MarketWatch | Refined Products

Monday, September 25, 2023

Market Commentary

Recap: While the oil market traded higher early on Friday on renewed supply concerns from Russia's fuel export ban, it erased its gains on expectations that the ban on product exports will not be for long. The crude market retraced some of Thursday's losses and breached its previous highs as it posted a high of $91.33 by mid-morning following the news that Russia's Transneft suspended deliveries of diesel to Baltic and Black Sea terminals of Primorsk and Novorossissk. However, the market erased all of its earlier gains and traded to a low of $89.31 by mid-day. The market was pressured as market pundits estimated that the Russian ban on diesel and gasoline exports will be over in a few weeks' time. The market's gains were also limited as Fed officials warned of further rate hikes after voting to hold the benchmark federal funds rate steady at a meeting earlier in the week. The oil market retraced some of its losses ahead of the close. The November WTI contract settled up 40 cents at $90.03 while the November Brent contract settled down 3 cents at $93.27. The product markets ended the session lower, with the heating oil market settling down 6.18 cents at $3.3062 and the RB market settling down 5.81 cents at $2.5618.

Technical Analysis: The crude market is seen trading mostly sideways as it remains in an upward channel that started in late August. As previously mentioned, the market will remain supported by the Russian export ban while its gains remain limited by concerns over the economy and its impact on demand. The oil market is seen finding support at its low of $89.31, $88.37-$88.32, $88.04 followed by $87.66 and $86.66. Meanwhile, resistance is seen at it highs of $91.33, $92.43 and $94.25.

Fundamental News: The TASS news agency reported that Russian oil pipeline company Transneft has stopped export shipments of diesel fuel from the Primorsk and Novorossiysk ports. On Thursday, Russia banned gasoline and diesel exports to most countries in order to deal with domestic shortages.

According to the data from the St. Petersburg International Mercantile Exchange, Russian wholesale gasoline Ai-92 grade prices fell by 9.7% to 55,892 roubles or $582 per metric ton on Friday, following a government ban on fuel exports. Diesel prices were down by 7.5% to 66,511 roubles/ton. On Friday, a spokesman for the Kremlin said Russia's fuel export ban will last for as long as necessary to ensure market stability. Separately, First Deputy Energy Minister Pavel Sorokin said on Thursday the ban was indefinite and further government actions would depend on the "saturation" of the market with fuel. Analysts expect the restrictions to be short-lived as a combination of peaking demand from agriculture and a lack of space to store the fuel create an impetus to resume exports. Analysts at Citigroup and JPMorgan said that one the heaviest demand from agriculture passes, pressures to keep diesel at home should also abate. Citigroup analysts said domestic Russian diesel demand for the harvest is set to peak in the next three to five weeks, with the ban lasting slightly longer than that. The bank also noted that there is not enough storage space in Russia and refineries may find they have to cut processing rates. JPMorgan analysts said the ban will last only a "couple of weeks, until harvest concludes in October." Meanwhile, FGE said gasoline shipments could be limited for longer due to tigher balances for that fuel in Russia.

U.S. energy firms this week cut the number of oil and natural gas rigs operating for the first time in three weeks. Baker Hughes reported that the oil and gas rig count fell by 11 to 630 in the week ending September 22nd, the lowest level since February 2022. U.S. oil rigs fell by eight to 507 this week, the lowest level since February 2022, while gas rigs fell by three to 118.

IIR Energy reported that U.S. oil refiners are expected to shut in about 1.4 million bpd of capacity in the week ending September 22nd, cutting available refining capacity by 562,000 bpd.

Early Market Call - as of 8:30 AM EDT

WTI - November $89.83, down 20 cents

RBOB - October $2.5622, up 4 points

HO - October $3.2900, down 1.62 cents

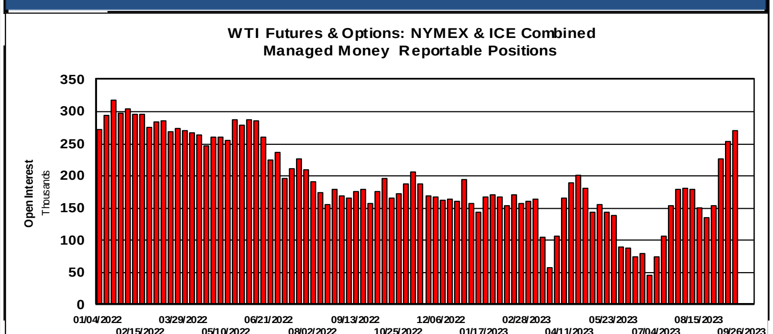
All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Oct-23	3.3062	-0.0618	-0.0772
Nov-23	3.2373	-0.0547	-0.0710
Dec-23	3.1119	-0.0453	-0.0591
Jan-24	3.0472	-0.0372	-0.0544
Feb-24	3.0005	-0.0369	-0.0522
Mar-24	2.9416	-0.0349	-0.0506
Apr-24	2.8696	-0.0339	-0.0500
May-24	2.8235	-0.0341	-0.0504
Jun-24	2.7899	-0.0344	-0.0506
Jul-24	2.7710	-0.0347	-0.0496
Aug-24	2.7590	-0.0346	-0.0474
Sep-24	2.7532	-0.0335	-0.0447
Oct-24	2.7455	-0.0319	-0.0424
Nov-24	2.7328	-0.0297	-0.0415
Dec-24	2.7154	-0.0276	-0.0417
Jan-25	2.6965	-0.0265	-0.0412
Feb-25	2.6731	-0.0257	-0.0396

Sprague HeatCurve October 2023-April 2024 **$3.0584**

	Close	Change
Crude - WTI	$90.0300	$0.4000
Crude - Brent	$93.2700	-$0.0300
Natural Gas	$2.6370	$0.0270
Gasoline	$2.5618	-$0.0581

Nov Brent-WTI Spread $3.24



Commitment of Traders Report for the Week Ending September 19, 2023