



MarketWatch | Refined Products

Wednesday, August 7, 2019

Market Commentary

Recap: Crude oil prices turned lower on Tuesday, giving up early gains after the stock market pared its recovery and, as traders weighed in on the effect trade tensions between the U.S. and China could have on demand for oil.

Trading was choppy as prices moved lower. After trading at a session low of \$53.72 a barrel, for a loss of 97 cents, September WT bounced to a high of \$55.42. However, as global equities slipped, this spot contract reversed to the downside, falling as much as \$1.26, or 2.3%, to a session low of \$53.43 a barrel, before settling at \$53.63, down \$1.06, or 1.94%. Brent for October delivery fell 87 cents, or 1.45%, to settle at \$58.94 a barrel. September RBOB fell 1.5% to \$1.6921 a gallon, while September heating oil eased 0.3% to \$1.8293 a gallon.

Technical Analysis: As expected, September WTI edged lower on Tuesday, hitting a fresh 7-week low for WTI. This spot contract broke below the ascending trend line that can be depicted on a daily bar chart, and from a technical standpoint, we should see lower prices, with a run at the \$52.00 level. We do expect this market to continue to struggle to both the downside and upside and therefore expected erratic trading. Below \$52.00, additional support is set at \$51.15. Resistance is set at \$55.70 and above that at \$56.16.

Fundamental News: In its Short-Term Energy Outlook, the EIA cut its 2019 world oil demand growth forecast by 70,000 bpd to 1 million bpd but raised its oil demand growth estimate for 2020 by 30,000 bpd to 1.43 million bpd. Demand is expected to total 100.91 million barrels in 2019 and 102.34 million barrels in 2020. OPEC crude oil production is expected to fall by 1.83 million bpd in 2019 to 30.13 million bpd and by 340,000 bpd to 29.79 million bpd. Non-OPEC supply is expected to increase by 2.13 million bpd to 65.56 million bpd and by 2.24 million bpd to 67.8 million bpd in 2020. The EIA also reported that US petroleum demand is expected to increase by 210,000 bpd to 20.66 million bpd in 2019 and by 260,000 bpd to 20.92 million bpd in 2020. Gasoline demand is expected to fall by 10,000 bpd to 9.31 million bpd in 2019 but increase by 20,000 bpd to 9.33 million bpd in 2020. Distillate demand is expected to fall by 10,000 bpd to 4.12 million bpd in 2019 but increase by 60,000 bpd to 4.18 million bpd in 2020. US oil production is expected to increase by 1.28 million bpd to 12.27 million bpd in 2019 and by 990,000 bpd to 13.26 million bpd in 2020. In regards to prices, the EIA forecast Brent spot prices will average \$64/barrel in the second half of 2019 and \$65/barrel in 2020. The price of WTI crude is expected to average \$5.50/barrel less than Brent prices during the fourth quarter of 2019 and in 2020.

Goldman Sachs maintained its 2019 outlook for US oil growth of 1.3 million bpd but lowered its outlook for year-on-year growth in 2020 to 1.1 million bpd from 1.2 million bpd. It lowered its year-on-year oil growth forecast for 2020 due to slower than expected activity among privates companies and slower ramp up among exploration and production companies.

Iran's President, Hassan Rouhani, said peace with Iran is the mother of all peace and war with Iran is the mother of all wars. He said if the US wants to have negotiations with Iran then it must lift all sanctions.

The four living former chairs of the Federal Reserve, Paul Volcker, Alan Greenspan, Ben Bernanke and Janet Yellen, called for the US central bank to remain free to work independently and without fear of political reprisals in a rare joint public statement.

US President Donald Trump imposed sanctions on assets of the Venezuelan government. Separately, White House national security adviser, John Bolton, said President Trump's new executive order on Venezuela means that US sanctions can now be imposed on any business done with the Venezuelan government.

Early Market Call - as of 8:00 AM EDT

WTI - Sep \$53.27, down 36 cents

RBOB - Sep \$1.6795, down 82 points

HO - Sep \$1.8111, down 1.27 cents

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-19	1.824	-0.0116	-0.1286
Sep-19	1.8292	-0.0122	-0.1298
Oct-19	1.8321	-0.0125	-0.1303
Nov-19	1.834	-0.012	-0.129
Dec-19	1.8352	-0.0118	-0.1273
Jan-20	1.8307	-0.0121	-0.1252
Feb-20	1.821	-0.0125	-0.1226
Mar-20	1.8075	-0.0132	-0.1204
Apr-20	1.7987	-0.0129	-0.1183
May-20	1.7933	-0.0125	-0.1162
Jun-20	1.7957	-0.0119	-0.1133
Jul-20	1.7994	-0.0115	-0.1104
Aug-20	1.8035	-0.0111	-0.1081
Sep-20	1.8064	-0.011	-0.1059
Oct-20	1.8091	-0.011	-0.1037
Nov-20	1.8095	-0.011	-0.1017
Dec-20	1.8122	-0.0108	-0.0995

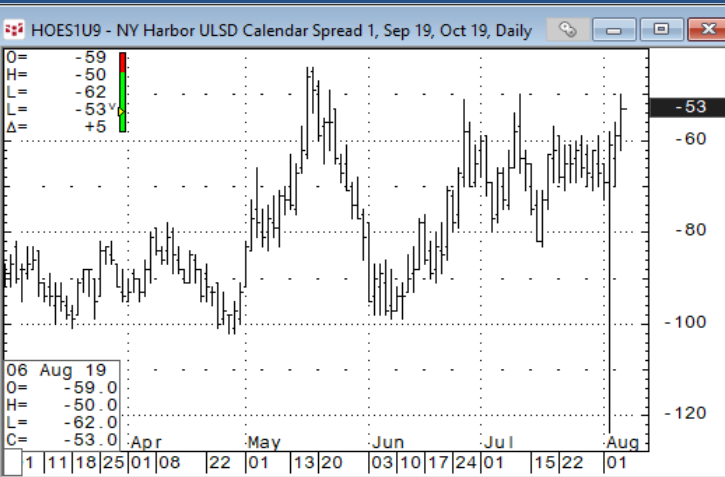
Sprague HeatCurve Oct 2019-Apr 2020 **\$1.8287**

Other Front Month NYMEX		Close	Change
Crude - WTI	Sep Brent- WTI Spread	\$53.5900	-\$0.9900
Crude - Brent		\$58.9400	-\$0.8700
Natural Gas	\$5.35	\$2.1110	\$0.0410
Gasoline		\$1.6873	-\$0.0307

API Weekly Report for the Week Ending August 2, 2019

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Down 3.4 million barrels	Down 2.8 million barrels
Cushing, OK Crude Stocks	Down 1.6 million barrels	
Gasoline Stocks	Down 1.1 million barrels	Down 1.4 million barrels
Distillate Stocks	Up 1.2 million barrels	Down 450,000 barrels
Refinery Runs	Up 574,000 bpd	Up 0.5%, at 93.5%

NYMEX Heating Oil Sep-Oct Spread



NYMEX RBOB Sep-Oct Spread

