



MarketWatch | Refined Products

Tuesday, December 12, 2023

Market Commentary

Recap: The oil market on Monday ended higher after posting its seventh consecutive weekly decline last week. The market continued to retrace some of its previous losses in overnight trading as it posted a high of \$71.81. The market was supported by the news late last week that the Department of Energy was soliciting 3 million barrels of crude for the SPR starting in March. The market sold off to its low of \$70.35, posting the day's trading range early in the morning. The crude market later bounced off its low and traded back towards its high during the remainder of the session as the market remained concerned about oversupply and softer fuel demand growth expected next year. The January WTI contract settled up 9 cents at \$71.32 and the February Brent contract settled up 19 cents at \$76.03. Meanwhile, the product markets ended the session mixed, with the heating oil market settling up 2.77 cents at \$2.6087 and the RBOB market settling down 67 points at \$2.0431.

Technical Analysis: The crude market will remain within its recent trading range as it awaits to see evidence regarding the pledge by OPEC+ to cut 2.2 million bpd of crude production in the first quarter. It is seen remaining basically directionless as traders remain skeptical over the producers' compliance with the agreed output cuts. The market will look to this week's demand forecasts from the EIA, OPEC and IEA for some direction. The market is seen finding resistance at its high of \$71.81 followed by \$72.60, \$72.93, \$74.12, \$74.20, \$75.03 and \$75.47. Meanwhile, support is seen at \$70.35, \$69.50, \$68.80 and \$66.93.

Fundamental News: Analysts and traders said OPEC+ oil output cuts of 2.2 million bpd in the first quarter may not be long enough, as physical and futures crude oil prices show increasing signs of surplus ahead of their implementation. While Saudi Arabia and Russia have said the output cuts could be extended if needed, analysts and traders were surprised by the brief three-month duration of the new agreement. The short duration and the time lag of one to two months that it takes for producers to implement cuts, mean investors may see little evidence of reduced supply in physical markets until nearly the end of January.

According to Citigroup, OPEC+ will need to maintain its latest oil supply cuts throughout next year in order to keep the global market in balance. OPEC and its allies announced that it will cut supplies by a further 900,000 bpd during the first quarter and may prolong the measures if necessary. Citigroup's global head of commodities research, Max Layton, said "These cuts do need to be maintained to balance the market through the course of next year." He said "They can balance this market and keep prices at \$70 to \$80 if they all work together."

Saudi Aramco has notified at least three North Asian buyers that it will supply full contractual volumes of crude oil in January 2024.

IIR Energy reported that U.S. oil refiners are expected to shut in 249,000 bpd of capacity in the week ending December 15th, cutting available refining capacity by 89,000 bpd.

COP28 President Sultan al-Jaber urged countries to make more progress toward a climate change deal in areas where there were still gaps between nations, including on the language regarding fossil fuels. Meanwhile, U.N. Secretary-General, Antonio Guterres, said one key to success of the COP28 climate summit was for nations to reach agreement on the need to "phase out" fossil fuels, even with countries possibly moving at different rates. He said there are still large gaps in talks to be bridged.

Early Market Call - as of 9:00 AM EDT

WTI - January \$70.55 down 77 cents
 RBOB - January \$2.0264 down 1.67 cents
 HO - January \$2.5641 down 4.46 cents

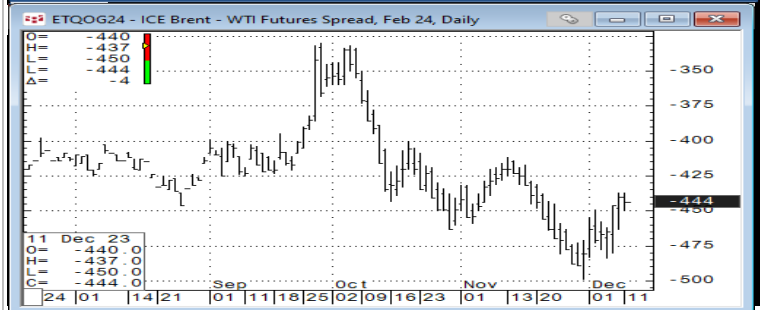
All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Dec-23	2.6087	0.0277	-0.0510
Jan-24	2.5789	0.0281	-0.0467
Feb-24	2.5404	0.0233	-0.0513
Mar-24	2.4978	0.0207	-0.0542
Apr-24	2.4685	0.0167	-0.0541
May-24	2.4506	0.0128	-0.0542
Jun-24	2.4479	0.0113	-0.0542
Jul-24	2.4476	0.0104	-0.0547
Aug-24	2.4495	0.0101	-0.0568
Sep-24	2.4524	0.0099	-0.0557
Oct-24	2.4511	0.0099	-0.0538
Nov-24	2.4455	0.0105	-0.0510
Dec-24	2.4410	0.0110	-0.0471
Jan-25	2.4346	0.0118	-0.0427
Feb-25	2.4248	0.0130	-0.0376
Mar-25	2.4083	0.0131	-0.0334
Apr-25	2.3997	0.0130	-0.0299

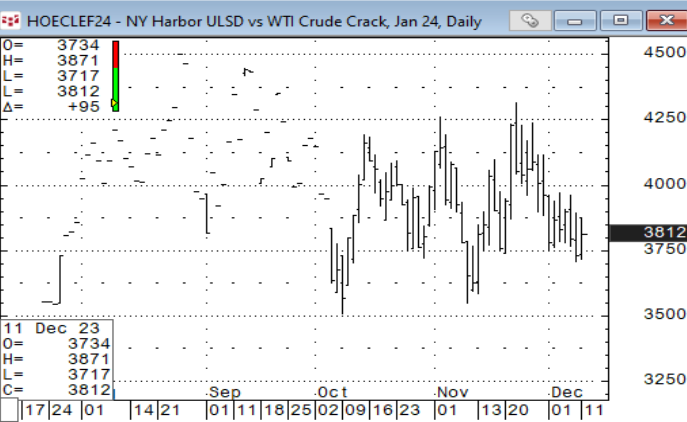
Sprague HeatCurve October 2024-April 2025 \$2.4372

		Close	Change
Crude - WTI	Feb Brent- WTI Spread \$4.47	\$71.5600	\$0.1200
Crude - Brent		\$76.0300	\$0.1900
Natural Gas		\$2.4310	-\$0.1500
Gasoline		\$2.0431	-\$0.0067

ICE February Brent-WTI Spread



January Heating Oil Crack Spread



January RBOB Crack Spread

