MarketWatch | Refined Products

Monday, December 12, 2022

Market Commentary

Recap: Oil prices spent the week struggling on the upside despite multiple bullish catalysts. The unpredictability of this market has left traders scratching their heads and leery of taking on too much risk. Even with an ample supply of supportive fundamentals, such as the easing of COVID restrictions in China, a U.S. oil spill halting pipeline deliveries from Canada, and a massive line of tankers that cannot pass the Turkish Straits, oil prices could not sustain gains. With the end of the year upon us, traders do not want to risk any profits made, especially given the instability of this market. WTI for January delivery lost $8.96 per barrel, or 11.20% to $71.02 this past week, the largest one week net decline since the week ending August 5, 2022, and down .44 cents, or 0.62% for the trading session. Brent Crude for February delivery lost $9.47 per barrel, or 11.07% to $76.10 this week and 5 cents, or 0.07% for Friday's session. ULSD for January delivery lost 37.48 cents per gallon, or 11.83% to $2.7937 this week and 8.61 cents or 2.99% for the session. RBOB Gasoline for January delivery lost 22.43 cents per gallon, or 9.84% to $2.0561 this week, but finished Friday's session up 0.70 cents or 0.34%.

Technical Analysis: According to commodity analysts at Standard Chartered, speculative positioning in crude oil has been unremarkable through most of 2022, but has changed in recent weeks. The analysts have revealed that their proprietary crude oil money-manager positioning index that compares net longs across the four main New York and London-based crude contracts relative to open interest and historical norms is currently more negative than those for all other commodities they track. StanChart says that in recent months, crude oil has remained close to the bottom of the ranking of metals and energy in terms of implied positive speculative preference, while gasoline has been close to the top. StanChart's crude oil index currently stands at -70.3, the lowest since mid-April 2020 (about a week before WTI prices settled at a negative price). The index has now fallen by 57.4 over the past three weeks marking the largest three-week fall since February 2020, just before the temporary collapse of the index and no clear outlook on how bad a global recession can get, we would expect prices to range trade with a slightly bearish tone.

Fundamental News: Analysts and traders said an oil spill that shut TC Energy's Keystone pipeline in the United States on Wednesday could squeeze crude inventories at the country's primary storage hub and in two main refining regions, the Midwest and Gulf Coast. The Keystone line is a key artery bringing more than 600,000 bpd of Canadian crude to various parts of the United States. It was shut late Wednesday after leaking more than 14,000 barrels of oil into a creek in Kansas, making it the largest crude spill in the United States in nearly a decade. Data analytics firm Wood Mackenzie said the line runs directly to the Cushing, Oklahoma, storage hub and delivery point for WTI, which is currently about 31% full with nearly 24 million barrels in stock. If the line is closed for more than a week, it could reduce Cushing stocks by about 2.5 million barrels. Refineries in the U.S. Midwest may be more affected depending on when the line is restarted. By contrast, Gulf Coast refiners can draw on more sources for crude, both from offshore Louisiana facilities and from countries like Colombia, Mexico and Ecuador. Still volumes to the Gulf from Cushing have already declined. Volumes on TC Energy's Marketlink pipeline, which flows from Cushing to Nederland, Texas, fell by about 300,000 bpd to less than 500,000 bpd after the leak was discovered. That could leave the Gulf Coast refineries short of heavy Canadian barrels. Later, Bloomberg News reported that TC Energy is planning to restart one leg of the Keystone oil pipeline on Saturday. It expects to restart flows on the segment of the line extending to Patoka, Illinois.

The number of vessels waiting in the Black Sea to pass through Istanbul's Bosphorus Strait on the way to the Mediterranean increased by 1 to 20 on Friday, amid talks to disperse the build-up. On Thursday, dismissing pressure from abroad over the lengthening queue, Eight tankers were also waiting for passage through the Dardanelles strait into the Mediterranean, down from nine a day earlier, making a total of 28 tankers waiting for southbound passage.

Early Market Call - as of 8:25 AM EDT

WTI - January $71.71, up 69 cents

RBOB - January $2.0507, down 54 points

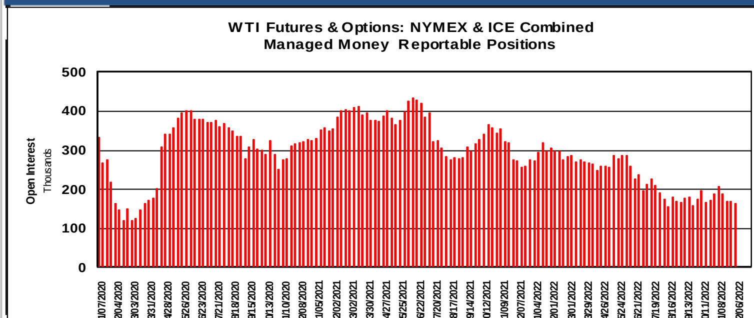
HO - January $2.8391, up 4.54 cents

All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Jan-23	2.7937	-0.0861	-0.3748
Feb-23	2.778	-0.067	-0.3514
Mar-23	2.7294	-0.0543	-0.3365
Apr-23	2.6711	-0.0455	-0.3219
May-23	2.633	-0.0381	-0.3028
Jun-23	2.6143	-0.031	-0.2811
Jul-23	2.6131	-0.0266	-0.2623
Aug-23	2.6137	-0.0247	-0.2479
Sep-23	2.614	-0.0236	-0.2368
Oct-23	2.6131	-0.0228	-0.2272
Nov-23	2.6093	-0.0218	-0.2195
Dec-23	2.6031	-0.021	-0.2129
Jan-24	2.5956	-0.0205	-0.2062
Feb-24	2.5864	-0.0199	-0.1997
Mar-24	2.5692	-0.0184	-0.1895
Apr-24	2.546	-0.0168	-0.1788
May-24	2.5356	-0.0154	-0.1659
Sprague HeatCurve October 2023-April 2024			**$2.5896**

	Close	Change
Crude - WTI	$71.0200	-$0.4400
Crude - Brent	$76.1000	-$0.0500
Natural Gas	$6.2450	$0.2830
Gasoline	$2.0561	$0.0070

Feb Brent-WTI Spread $5.08



Commitment of Traders Report for the Week Ending December 6, 2022