MarketWatch | Refined Products

Wednesday, December 11, 2019

Market Commentary

Recap: Oil futures climbed on Tuesday, recovering from early losses, after a report from the Wall Street Journal was seen as upbeat in long-running negotiations between the U.S. and China on tariffs. The Wall Street Journal on Tuesday, citing unnamed officials from both parties, reported that U.S. and Chinese negotiators were laying the groundwork for a delay in a fresh round of tariffs set to kick in Sunday. The report indicated that the parties continue to "haggle over how to get Beijing to commit to massive purchases of U.S. farm products President Trump is insisting on for a near-term deal." January WTI settled at $59.24 a barrel, up 22 cents, or 0.37%. Brent for February delivery added 9 cents, or 0.14%, to settle at $64.34 a barrel.

Technical Analysis: WTI, which initially fell during trading on Tuesday, found support, which pushed the spot contract toward key resistance set at $60.00. This area has found a lot of selling pressure in the past, but lacked the current OPEC deal calling for an additional 500,000 barrels in output cuts and therefore we could see a push through this level, However, looming over the market is the unsettled trade deal between the U.S. and China, which could work against the aforementioned output cuts. At this point in time, we will have to have a wait and see approach. Above $60.00, additional resistance is set at the 200-day moving average, which is currently set at $60.75. To the downside, support is set at $58.20 and below that at $57.42.

Fundamental News: The US Labor Department reported that US worker productivity fell by the most in nearly four years in the third quarter. Nonfarm productivity fell at a 0.2% annualized rate in the last quarter, the largest drop since the fourth quarter of 2015. Compared to the third quarter of 2018, productivity increased at a rate of 1.5%, instead of the previously reported 1.4% pace. The Labor Department reported that unit labor costs increased at a 2.5% annualized rate in the third quarter. Compared with the third quarter of 2018, labor costs grew at a 2.2% rate.

Top officials from Canada, Mexico and the US signed a fresh overhaul of the regional trade pact on Tuesday. The signing ceremony in Mexico City launched what may be the final approval effort for US President Donald Trump's three year quest to revamp the 1994 North American Free Trade Agreement. The US-Mexico-Canada Agreement was signed more than a year ago to replace NAFTA but Democrats controlling the US House of Representatives insisted on major changes to labor and environmental enforcement before bringing it to a vote.

In its Short Term Energy Outlook, the EIA reported that total world petroleum demand in 2019 is expected to increase by 750,000 bpd to 100.72 million barrels and by 1.42 million bpd to 102.14 million bpd in 2020. Total oil production is expected to fall by 30,000 bpd to 100.83 million bpd in 2019 and increase by 1.46 million bpd to 102.29 million bpd in 2020. OPEC's oil production is expected to fall by 2.15 million bpd to 29.81 million bpd in 2019 and fall by 510,000 bpd to 29.3 million bpd in 2020. Non-OPEC supply is expected to increase by 2.07 million bpd to 65.61 million bpd in 2019 and by 2.33 million bpd to 67.94 million bpd in 2020. The EIA also reported that US oil demand is expected to increase by 80,000 bpd to 20.58 million bpd in 2019 and by 170,000 bpd to 20.75 million bpd in 2020. US gasoline demand is forecast to fall by 30,000 bpd to 9.3 million bpd in 2019 but increase by 20,000 bpd to 9.32 million bpd in 2020. Distillate demand in 2019 is expected to fall by 40,000 bpd to 4.11 million bpd but increase by 30,000 bpd to 4.14 million bpd in 2020. US crude oil production in 2019 is forecast to increase by 1.26 million bpd to 12.25 million bpd, while production in 2020 is forecast to increase by 930,000 bpd to 13.18 million bpd. In regards to prices, the EIA forecast Brent spot prices will average $61/barrel in 2020, down from a 2019 average of $64/barrel. The EIA forecast that WTI prices will average $5.50/barrel less than Brent prices in 2020.

Early Market Call - as of 8:35 AM EDT

WTI - Jan $59.04

RBOB - Jan $1.6441

HO - Jan $1.9469

All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Dec-19	$1.9655	$0.0213	-$0.0856
Jan-20	$1.9636	$0.0203	-$0.0786
Feb-20	$1.9556	$0.0193	-$0.0888
Mar-20	$1.9396	$0.0178	-$0.0883
Apr-20	$1.9277	$0.0174	-$0.0878
May-20	$1.9184	$0.0170	-$0.0861
Jun-20	$1.9152	$0.0164	-$0.0847
Jul-20	$1.9132	$0.0158	-$0.0832
Aug-20	$1.9125	$0.0151	-$0.0817
Sep-20	$1.9123	$0.0149	-$0.0805
Oct-20	$1.9122	$0.0147	-$0.0791
Nov-20	$1.9114	$0.0143	-$0.0779
Dec-20	$1.9109	$0.0138	-$0.0758
Jan-21	$1.9041	$0.0131	-$0.0735
Feb-21	$1.8922	$0.0123	-$0.0713
Mar-21	$1.8736	$0.0114	-$0.0692
Apr-21	$1.8613	$0.0106	-$0.0681

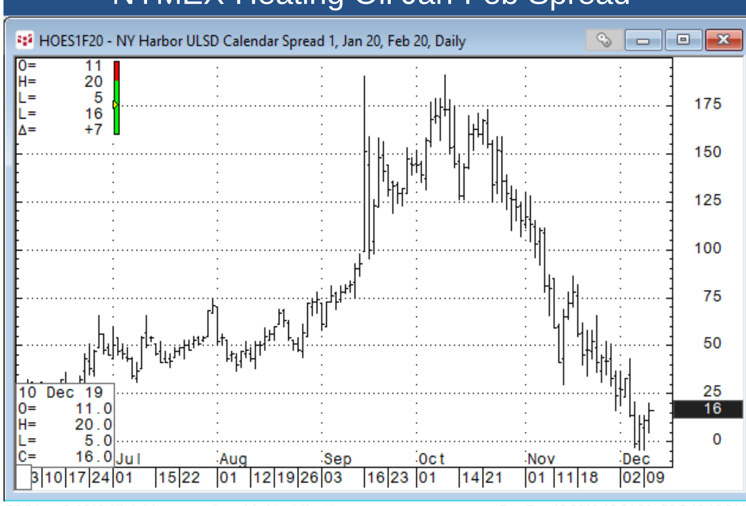
Other Front Month NYMEX	Close	Change
Crude - WTI	$59.1400	$0.2200
Crude - Brent	$64.3400	$0.0900
Natural Gas	$2.2640	$0.0320
Gasoline	$1.6525	-$0.0023

Feb Brent-WTI Spread $5.20

API Report for the Week Ending December 6, 2019

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	UP 1.4million barrels	Down 2.8 million barrels
Cushing, OK Crude Stocks	Down 3.5 million barrels	
Gasoline Stocks	Up 4.9 million barrels	Up 3.3 million barrels
Distillate Stocks	Up 3.2 million barrels	Up 2 million barrels
Refinery Runs	Up 186,000 b/d	Up 1% at 92.9%

NYMEX Heating Oil Jan-Feb Spread



NYMEX RBOB Jan-Feb Spread