MarketWatch | Refined Products

Friday, January 20, 2023

Market Commentary

Recap: On Thursday, the oil market extended its losses seen on Wednesday as an unexpected increase in crude stocks weighed on the market along with concerns over possible recession following U.S. retail sales and output data. The crude market opened lower and continued to trend lower, posting a low of $78.13 in overnight trading following the release of the API report on Wednesday evening. The report showed a large build in crude stocks of over 7 million barrels on the week. However, the market bounced off that level and retraced some of its losses, ahead of the release of the EIA petroleum stock report. The market was supported by the IEA head, Fatih Birol, stating that energy markets could be tighter in 2023. The crude market continued to trend higher following the release of the EIA report, despite it also showing an unexpected build in crude stocks of over 8.4 million barrels on the week. The oil market rallied to a high of $81.18 in afternoon trading before it erased some of its gains and settled in a sideways trading range ahead of the close. The February WTI contract settled up 85 cents at $80.33, the highest level since December 1st, while the March Brent contract settled up $1.18 at $86.16. The product markets ended the session sharply higher, with the heating oil market settling up 11.29 cents at $3.3759 and the RBOB market settling up 7.33 cents at $2.5968.

Technical Analysis: The crude market on Friday will likely retrace some of its gains before it continues on its upward trend ahead of the February contract's expiration at the close. The market which seems to have dismissed the large build in stocks will continue to focus on expected increase in Chinese oil demand. However, as we previously stated it should be noted that while China's reopening will increase demand, the country's increase in travel for the Lunar New Year this weekend may be accompanied by an increase in Covid cases and thus impact demand. Technically, the market is seen finding support at $79.36, $78.74, its low of $78.13 followed by $77.52 and $77.10-77.06. Meanwhile, resistance is seen at its high of $81.18 and $81.91, its 50% retracement level off a low of $70.08 and a high of $93.74. More distant upside is seen $82.38, $82.74, $83.34 and $84.70, its 62% retracement level.

Fundamental News: International Energy Agency Executive Director, Fatih Birol, said that energy markets could be tighter in 2023, adding that he hoped prices would not rise further in order to ease the pressure on energy-importing developing countries. Two Gulf OPEC+ producers, UAE energy minister Suhail al-Mazrouei and Saudi Aramco chief Amin Nasser, have said this week they see oil markets as balanced. On the sidelines of the World Economic Forum annual meeting in Davos, the head of the IEA said that even though there was no tightness in the market, there were uncertainties to watch out for, namely Chinese demand and Russian supply.

Bloomberg reported that the Biden administration is inclined to oppose any move to lower the price cap on exports of Russian crude oil, despite a push by some European countries to squeeze Moscow's revenues even more. Russia's flagship oil Urals is trading far below international prices and the G7's $60/barrel cap that came into effect on December 5th. The European Union agreed to review the price cap every two months, starting in mid-January, with an aim to keep the threshold at least 5% below the average market price.

A nationwide strike against pension reform in France led to a substantial fall in electricity output and halted deliveries from refineries operated by TotalEnergies on Thursday. Deliveries of refined oil products were blocked from leaving refineries operated by TotalEnergies. TotalEnergies said there would be no disruption to fuel supplies at service stations if the unions maintain their strike timetable. Meanwhile, a CGT union representative said product delivery sendouts are blocked at Esso France's Fos-sur-Mer site in the south amid nationwide strikes in the country.

Early Market Call - as of 8:05 AM EDT

WTI - February $80.88, up 55 cents

RBOB - February $2.6306, up 3.38 cents

HO - February $3.4144, up 3.85 cents

All NYMEX | Prior Settlements

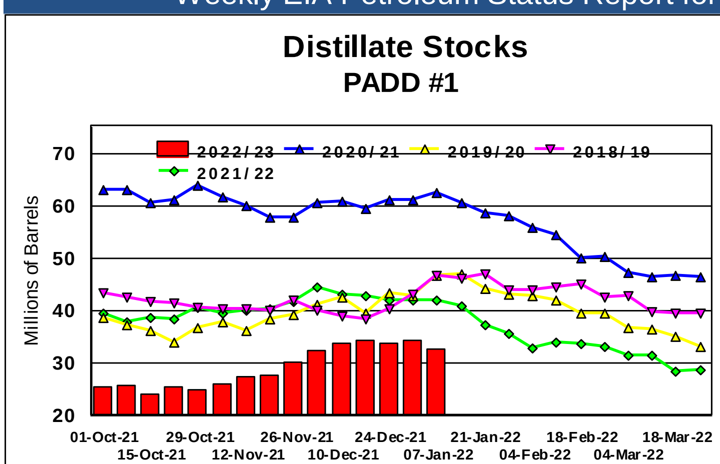
Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Feb-23	3.3759	0.1129	0.1569
Mar-23	3.2808	0.0977	0.161
Apr-23	3.1337	0.0799	0.1499
May-23	3.0277	0.0666	0.132
Jun-23	2.9565	0.0562	0.1123
Jul-23	2.9152	0.0474	0.0963
Aug-23	2.8882	0.0408	0.0858
Sep-23	2.8743	0.037	0.0807
Oct-23	2.8626	0.0347	0.0786
Nov-23	2.8496	0.033	0.0769
Dec-23	2.8347	0.0315	0.075
Jan-24	2.8212	0.0303	0.0721
Feb-24	2.8061	0.0289	0.0687
Mar-24	2.7832	0.0263	0.0645
Apr-24	2.753	0.024	0.0606
May-24	2.7327	0.0228	0.0584
Jun-24	2.7185	0.0226	0.0549
Sprague HeatCurve October 2023-April 2024			**$2.8151**

		Close	Change
Crude - WTI		$80.6100	$0.8100
Crude - Brent		$86.1600	$1.1800
Natural Gas	########	$3.2750	-$0.0360
Gasoline	**Jan-00**	$2.5968	$0.0733

EIA Working Gas Storage Report

	13-Jan-2023	06-Jan-2023	Change	13-Jan-22
East	662	700	-38	678
Midwest	785	823	-38	779
Mountain	147	153	-6	152
Pacific	157	160	-3	201
South Central	1069	1067	2	1,029
Salt	307	295	12	311
Nonsalt	762	772	-10	718
Total	2820	2902	-82	2,839

Weekly EIA Petroleum Status Report for the Week Ending January 6, 2023



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 8.408 million barrels

Cushing, OK Crude Stocks Up 3.646 million barrels

Gasoline Stocks Up 3.483 million barrels

Distillate Stocks Down 1.939 million barrels

Refinery % Operated 85.3%, up 1.2%

PADD #1

Distillate Stocks (in million bbl)	Week Ending Jan 13, 2023	Week Ending Jan 6, 2023	Week Ending Jan 14, 2022
New England	4.3	4.2	6.1
Central Atlantic	15.7	17.1	21.9
Total PADD #1	32.7	34.3	41.0
Distillate Imports (thousands b/d)	116	178	274