, which hit a three month low. The sell-off came despite concern over supply shortages due to the U.S. sanctions against Iran and as Hurricane Michael forced a partial closure of some U.S. Gulf of Mexico oil production. Prices plummeted throughout the session, taking an extra hit after the API reported a 9.7 million barrel build in U.S. crude oil inventories. Analysts were expecting an increase of 2.6 million barrel. Both Brent and WTI fell to fresh weekly lows, with November WTI plunging below key support set at \$72.95, to reach a low of \$72.38 a barrel, while December Brent fell to a 2 week low of \$82.28. November WTI settled at \$73.17 a barrel, down \$1.79, or 2.39%. Brent for December delivery slipped \$1.91, or 2.25%, to settle at \$83.09 a barrel. November heating oil also experienced a post settlement sell-off, falling 2 cents below the \$2.40 a gallon settlement, despite the larger than expected 3.5 million barrel draw in U.S. distillate stocks. November RBOB settled at \$2.02 a gallon, down 2.7%. According to the API report, gasoline stocks rose 3.4 million barrels.

Technical Analysis

November WTI broke key support set at \$72.95, the 38% retracement between October's high of \$76.90 and the September low of \$66.57. This sparked a technical sell-off, which pushed the November contract toward the \$72.00 level. Wednesday's move has shifted the near term momentum to the downside. Support is set at \$71.74, and below that at \$70.52. Resistance is set at \$72.95 and \$74.34.

Fundamental News:

The EIA released their latest Short Term Energy Outlook Wednesday. The EIA raised their 2019 world demand growth forecast by 20,000 b/d to 1.49 million b/d, but they lowered their 2018 demand growth estimate by 60,000 b/d to 1.52 million barrels. The EIA also raised their U.S. crude oil production estimate for 2018. The agency now forecasts production to rise in 2018 by 1.39 million b/d to average 10.74 million b/d, with production in the 4Q2018 averaging 11.14 million b/d. Production in 2019, is forecasted to average 11.76 million b/d, with production during the 4Q2019 jumping to 12.16 million b/d. The EIA also raised its price forecast for Brent crude oil in the 4Q2018 to \$81.00 per barrel, some \$5.00 higher than their forecast just last month.

The EIA released their Winter Fuels Outlook Wednesday. It said that based on NOAA's current winter forecast which is calling for the upcoming winter to be 1% colder than last winter overall, it sees the average household winter heating expenditures all being higher than a year ago. Electric heating costs are seen as increasing by just 3.1% with average home owner natural gas heating costs being 5.3% higher this winter over last winter. Heating oil and propane heating costs though are expected to be much higher over the last heating season, jumping by 19.5% and 10.7% respectively.

As Hurricane Michael came ashore Wednesday afternoon as a Category 4 storm, there appeared to be little or no damage to the oil and natural gas infrastructure offshore in the Gulf of Mexico as the storm's track remained east of the major production areas. But the BSEE did report that as of midday Wednesday the number of oil rigs evacuated in the Gulf of Mexico as a precaution reached 89 platforms, up 14 from Tuesday and the amount of production shut in reached 718,877 b/d or slightly more than 42.3% of Gulf of Mexico oil production.

Early Market Call - as of 8:51 AM EDT

WTI - Nov \$72.26 down 91 cents
 RBOB - Nov \$1.9852 down 3.52 cents
 HO - Nov \$2.3641 down 3.08 cents

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Nov-18	\$2.3949	-\$0.0289	-\$0.0423
Dec-18	\$2.3965	-\$0.0293	-\$0.0450
Jan-19	\$2.3979	-\$0.0298	-\$0.0471
Feb-19	\$2.3942	-\$0.0305	-\$0.0486
Mar-19	\$2.3866	-\$0.0315	-\$0.0497
Apr-19	\$2.3753	-\$0.0329	-\$0.0507
May-19	\$2.3679	-\$0.0338	-\$0.0508
Jun-19	\$2.3628	-\$0.0345	-\$0.0500
Jul-19	\$2.3650	-\$0.0350	-\$0.0487
Aug-19	\$2.3685	-\$0.0352	-\$0.0478
Sep-19	\$2.3733	-\$0.0354	-\$0.0476
Oct-19	\$2.3779	-\$0.0355	-\$0.0472
Nov-19	\$2.3819	-\$0.0353	-\$0.0468
Dec-19	\$2.3852	-\$0.0347	-\$0.0459
Jan-20	\$2.3855	-\$0.0342	-\$0.0458
Feb-20	\$2.3777	-\$0.0339	-\$0.0452
Mar-20	\$2.3662	-\$0.0341	-\$0.0452

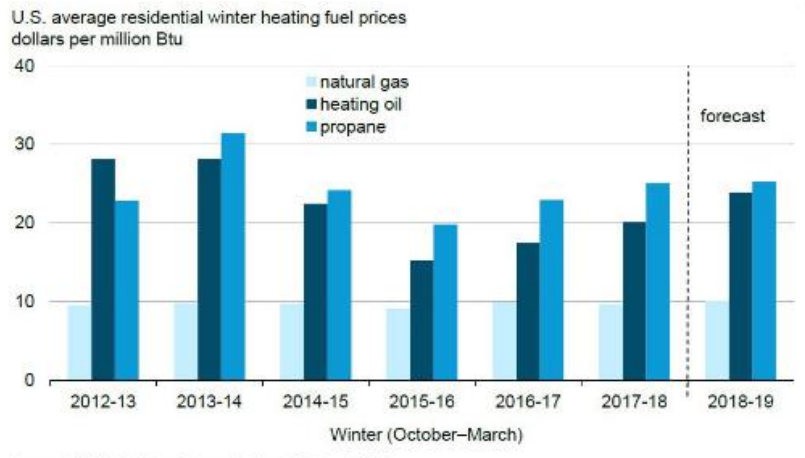
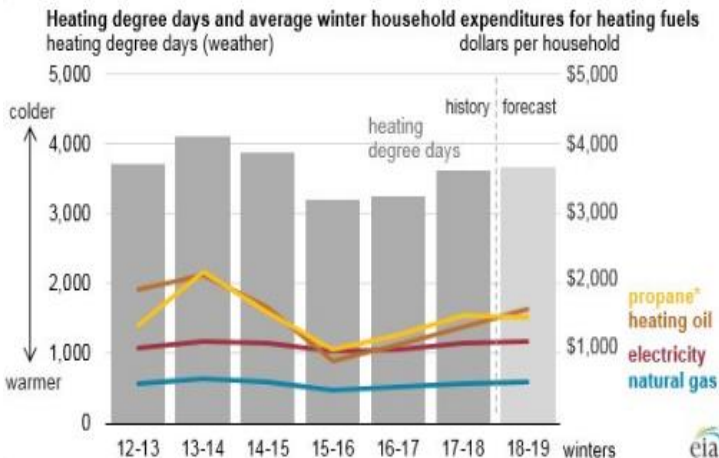
Sprague Heat Curve November 18- March 19

Other Front Month NYMEX		Close	Change
Crude - WTI	Dec Brent- WTI Spread \$10.06	\$73.0300	-\$1.7800
Crude - Brent		\$83.0900	-\$1.9100
Natural Gas		\$3.2840	\$0.0180
Gasoline		\$2.0204	-\$0.0570

API Weekly Report for the Week Ending October 5, 2018

	Actual	Mkt Expectations
Crude Oil Stocks(excluding SPR)	Up 3.7 million barrels	Up 1.6/2.6 million barrels
Cushing, OK Crude Stocks	Up 1.6 million barrels	Up 0.8/1.6 million barrels
Gasoline Stocks	Down 1.6 million barrels	Up 400,000 barrels
Distillate Stocks	Up 1.9 million barrels	Down 1.7 million barrels
Refinery Runs	Up 199,000 bpd	Down 0.4%

EIA Winter Fuels Outlook for 2018/2019



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