MarketWatch | Refined Products

Monday, December 5, 2022

Market Commentary

Recap: Crude oil prices fell Friday after the European Union reached a deal to cap Russian oil at $60 a barrel. The price cap, which will ban Western companies from insuring, financing or shipping Russian oil, is intended to keep Russian crude flowing into the global market with limited financial upside for the Kremlin. Some analysts have been skeptical of the price cap's impact given that Russian oil exports, known as Urals, already trade at a steep discount to Brent crude. The $60-a-barrel price cap is on par with current Urals prices, so the impact on the Russian oil industry's export revenue will be slim, at least for the time being. Crude oil futures erased earlier gains in reaction to the November jobs report that showed that 263,000 jobs were added in November, exceeding Wall Street forecasts. A stronger-than-expected report suggests that the jobs market hasn't cooled as much as traders expected after the four consecutive 0.75-point rate hikes the Federal Reserve has made. Prior to the report's release, crude oil was trading higher ahead of the weekend and a meeting of OPEC+ scheduled for Sunday -- which carries the risk of changed oil quotas. WTI for January delivery gained $3.70 per barrel, or 4.85% to $79.98 this week, snapping a three week losing streak but for the session, this front month contract settled down $1.34, or 1.53% on the session. Brent Crude for February delivery gained $1.86 per barrel, or 2.22% to $85.57 this week, also snapping a three week losing streak. For Friday’s session this front month contract fell $1.31, or 1.51%. ULSD for Jan. delivery gained 0.02 cent per gallon or 0.01% to $3.1685 this week, falling 9.39 cents, or 2.88% for Friday’s session. RBOB Gasoline for January delivery gained 0.75 cent per gallon, or 0.33% to $2.2804 this week, falling 6.16 cents, or 2.63% for Friday’s session. Both petroleum products snapped a three week losing streak.

Technical Analysis: Crude oil futures bounced off of support during the week, indicating that oil prices may have bottomed for the time being. Trading was a bit choppy, but the overall sentiment was bullish. We will most likely see support down around the $80 area. On the upside, the 50-day moving average will provide support, with breaks above this level bump this market in position to test $85.

Fundamental News:

The European Union agreed on a $60/barrel price cap on Russian seaborne crude, after Poland gave its support. Earlier, Poland’s Ambassador to the EU, Andrzej Sados, said Poland agreed to the European Union’s deal for the price cap on Russian seaborne oil, allowing the EU to move forward with formally approving the deal over the weekend. Poland had held out on approving the deal to examine an adjustment mechanism to keep the cap below the market price. A spokesperson for the Czech Republic, which holds the rotating EU presidency and oversees EU countries’ negotiations, said it had launched the written procedure for all 27 EU countries to formally approve the deal.

The European Union Commission President, Ursula von der Leyen, said a new price cap on Russian seaborne oil will be adjustable over time so that it can react to market developments. She said the price cap, set at a $60/barrel, will "stabilize global energy markets" because some oil shipments towards third countries through EU-based players will still be possible, as long as the oil is sold at a price below the cap.

National Security spokesman, John Kirby, said the White House welcomed news that the European Union was “coming together” on a $60/barrel price cap on Russian seaborne oil and added that the deal should help limit Russian revenues.

Baker Hughes reported that U.S. energy firms this week left the number of oil and natural gas rigs operating unchanged for the first time since June. The U.S. oil and gas rig count remained unchanged at 784 in the week ending December 2nd. U.S. oil rigs held at 627 and gas rigs were at 155.

IIR Energy said U.S. oil refiners are expected to shut in 417,000 bpd of capacity in the week ending December 2nd, cutting available refining capacity by 98,000 bpd.

Early Market Call - as of 8:15 AM EDT

WTI - January $85.56 Up $2.57

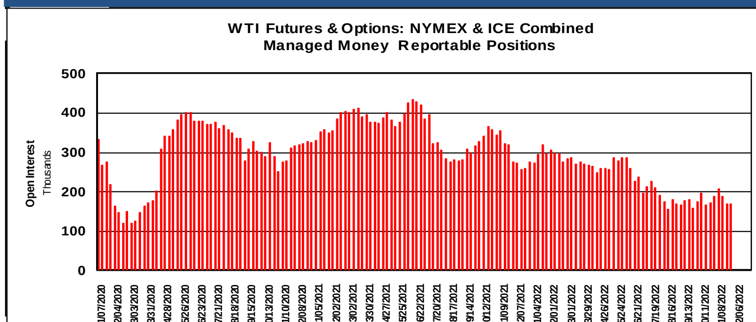
RBOB - January $2.3377 Up $0.0573

HO - January $3.2373 Up $0.0685

All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Jan-23	3.1685	-0.0939	0.0002
Feb-23	3.1294	-0.0835	0.0235
Mar-23	3.0659	-0.0724	0.0285
Apr-23	2.993	-0.0629	0.0341
May-23	2.9358	-0.0567	0.0337
Jun-23	2.8954	-0.0521	0.0369
Jul-23	2.8754	-0.0479	0.0402
Aug-23	2.8616	-0.0437	0.044
Sep-23	2.8508	-0.0405	0.047
Oct-23	2.8403	-0.0379	0.0502
Nov-23	2.8288	-0.0353	0.054
Dec-23	2.816	-0.0327	0.0579
Jan-24	2.8018	-0.0306	0.0614
Feb-24	2.7861	-0.0292	0.0648
Mar-24	2.7587	-0.0287	0.067
Apr-24	2.7248	-0.0282	0.0689
May-24	2.7015	-0.0277	0.0715
Sprague HeatCurve October 2023-April 2024			$2.7938

		Close	Change
Crude - WTI	Feb Brent-WTI Spread $5.52	$80.0500	-$1.0900
Crude - Brent		$85.5700	-$1.3100
Natural Gas		$6.2810	-$0.4570
Gasoline		$2.2804	-$6.1600



Commitment of Traders Report for the Week Ending November 29, 2022