



MarketWatch | Refined Products

Tuesday, October 16, 2018

Market Commentary

Recap: Oil prices bounced early in the session on Monday, as tensions between the U.S. and Saudi Arabia, appeared to heighten, giving rise to concern about supplies. However, falling equities and the long term outlook for demand kept a lid on prices. The situation between the U.S. and Saudi Arabia has come right before the November onset of U.S. sanctions against Iran and as Venezuela's oil supply continues to decline. This could lead to a difficult time for oil prices. November WTI climbed as much as 1.9% before falling to a session low of \$70.85. Losses were pared, with this spot contract settling at \$71.78 a barrel, up 44 cents or 0.62%. Brent for December delivery tacked on 35 cents, or 0.44%, to settle at \$80.78 a barrel. November RBOB rose 0.1%, to settle at \$1.944 a gallon, while November heating oil increased 0.2%, to settle at \$2.326 a gallon.

Technical Analysis

November WTI settled above \$71.74, the 50% retracement which was set by October's high of \$76.90 and September's low of \$66.57. It would not be unexpected for this market to experience additional technical bounces, with the potential of testing the 10-day moving average, which is currently set at \$73.68. Above this level, additional resistance is set at \$75.08 a barrel. Support is set at \$70.52 and below that at \$69.65.

Fundamental News:

President Trump on Sunday has threatened "severe punishment" if it turns out that the dissident Saudi journalist Khashoggi was killed in the Saudi consulate in Turkey. On Monday, the President was dispatching his Secretary of State to immediately visit Saudi Arabia and Turkey. While later in the day President Trump speculated that "rogue killers" may have been behind the disappearance of the Khashoggi. CNN was reporting Monday afternoon that Saudi Arabia is preparing a report that would say Khashoggi was killed as the result of an interrogation that went wrong, according to two unidentified sources. The New York Times, citing a person familiar with the Saudi plans, reported that Prince Mohammed bin Salman had approved an interrogation or rendition of Khashoggi back to Saudi Arabia. The Saudi government, it said, would shield the prince by blaming an intelligence official for the botched operation.

The head of the Saudi government owned Arabiya news on Sunday responded to talk from western nations of possible sanctions on the kingdom if rumors of the murder of Washington Post columnist Jamal Khashoggi at the hands of the Saudis are proved true. He warned that any punitive measures taken against Saudi Arabia would be met by even "stronger ones". He went on to say that the Saudi economy "has an influential and vital role in the global economy. Many market observers took this veiled threat as breaking a 45 year old taboo of not linking oil prices with global political considerations. The Saudi government though later said this comment was not the position of the Saudi government.

Societe Generale has raised its 4Q2018 Brent forecast by \$4.00 per barrel to \$82.00 per barrel. It noted that U.S. sanctions on Iran are expected to have a bigger impact on the markets than its earlier forecast had taken into consideration. The bank is now looking at Iranian crude production and export losses due to sanctions from 1.3-1.7 million b/d. The bank also raised its price outlook for 2019 by \$4 per barrel to \$77 per barrel.

Reuters reported Monday that according to its shipping data Iran has been exporting between 1.33-1.5 million b/d in October. Exports in September appeared to average 1.5 million b/d versus 2.5 million b/d exported in April before President Trump withdrew the United States from the 2015 nuclear deal.

Early Market Call - as of 8:45 AM EDT

WTI - Nov \$71.36 down 42 cents
 RBOB - Nov \$1.9435 down 8 points
 HO - Nov \$2.3123 down 1.34 cents

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Nov-18	\$2.3257	\$0.0044	-\$0.0685
Dec-18	\$2.3281	\$0.0049	-\$0.0690
Jan-19	\$2.3301	\$0.0052	-\$0.0690
Feb-19	\$2.3273	\$0.0056	-\$0.0692
Mar-19	\$2.3210	\$0.0060	-\$0.0692
Apr-19	\$2.3106	\$0.0064	-\$0.0699
May-19	\$2.3054	\$0.0066	-\$0.0689
Jun-19	\$2.3028	\$0.0066	-\$0.0676
Jul-19	\$2.3070	\$0.0067	-\$0.0666
Aug-19	\$2.3117	\$0.0067	-\$0.0660
Sep-19	\$2.3176	\$0.0071	-\$0.0656
Oct-19	\$2.3232	\$0.0076	-\$0.0653
Nov-19	\$2.3284	\$0.0083	-\$0.0639
Dec-19	\$2.3334	\$0.0089	-\$0.0613
Jan-20	\$2.3351	\$0.0093	-\$0.0602
Feb-20	\$2.3289	\$0.0098	-\$0.0582
Mar-20	\$2.3190	\$0.0094	-\$0.0567

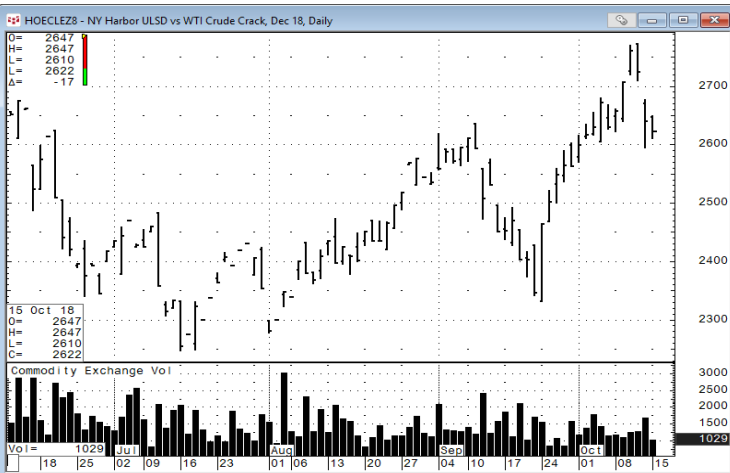
Sprague Heat Curve November - March

Other Front Month NYMEX		Close	Change
Crude - WTI	Dec Brent-	\$71.6100	\$0.4300
Crude - Brent	WTI Spread	\$80.7800	\$0.3500
Natural Gas	\$9.17	\$3.2420	\$0.0810
Gasoline		\$1.9443	\$0.0023

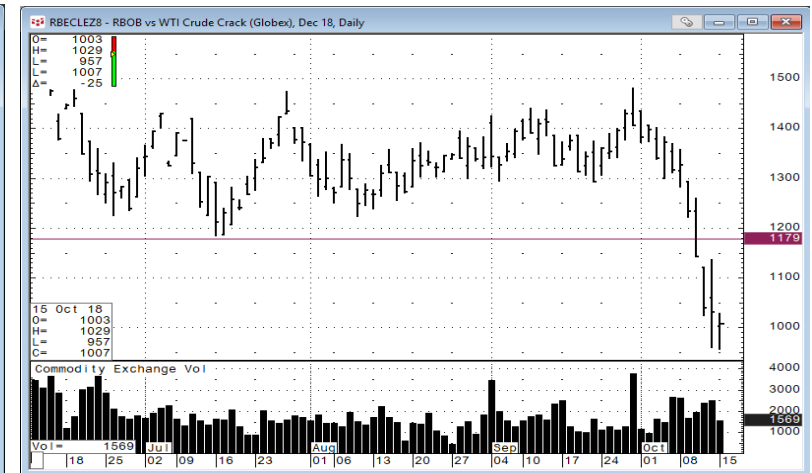
ICE December Brent - WTI Spread



Dec Heat Crack Spread



Dec RBOB Crack Spread



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