



MarketWatch | Refined Products

Tuesday, January 9, 2024

Market Commentary

Recap: The oil market sold off sharply on Monday on price cuts by Saudi Arabia, the latest sign that fundamentals are worsening. It offset supply concerns generated by escalating geopolitical tension in the Middle East. The crude market was pressured after Saudi Aramco on Sunday lowered the price of its Arab Light crude bound for Asia by \$2/barrel due to persistent weakness in the global market. Saudi Arabia signaled it aims to remain competitive in the market and is unwilling to unilaterally reduce its volume. The crude market posted a high of \$73.25 in overnight trading. However, the market sold off more than \$3.60 as it fell to a low of \$70.13 in morning trading. The market retraced some of its losses and traded sideways during the remainder of the session. The market's losses may have been limited by a force majeure declared by Libya's National Oil Corp at its 300,000 bpd Sharara oilfield on Sunday after protests shut the oilfield. The February WTI contract settled down 3.04 cents at \$70.77 and the March Brent contract settled down \$2.64 cents at \$76.12. The products markets ended the session in negative territory, with the heating oil market settling down 3.16 cents at \$2.5769 and the RB market settling down 7.77 cents at \$2.0278.

Technical Analysis: On Tuesday, the oil market is seen retracing some of its sharp losses as it positions itself ahead of the release of the weekly petroleum stocks reports later on Tuesday afternoon and Wednesday morning. The market is expecting a draw in crude stocks of 1.2 million barrels and builds of about 4 million barrels in each distillate and gasoline stocks. The market will continue to weigh softer market outlooks and concerns over tensions in the Middle East. The market is seen finding support at its low of \$70.13 and \$69.28, \$67.98 and \$63.52. Meanwhile, resistance is seen at \$72.21, \$73.95, \$74.24 followed by \$74.40, \$75.66 and \$76.18.

Fundamental News: Citigroup Inc estimates that fund tracking the Bloomberg Commodity Index and the S&P GSCI are likely to sell about \$2 billion worth of WTI in the coming days as the annual realignment of portfolios take place.

Hapag-Lloyd and Maersk said that they have not entered any agreements with Iranian-backed Houthi militants to prevent their ships from being attacked in the Red Sea, denying a report by industry portal Shippingwatch saying that some shippers had started to make such deals.

U.S. Secretary of State Antony Blinken discussed efforts to prevent the Gaza conflict from spreading during a meeting with High Representative Josep Borrell in Saudi Arabia on Monday. He began a five-day Middle East diplomatic effort in Jordan and Qatar on Sunday, his fourth visit to the region since the October 7th attacks on Israel by Hamas militants. He said he found leaders in the Middle East determined to prevent the conflict between Israel and Hamas in Gaza from spreading. He said Houthi attacks on international shipping in the Red Sea have to stop, adding countries have made clear that there have to be consequences if the attacks continue. Meanwhile, U.S. President Joe Biden said he had been working quietly with the Israeli government to encourage it to reduce its attacks and "significantly get out of Gaza."

On Sunday, Libya's National Oil Corporation declared a force majeure at its 300,000 bpd Sharara oilfield after protesters shut the field, forcing supplies to be halted from the field to the Zawiya export terminal.

IIR Energy reported that U.S. oil refiners are expected to shut in 409,000 bpd of capacity in the week ending January 12th, cutting available refining capacity by 215,000 bpd. Offline capacity is expected to increase to 951,000 bpd in the week ending January 19th.

Early Market Call - as of 8:25 AM EDT

WTI - February \$72.68, up \$1.92

RBOB - February \$2.0876, up 5.98 cents

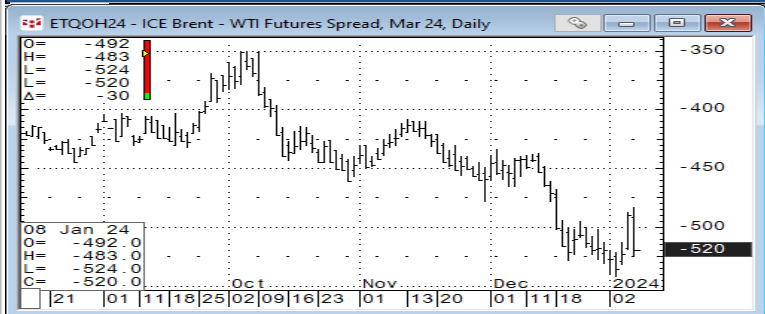
HO - February \$2.6469 up 7 cents

All NYMEX | Prior Settlements

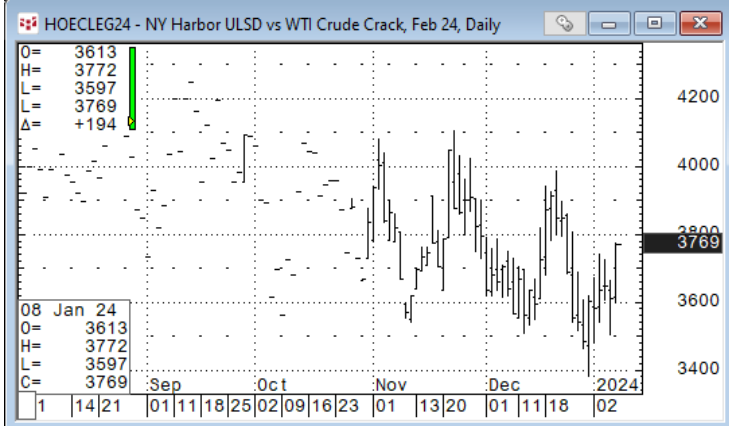
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Dec-23	2.5769	-0.0316	0.0511
Jan-24	2.5365	-0.0394	0.0436
Feb-24	2.4818	-0.0436	0.0340
Mar-24	2.4414	-0.0458	0.0252
Apr-24	2.4126	-0.0476	0.0196
May-24	2.4030	-0.0482	0.0177
Jun-24	2.3989	-0.0481	0.0165
Jul-24	2.4012	-0.0478	0.0147
Aug-24	2.4047	-0.0466	0.0136
Sep-24	2.4024	-0.0453	0.0128
Oct-24	2.3949	-0.0446	0.0120
Nov-24	2.3880	-0.0443	0.0111
Dec-24	2.3796	-0.0441	0.0100
Jan-25	2.3676	-0.0445	0.0088
Feb-25	2.3516	-0.0430	0.0097
Mar-25	2.3418	-0.0402	0.0110
Apr-25	2.3334	-0.0376	0.0114

Sprague HeatCurve October 2024-April 2025			\$2.3841
		Close	Change
Crude - WTI	Mar Brent- WTI Spread \$5.20	\$70.9200	-\$2.9400
Crude - Brent		\$76.1200	-\$2.6400
Natural Gas		\$2.9800	\$0.0870
Gasoline		\$2.0278	-\$0.0777

ICE March Brent-WTI Spread



February Heating Oil Crack Spread



February RBOB Crack Spread

