



MarketWatch | Refined Products

Tuesday, March 24, 2020

Market Commentary

Recap: Oil prices slid in early trading on Monday, with record low U.S. gasoline prices dragging the rest of the complex lower, as the coronavirus pandemic crippled global demand after travel and industrial activity contracted across the globe in a bid to stem the spread of the virus. As the session progressed, prices seesawed between positive and negative territory, as traders weighed the potential impact of what the Federal Reserve referred to as “aggressive action” needed to soften the coronavirus pandemic’s blow to the economy. After falling as much as 8%, May WTI retraced its losses to post a settlement of \$23.36 a barrel, up 73 cents, or 3.2%. Brent for May delivery added a nickel, or 0.2% to settle at \$27.03 a gallon.

Gasoline futures slumped a whopping 32% during the session to a low of 37.60 a gallon, the lowest on record since the reformulated gasoline contract began trading in October 2005, as demand for product by refiners reaches unprecedented levels. April RBOB settled at 41.18 cents a gallon, while April heating oil tacked on 1% at \$1.0161 a gallon.

Technical Analysis: WTI seesawed through the trading session on Monday, leaving many traders scratching their heads as they question what to do with this market. The \$20.00 level should continue to act as support, as it is a huge psychologically significant level, and as the price war between Saudi Arabia and Russia poses another set of problems. We would look for continued attempts to prop this market up, but don’t see us getting passed the \$30.00 level any time soon.

Fundamental News: US Energy Secretary, Dan Brouillette, said the possibility of a joint US-Saudi oil alliance is one idea under consideration to stabilize prices.

Saudi Arabia has yet to increase its crude shipments significantly, suggesting a lack of demand despite a decline in prices as major producers fight for market share. Saudi Arabia plans to ship more than 10 million bpd of crude from May following the collapse of the OPEC+ output cut agreement. So far, exports in March are running significantly below that rate, showing little change from February. Saudi Arabia’s March exports are so far in the 7.3 million bpd region.

BNP Paribas sees Brent prices averaging \$41/barrel in 2020 and sees WTI prices averaging \$38/barrel in 2020.

UBS cut its oil price forecast and expects global demand in March to fall by 5-10 million bpd on the year, as the coronavirus impacts global supply chains and fuels a supply glut sparked by the breakdown of an OPEC+ output deal. UBS cut its end-June Brent and WTI crude price outlook to \$20/barrel from \$30/barrel and \$28/barrel, respectively.

Royal Dutch Shell will lower its spending by \$5 billion and suspended its \$25 billion share buyback plan in an effort to weather the recent collapse in oil prices. It will reduce its capital expenditure to \$20 billion or below from a planned level of about \$25 billion while seeking to cut operating costs by an additional \$3 billion to \$4 billion over the next 12 months.

IIR Energy reported that US oil refiners are expected to shut in 526,000 bpd of capacity in the week ending March 27th, increasing available refining capacity by 340,000 bpd from the previous week.

The US Federal Reserve rolled out new programs aimed at blunting the “severe disruptions” to the economy caused by the coronavirus outbreak, backstopping an unprecedented range of credit for households, small businesses and major employers. It announced that it was making a change to its rules to make sure that banks face gradual restrictions on activities as they dip into one of their capital buffers.

Early Market Call - as of 9:05 AM EDT

WTI - May \$23.94 up 58 cents per barrel
 RBOB - Apr \$0.4522 up 4.4 cents per gallon
 HO - Apr \$1.0568 up 4.07 cents per gallon

All NYMEX | Prior Settlements

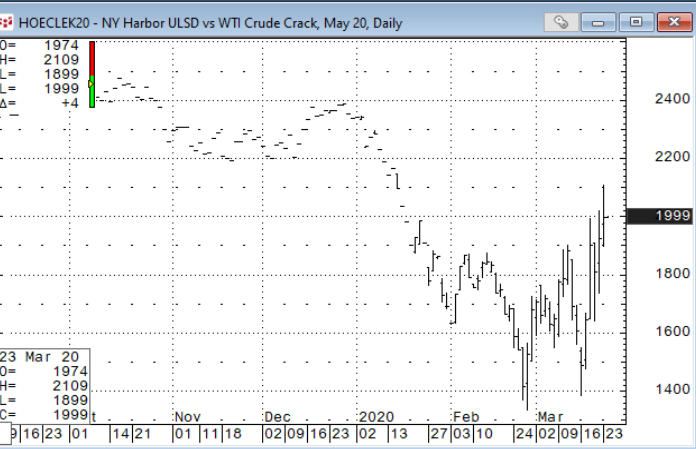
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Apr-20	1.0161	0.0098	0.0305
May-20	1.0244	0.0105	0.0270
Jun-20	1.0442	0.0114	0.0246
Jul-20	1.0686	0.0112	0.0254
Aug-20	1.0939	0.0122	0.0252
Sep-20	1.1201	0.0139	0.0249
Oct-20	1.1432	0.0157	0.0255
Nov-20	1.1625	0.0175	0.0274
Dec-20	1.1778	0.0186	0.0306
Jan-21	1.1914	0.0192	0.0350
Feb-21	1.2015	0.0195	0.0395
Mar-21	1.2101	0.0200	0.0429
Apr-21	1.2169	0.0211	0.0439
May-21	1.2288	0.0220	0.0454
Jun-21	1.2429	0.0226	0.0454
Jul-21	1.2618	0.0232	0.0454
Aug-21	1.2782	0.0235	0.0459

Sprague Heat Weighted Strip October -April 20/2021		\$1.1893	
Other Front Month NYMEX		Close	Change
Crude - WTI	May Brent-	\$23.3600	\$0.7300
Crude - Brent	WTI Spread	\$27.0300	\$3.6700
Natural Gas	\$3.67	\$1.6020	-\$0.0020
Gasoline		\$0.4118	-\$0.1936

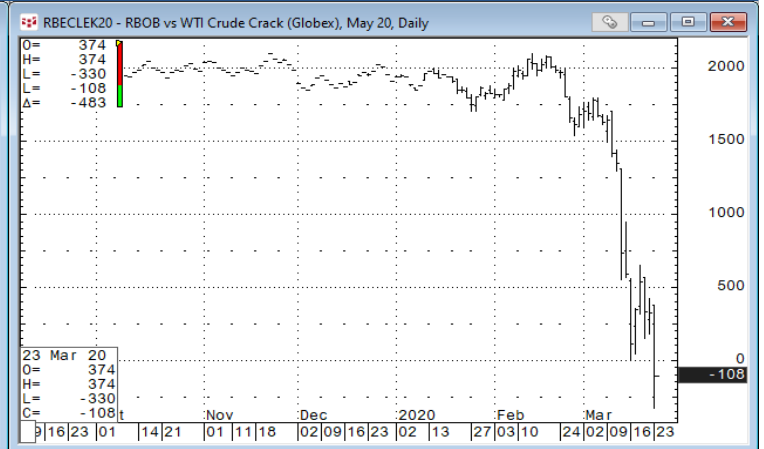
ICE May Brent-WTI Spread



May Heating Oil Crack Spread



May RBOB Crack Spread



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