



MarketWatch | Refined Products

Wednesday, August 5, 2020

Market Commentary

Recap: Oil prices moved higher on Tuesday, to close at their highest level since March, as traders awaited data on U.S. crude oil inventories and on hopes U.S. government officials are moving closer to reaching a new economic stimulus package. September WTI bounced from a low of \$40.14 a barrel, to a session high of \$42.08 before trimming gains to settle at \$41.70 a barrel, up 69 cents, or 1.7%. Brent for October delivery tacked on 28 cents, or 0.6%, ending the session at \$44.43 a barrel. September RBOB edged up 0.12 cent, or 0.1%, to \$1.2143 a gallon, while September heating oil rose 1.75 cents, or 1.4%, settling at \$1.2584.

Market Outlook: September WTI jumped passed \$41.74, the high of the congestion pattern we have been writing about, and pierced the ascending trend line drawn off of April lows. The inability of this spot contract to settle above the congestion pattern is a testament to its resilience. With the main trend to the upside, we would look for technical traders to try and take out the two previously mentioned technical resistance levels, with successful pushes opening up for a run at the 200-day moving average, which is currently set at \$42.40. Above this level, additional resistance is set at \$46.19. to the downside, support is set at \$41.04, the current 10-day moving average, and below that at \$39.21, the 50-day moving average.

Fundamental News: The U.S. Department of Energy has recommended that some of the oil refiners that applied for retroactive exemptions from the nation's biofuel blending law be granted partial relief. The move could help bring those refining companies into compliance with a court ruling earlier this year that requires waivers granted since 2010 to take the form of an extension. There are currently 58 pending requests from refiners for waivers covering the years 2011 through 2018. The EPA now has 90 days to review the recommendation.

U.S. oil refining capacity this year could decline by the largest amount in nearly a decade as pandemic-related travel curbs and a fire shut several plants, reversing years of small gains. Refiners globally have been idling plants as the COVID-19 pandemic cut fuel demand as much as 30%. In the United States, Marathon Petroleum Corp will close California and New Mexico plants in response to the demand slump. Philadelphia Energy Solutions closed and sold its refinery to a property developer after a fire and series of explosions tore through the plant last summer. The three processed a combined 523,000 barrels per day of oil, or nearly 3% of total U.S. refining, reducing capacity to 18.5 million bpd.

BP will increase its low-carbon spending 10-fold to \$5 billion a year by 2030 and increase its renewable power generation to 50 gigawatts (GW) while it cuts its oil and gas output by 40% compared with 2019. The portfolio it plans to build would include renewables, bioenergy and early positions in hydrogen and carbon capture and storage technology, with the bulk of the budget to be spent by 2025. BP's oil and gas production is expected to fall by at least 1 million bpd of oil equivalent from 2019 levels, adding that it would cease exploring for oil and gas in new countries.

Mexico's oil regulator said that the country's total proven oil reserves as of the beginning of 2020 stood at 8.062 billion barrels of oil equivalent, up 2.1% since last year.

A memorandum by Mexico's President, Andres Manuel Lopez Obrador said Mexico should hold no further new oil auctions, though tie-ups with private investors in the extraction or refining of oil are not ruled out provided this does not affect the national interest. He forecast crude oil production will reach 2.2 million bpd in 2024 from 1.8 million bpd in 2020. He also forecast that Mexico will process 1.2 million bpd in 2020.

Early Market Call - as of 9:06 AM EDT

WTI - Sep \$43.24 up \$1.54 per barrel
 RBOB - Sep \$1.2598 up 4.54 cents per gallon
 HO - Sep \$1.3000 up 4.16 cents per gallon

All NYMEX | Prior Settlements

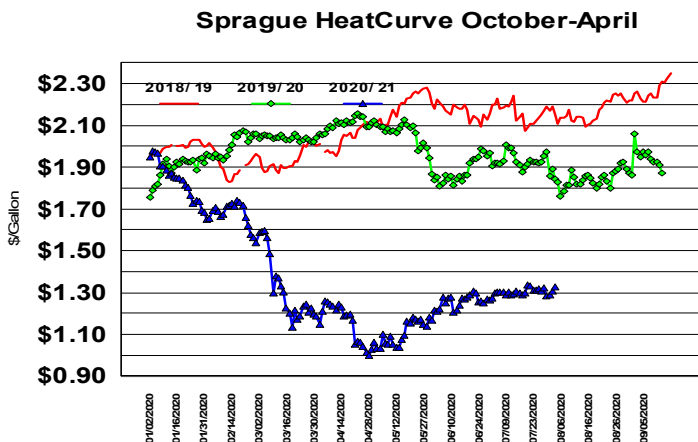
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Sep-20	1.2584	0.0175	-0.0090
Oct-20	1.2741	0.0181	-0.0099
Nov-20	1.2923	0.0173	-0.0112
Dec-20	1.3104	0.0165	-0.0136
Jan-21	1.3283	0.0170	-0.0166
Feb-21	1.3426	0.0180	-0.0197
Mar-21	1.3511	0.0186	-0.0215
Apr-21	1.3547	0.0192	-0.0234
May-21	1.3618	0.0196	-0.0261
Jun-21	1.3706	0.0203	-0.0276
Jul-21	1.3842	0.0203	-0.0279
Aug-21	1.3969	0.0201	-0.0276
Sep-21	1.4087	0.0198	-0.0278
Oct-21	1.4190	0.0193	-0.0272
Nov-21	1.4280	0.0186	-0.0260
Dec-21	1.4345	0.0176	-0.0241
Jan-22	1.4449	0.0174	-0.0237

Sprague Heat Weighted Strip October -April 20/2021		Close	Change
Crude - WTI	Sep Brent- WTI Spread \$2.52	\$41.9100	\$0.6000
Crude - Brent		\$44.4300	\$0.2800
Natural Gas		\$2.1930	\$0.0920
Gasoline		\$1.2143	\$0.0012

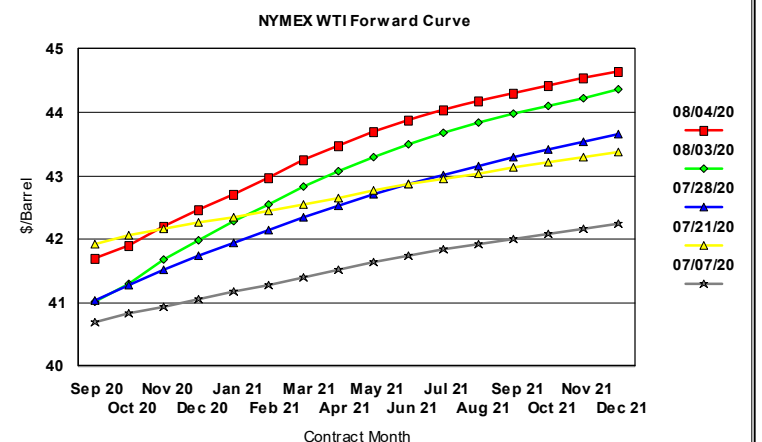
API Report for the Week Ending July 31, 2019

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Down 8.6 million barrels	Down 3.3 million barrels
Cushing, OK Crude Stocks	Up 1.6 million barrels	
Gasoline Stocks	Down 1.7 million barrels	Down 200,000 barrels
Distillate Stocks	Up 3.8 million barrels	Up 300,000 barrels
Refinery Runs	Up 153,000 bpd	
Crude Imports	Up 123,000 bpd	

Sprague HeatCurve October-April



WTI Forward Curve



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