MarketWatch | Refined Products

Monday, July 19, 2021

Market Commentary

Recap: Oil futures experienced a double blow this week, suffering their worst weekly loss since March, pressured by the possibility of additional OPEC supplies coming to the market and unfavorable fuel inventory data in the U.S. The United Arab Emirates and Saudi Arabia reportedly reached a compromise this week that would allow OPEC+ to further relax production curbs beginning next month. Meanwhile, the rising number of COVID-19 case globally has climbed on the heels of the spread of the delta variant, raising concerns for renewed economic restrictions that would limit demand for energy. Losses were pared prior to the settlement period, with August WTI settling at $71.81 a barrel, up 16 cents, or 0.22%, 3.7% for the week, marking the biggest weekly fall for a front-month contract since the week ended March 26. September Brent added 12 cents, or 0.2%, to settle at $73.59 a barrel, down 2.6% for the week, its biggest weekly slide since May. August RBOB rose nearly 0.2% to $2.25 a gallon, for a weekly loss of 1.7%, and August heating oil finished little changed at $2.11 a gallon -- around 1.9% lower for the week.

Technical Analysis: The fundamental outlook for oil took on a bearish tone this week, as it seems more likely that OPEC+ and the UAE will come to a formal agreement and begin to increase production each month for the remainder of the year. Oil prices lost more ground Friday after data showed that U.S. consumer sentiment index from the University of Michigan fell to 80.8 in July from 85.5 in June. This combined with the spread of the delta variant of COVID-19 and the discouraging EIA data out of the U.S. has stunted the rally and could lead to further price declines. Bulls this week have been subdued as they try to get a better grip on future demand. While the EIA, IEA and OPEC+ all agree that the world needs more supply, they can't seem to agree on how much more is needed. Perhaps what are most needed are better control of COVID-19 and the distribution of vaccines across the globe, so that a smooth global economic recovery can take place. In the meantime, we would look for this market to trade in somewhat of a sideways pattern between $70 and $76.

Fundamental News: U.S. energy firms added oil and natural gas rigs for a third consecutive week for the first time since May even though oil prices eased for a second week. Baker Hughes reported that the oil and gas rig count increased by five to 484 in the week ending July 16th, its highest since April 2020. The number of U.S. oil rigs increased by two to 380 this week, their highest since April 2020, while the number of gas rigs gained three to 104, their highest since March 2020, rising for five weeks in a row, the longest streak since March 2018.

According to a preliminary loading schedule, Angola plans to cut its exports to 1.055 million bpd in September from 1.176 million bpd in August. The schedule includes 33 shipments carrying a total volume of 31.65 million barrels.

IIR Energy reported that U.S. oil refiners are expected to have 641,000 bpd of capacity offline in the week ending July 16th, cutting available refining capacity by 426,000 bpd from the previous week. Offline capacity is expected to fall to 635,000 bpd in the week ending July 23rd, and 502,000 bpd in the week after.

India's crude oil imports in June fell to their lowest in nine months, as refiners curtailed purchases amid higher fuel inventories due to low consumption and renewed coronavirus lockdowns in the previous two months. Tanker arrival data obtained from trade sources showed India imported 3.9 million bpd of crude in June, down about 7% from May, but 22% higher from year-ago levels. India's crude imports between April and June, however, increased 11.7% year-on-year to 4.1 million bpd as the lockdown curbs were not as severe as last year when COVID-19 first hit the nation.

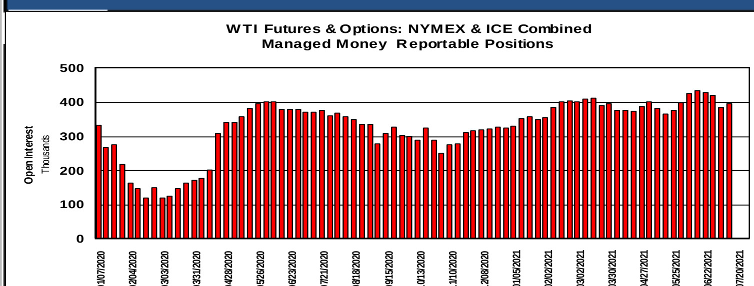
Early Market Call - as of 8:15 AM EDT
WTI - Aug $69.15, down $2.67
RBOB - Aug $2.1841, down 6.94 cents
HO - Aug $2.0473, down 6.6 cents

All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Aug-21	$2.1133	$0.0007	-$0.0419
Sep-21	$2.1150	$0.0009	-$0.0424
Oct-21	$2.1147	$0.0010	-$0.0422
Nov-21	$2.1126	$0.0012	-$0.0417
Dec-21	$2.1100	$0.0014	-$0.0407
Jan-22	$2.1066	$0.0014	-$0.0402
Feb-22	$2.1003	$0.0013	-$0.0393
Mar-22	$2.0893	$0.0015	-$0.0379
Apr-22	$2.0743	$0.0022	-$0.0361
May-22	$2.0639	$0.0031	-$0.0337
Jun-22	$2.0571	$0.0035	-$0.0315
Jul-22	$2.0553	$0.0041	-$0.0293
Aug-22	$2.0540	$0.0044	-$0.0276
Sep-22	$2.0532	$0.0047	-$0.0284
Oct-22	$2.0531	$0.0049	-$0.0240
Nov-22	$2.0529	$0.0051	-$0.0223
Dec-22	$2.0510	$0.0052	-$0.0217

Sprague HeatCurve October 2021-April 2022 **$2.1018**

		Close	Change
Crude - WTI	Sep Brent-WTI Spread $2.03	$71.5600	$0.1800
Crude - Brent		$73.5900	$0.1200
Natural Gas		$3.6740	$0.0006
Gasoline		$2.2536	$0.0033



Commitment of Traders Report for the Week Ending July 13, 2021