



# MarketWatch | Refined Products

Friday, September 1, 2023

## Market Commentary

## All NYMEX | Prior Settlements

**Recap:** The NYMEX October WTI contract continued to surge higher today, settling up for the seventh consecutive trading session and recording its highest settlement since August 9<sup>th</sup> as it settled at \$83.63, up \$2.00 per barrel. The news of the potential Russian agreement with OPEC+ to extend current production cuts into October coupled with a bullish crude inventory report from the EIA yesterday seemed to be the two major driving factors for the bulls today. The rally in the WTI market was especially felt in the front months as the spot contract saw its premium over the six month deferred contract grow to a \$3.83 premium, the widest differential since November 17<sup>th</sup> signaling tight supplies and the potential further significant inventory drawdowns. The bullish move in the Brent market though was slightly more restrained as the October Brent contract increased by only a dollar per barrel, while the September RBOB contract expired at \$2.7664, down 4.28 cents on the day.

**Technical Analysis:** With the long holiday weekend approaching tomorrow there may be some minor profit taking on long positions, but we do not foresee most market participants abandoning their bullish bias for this market as they await next week's announcement from OPEC+ on production levels going into the fourth quarter. Technically the market is not particularly over bought and the spot crude contract remains comfortably in the middle of its two month old upward trending channel. We see support tomorrow at \$81.48-\$81.36 followed by \$80.64, \$79.94 and \$79.13. More distant support we see at \$77.86-\$77.56. Resistance we see at today's high of \$83.69 followed by \$84.16, \$84.89, \$88.13 and \$89.02.

**Fundamental News:** Russia's Deputy Prime Minister said Thursday that Russia has agreed with OPEC+ partners to reduce the export levels of oil and will announce the new main parameters of the deal next week. Russia earlier had pledged to cut oil exports by 500,000 b/d in August and by 300,000 b/d in September.

Insights Global reported that for the week ending August 31<sup>st</sup>, gasoil stocks in the Amsterdam-Rotterdam-Antwerp (ARA) storage hub declined to 1.857 million metric tons, the lowest since December 2022, as a result of a sharp drop in imports. But current stocks are still some 9.1% higher than the same time a year ago. Gasoline stocks on the week stood at 1.33 million metric tons basically unchanged from the prior week and 1.1% above the same week a year ago.

The EIA reported Thursday that U.S. field production of crude oil in June reached 12.844 million barrels per day, up 1.6% from May and reaching the highest level since February 2020. Production increases were led by gains in Texas and North Dakota, which increased by 1.1% and 3.3% respectively. Production in New Mexico though declined by 2.1% in June, falling to 1.764 million b/d, the lowest level since November 2020. The EIA also reported U.S. crude oil exports in June reached 3.181 million b/d, up over 200,000 b/d from May levels, while distillate and gasoline exports also increased modestly reaching 1.194 million b/d and 777,000 b/d respectively. The EIA also estimated total U.S. oil demand in June reached 20.716 million b/d, up 283,000 b/d or 1.4% higher than the same month a year ago. While U.S. gasoline demand was up 2.2% from a year ago, distillate demand was actually off 2.2% from June 2022.

The U.S. Commerce Department reported that consumer spending, which accounts for more than two-thirds of U.S. economic activity, increased by 0.8% in July. It also revised upward its estimate for June by 0.1% to reflect a 0.6% increase. The Commerce Department also reported that July Core PCE Price Index increased 0.2% for the month and the July year over year PCE Index was up 3.3%.

### Early Market Call - as of 8:48 AM EDT

WTI - October \$84.48 up 85 cents per barrel

RBOB - October \$2.5896 up 2.37 cents per gallon

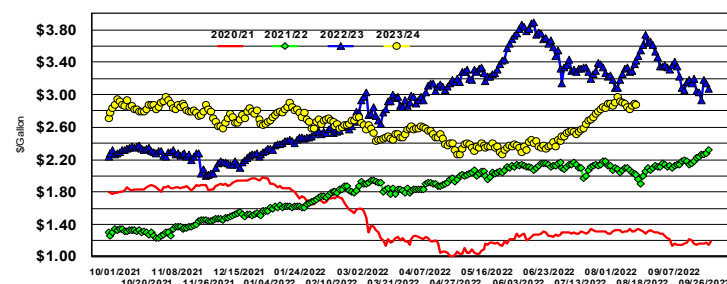
HO - October \$3.1594 up 4.63 cents per gallon

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Sep-23	\$3.1426	\$0.0464	-\$0.0138
Oct-23	\$3.1131	\$0.0473	-\$0.0140
Nov-23	\$3.0361	\$0.0394	-\$0.0080
Dec-23	\$2.9356	\$0.0323	-\$0.0049
Jan-24	\$2.8819	\$0.0300	-\$0.0014
Feb-24	\$2.8428	\$0.0284	\$0.0065
Mar-24	\$2.7983	\$0.0274	\$0.0143
Apr-24	\$2.7469	\$0.0268	\$0.0205
May-24	\$2.7147	\$0.0268	\$0.0232
Jun-24	\$2.6912	\$0.0270	\$0.0242
Jul-24	\$2.6811	\$0.0273	\$0.0247
Aug-24	\$2.6725	\$0.0276	\$0.0247
Sep-24	\$2.6645	\$0.0281	\$0.0250
Oct-24	\$2.6540	\$0.0285	\$0.0255
Nov-24	\$2.6413	\$0.0289	\$0.0275
Dec-24	\$2.6264	\$0.0298	\$0.0294
Jan-25	\$2.6112	\$0.0306	\$0.0302
Sprague HeatCurve October 2	\$2.8936	\$0.0317	\$0.0022

		Close	Change
Crude - WTI	Oct Brent- WTI Spread \$3.23	\$83.6300	\$2.0000
Crude - Brent		\$86.8600	\$1.0000
Natural Gas		\$2.7960	\$0.1340
Gasoline		\$2.8092	\$0.0187

## Sprague Heat Curve

### Sprague HeatCurve October-April



## Spot Continuation NYMEX WTI



## NYMEX Spot WTI Minus WTI Six Month Deferred



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