



MarketWatch | Refined Products

Thursday, August 31, 2023

Market Commentary

Recap: The oil market continued to trend higher on Wednesday in light of the weekly petroleum stocks report showing larger than expected draws in oil stocks. This followed the market's outside trading day on Tuesday when the market traded higher on hopes that the Federal Reserve may slow down its interest rate hikes following a fall in the latest monthly job openings report. The crude market retraced more than 62% of its move from a high of \$84.16 to a low of \$77.59 as it traded to a high of \$82.05 ahead of the release of the EIA report. The market held on to its strength following the release of the report, which showed a large draw in crude stocks of over 10.5 million barrels on the week. The market was also supported by comments made by Russia's Deputy Prime Minister that Russia may extend its oil exports cuts to October. However, the market erased some of its gains and posted a low of \$80.88 by mid-day and settled in a sideways trading range ahead of the close. The October WTI contract settled up 47 cents at \$81.63 and the Brent contract settled up 37 cents at \$85.86. Meanwhile, the product markets ended the session in mixed territory, with the heating oil market settling down 11.33 cents at \$3.0962 and the RB market settling up 1.87 cents at \$2.8092.

Technical Analysis: The oil market will likely retrace some of its gains before it continues to trend higher, given its stochastics have crossed to the upside. The market will also continue to look for further direction from the economic news amid some expectations that the Fed may pause its future rate hikes. The market is seen finding resistance at its high of \$82.05, \$82.33, \$82.51 and \$83.21. Meanwhile, support is seen at \$80.88, \$80.34 followed by \$79.34, \$78.14 and \$77.59.

Fundamental News: The EIA reported that crude oil stocks fell by 10.6 million barrels to 422.9 million barrels in the week ending August 25th amid high exports and strong demand from refineries. It also reported that U.S. Midwest refineries utilization rate increased by 1.8% to 100.7% in the week ending August 25th, the highest level since August 2019. It reported that distillate stocks increased by 1.2 million barrels on the week to 117.9 million barrels. U.S. Midwest distillate stocks increased to 32.5 million barrels, the highest level since July 2021.

Barclays raised its Brent price forecast for 2024 by \$8/barrel to \$97/barrel as it expects market balances to tighten further next year. It said "Slowing non-OPEC+ supply growth, driven primarily by the US, and persistent underproduction from several OPEC+ producers due to structural constraints bolsters our core thesis behind a constructive view on oil prices." Barclays forecasts a supply deficit of 670,000 bpd in 2023 and 250,000 bpd in 2024 and recommends going long the \$90-\$95/barrel call spread on the January 2024 Brent contract at a net cost of \$1.10/barrel. However, the bank lowered its 2023 Brent forecast by \$3/barrel to \$84/barrel, but left fourth quarter outlook unchanged at \$92/barrel.

IIR Energy reported that U.S. oil refiners are expected to shut in about 621,000 bpd of capacity in the week ending September 1st, cutting available refining capacity by 119,000 bpd. Offline capacity is expected to fall to 521,000 bpd in the week ending September 8th.

Kinder Morgan said its Port Manatee, Port Sutton and Tampaplex terminals in Florida sustained minimal damage due to Hurricane Idalia and that it was also planning to shut its Charleston area terminals later in the day. The company said it was planning to reopen the terminals on Thursday, while its Tampa facilities including the Tampa refined products terminal and Central Florida Pipeline system have resumed normal operations.

Early Market Call - as of 8:54 AM EDT

WTI - October \$82.65 up \$1.02 per barrel

RBOB - September \$3.1100 up 1.38 cents per gallon

HO - September \$2.8195 up 1.03 cents per gallon

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Sep-23	3.0962	-0.1133	-0.0329
Oct-23	3.0658	-0.1067	-0.0363
Nov-23	2.9967	-0.0841	-0.0254
Dec-23	2.9033	-0.0594	-0.0194
Jan-24	2.8519	-0.0403	-0.0159
Feb-24	2.8144	-0.0304	-0.0091
Mar-24	2.7709	-0.0223	-0.0019
Apr-24	2.7201	-0.0167	0.0039
May-24	2.6879	-0.0137	0.0059
Jun-24	2.6642	-0.0122	0.0055
Jul-24	2.6538	-0.0116	0.0042
Aug-24	2.6449	-0.0114	0.0022
Sep-24	2.6364	-0.0115	0.0001
Oct-24	2.6255	-0.0106	-0.0014
Nov-24	2.6124	-0.0085	-0.0016
Dec-24	2.5966	-0.0058	-0.0019
Jan-25	2.5806	-0.0045	-0.0026

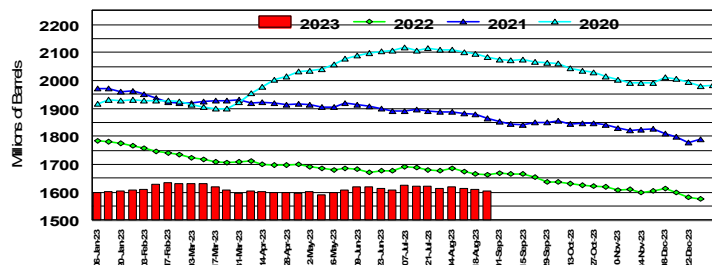
Sprague HeatCurve October 2023-April 2024

\$2.8619

	Close	Change
Crude - WTI	\$81.6300	\$0.4700
Crude - Brent	\$85.8600	\$0.3700
Natural Gas	\$2.7960	\$0.1340
Gasoline	\$2.8092	\$0.0187

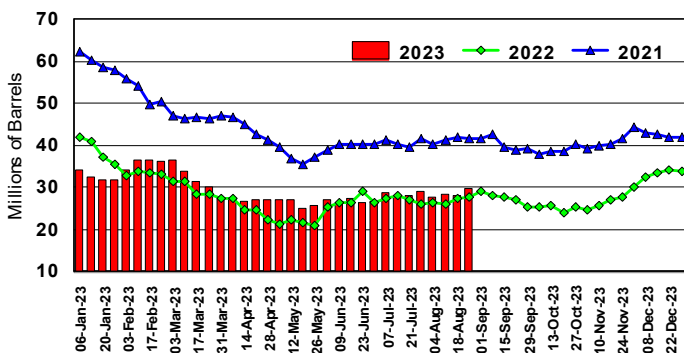
Total U.S. Oil Stocks

Including SPR



Weekly EIA Petroleum Status Report for the Week Ending August 25, 2023

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 10.584 million barrels

Cushing, OK Crude Stocks Down 1.504 million barrels

Gasoline Stocks Down 214,000 barrels

Distillate Stocks Up 1.235 million barrels

Refinery % Operated 93.3%, down 1.2%

PADD #1

Distillate Stocks (in million bbl)	Week Ending August 25, 2023	Week Ending August 18, 2023	Week Ending August 26, 2022
New England	3.3	3.0	3.2
Central Atlantic	16.0	15.1	12.9
Total PADD #1	29.7	28.3	27.7
Distillate Imports (thousands b/d)	145	70	141

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