



# MarketWatch | Refined Products

Thursday, October 24, 2019

## Market Commentary

**Recap:** Oil prices rose to a three week high on Wednesday after the EIA reported a surprise 1.7 million barrel draw in U.S. crude oil inventories and as the prospect of deeper production cuts by OPEC and other major producers grew. Prices bounced off key technical numbers and continued to rise on the aforementioned news. December WTI reached a high of \$56.07 a barrel, a gain of \$1.59, or 2.9% before slightly paring gains to settle at \$55.97 a barrel, up \$1.49, or 2.73%, the highest settlement for a spot contract since Sept. 26. Brent for December delivery tacked on as much as \$1.60, or 2.6%, to trade at a session high of \$61.30 a barrel before it too pared gains to settle at \$61.17, up \$1.47, or 2.56%, the highest front month settlement since September 27. November RBOB climbed by 4.3 cents, or 2.7%, to \$1.6519 a gallon and November heating oil added 2.1 cents, or 1.1%, to \$1.9643 a gallon.

**Technical Analysis:** Today's move in WTI validated Tuesday's settlement in the December contract above \$53.63, the 10-day moving average, as this newly appointed spot contract bounced off of this level, and continued to rise throughout the session. December WTI blasted through \$55.38, the 50-day moving average and gathered enough momentum to push through \$56.00. With such a strong finish, we expect to see follow through to the upside at the start of trading on Thursday. Resistance is set at \$56.85 and above that at \$57.05. To the downside, support rests at \$55.00 and \$53.98.

**Fundamental News:** Russia's Energy Minister, Alexander Novak, said no formal proposals have been put forward to change the terms of a global deal on cutting oil supplies that was agreed on between OPEC and non-OPEC producers. Sources stated earlier that OPEC and non-OPEC producers would consider whether to increase their cuts when they meet in December due to worries about weak demand growth in 2020.

Goldman Sachs stated that Brent crude prices will likely continue trading around current levels in 2020, with slowing economic growth and geopolitical concerns failing to create large waves in the market. Brent oil prices are expected to continue trading around the investment bank's \$60/barrel forecast in 2020. However it predicts some upside risk to its year-end Brent forecast of \$62/barrel as headwinds from US producer hedging and higher recent freight rates fade and tighter supply and demand fundamentals and lower stocks in emerging markets drive the market. The bank estimated that the global oil market was in a supply deficit of 1.3 million bpd during the third quarter because of voluntary cuts by Saudi Arabia and the loss of Iranian and Venezuelan supply to the market because of US sanctions. It lowered its oil demand growth forecast to 950,000 bpd in 2019 from 1.25 million bpd and in 2020 to 1.25 million bpd from 1.45 million previously.

IIR Energy reported that US oil refiners are expected to shut in 1.3 million bpd of capacity in the week ending October 25<sup>th</sup>, increasing available refining capacity by 106,000 bpd from the previous week. Offline capacity is expected to fall to 1.1 million bpd in the following week.

The Renewable Fuels Association, the American Coalition for Ethanol, and Growth Energy filed a petition in the US Court of Appeals in Washington against the EPA, challenging the agency's process for granting refineries exemptions to the country's biofuel blending mandates. The biofuels industry has criticized the Trump administration for expanding the number of waivers granted in recent years, claiming the exemptions undercut demand for fuels such as corn-based ethanol.

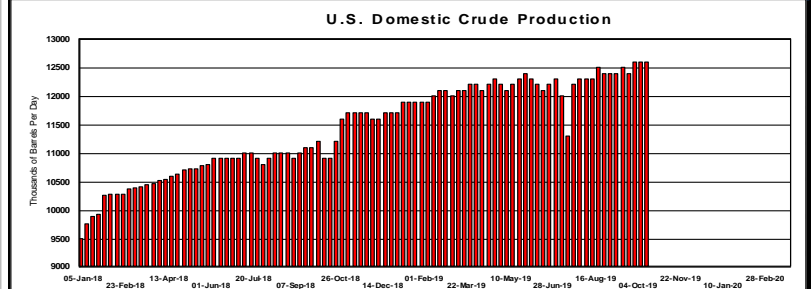
**Early Market Call - as of 8:25 AM EDT**

WTI - Dec \$56.00 up .03  
 RBOB - Nov \$1.6538 up .0009  
 HO - Nov \$1.9735 up .0089

## All NYMEX | Prior Settlements

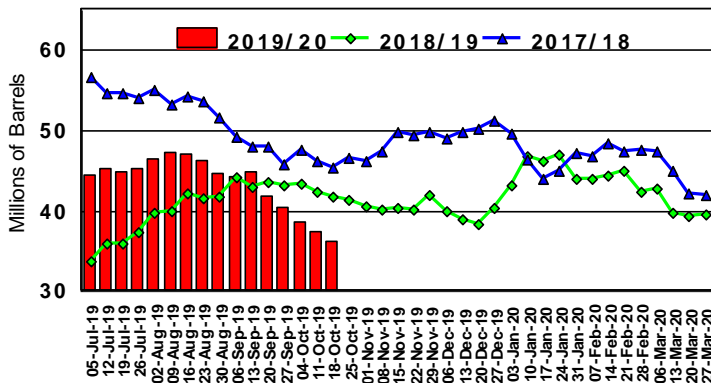
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Nov-19	1.9643	0.0206	-0.0217
Dec-19	1.9522	0.0228	-0.0227
Jan-20	1.9423	0.0250	-0.0252
Feb-20	1.9289	0.0270	-0.0104
Mar-20	1.9117	0.0278	-0.0291
Apr-20	1.8904	0.0290	-0.0304
May-20	1.8765	0.0294	-0.0313
Jun-20	1.8673	0.0292	-0.0312
Jul-20	1.8645	0.0289	-0.0309
Aug-20	1.8635	0.0287	-0.0306
Sep-20	1.8644	0.0285	-0.0306
Oct-20	1.8663	0.0283	-0.0308
Nov-20	1.8684	0.0281	-0.0312
Dec-20	1.8691	0.0277	-0.0314
Jan-21	1.8693	0.0275	-0.0319
Feb-21	1.8645	0.0271	-0.0321
Mar-21	1.8551	0.0266	-0.0322

Other Front Month NYMEX		Close	Change
Crude - WTI	Dec Brent-	\$55.9900	\$1.4900
Crude - Brent	WTI Spread	\$61.1700	\$1.4700
Natural Gas	\$5.18	\$2.2820	\$0.0100
Gasoline		\$1.6519	\$0.0430



## Weekly EIA Petroleum Status Report for the Week Ending October 18, 2019

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Down 1.699 million barrels  
 Cushing, OK Crude Stocks Up 1.506 million barrels  
**Gasoline Stocks** Down 3.107 million barrels  
**Distillate Stocks** Down 2.715 million barrels  
**Refinery % Operated** 85.2%, up 2.1%

#### PADD #1

Distillate Stocks (in million bbls)	Week Ending Oct 18, 2019	Week Ending Oct 11, 2019	Week Ending Oct 19, 2018
New England	7.0	7.2	7.8
Central Atlantic	18.0	19.3	22.5
Total PADD #1	36.1	37.3	41.7
Distillate Imports (thousands b/d)	100	187	136

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