MarketWatch | Refined Products

Monday, September 12, 2022

Market Commentary

Recap: Oil prices traded higher on Friday after rebounding from earlier losses. Sentiment is being supported by news that the IEA has upgraded its global oil demand outlook for the next two quarters as electricity suppliers, particularly in Europe, could now switch to oil-based generating fuels from natural gas. OCBC analysts say in a note, "The Biden administration is also weighing a possible release from the Strategic Petroleum Reserve to avoid another price spike when EU sanctions on Russia supplies take effect in December." The market's generally bearish trend has been led by a weak global economy and expectations of more aggressive, inflation-fighting rate hikes by the Fed. But Thursday's and Friday's higher bump in prices reveals that energy investors remain unconvinced that the global economy is doing all that bad, and there's also strong feelings that the OPEC-plus group may soon announce more output cuts to prevent any serious drop in the price of oil, which is the economic lifeblood for many OPEC members. WTI October delivery added $3.25, or 3.89%, to settle at $86.79 per barrel, but lost eight cents, or 0.09% on the week. Brent Crude for November tacked on $3.69 or 4.14% to end the session at $92.84 but lost 18 cents per barrel, or 0.19% on the week. RBOB for October delivery lost 3.05 cents per gallon, or 1.24% to $2.4331 for the week, but was up 8.70 or 3.7% on the session. This was the fourth consecutive week of losses. ULSD for October delivery gained 0.07 cent per gallon or 0.02% to $3.5787 this past week however, added 3.86 cents or 1.09% for the trading session. Heating oil was up four of the past five weeks.

Technical Analysis: Friday's move higher may have been an indication that technical traders, who were anticipating a break below $80, grew tired of waiting. This sign of exhaustion pushed October WTI back above the $85 level and a briefly above $87. A break above the 200-day moving average will shift the near-term momentum of this market to the upside, leading to the possibility of touching $100. Support rests at $85 and below that at $80. Fundamentally, crude oil markets still have to contend with the possibility of a global recession and its impact on demand, along with COVID driven restrictions in China.

Fundamental News: Vyacheslav Volodin, the speaker of Russia's lower house of parliament, the Duma, said that Western plans to introduce a price cap on Russian oil and gas exports would fail and that prices would increase far beyond their attempted artificial price ceiling. He said "What G7 state officials call a price 'ceiling' will become a price floor."

A U.S. Treasury Department official said the price cap that G7 countries want to impose on Russian oil to punish Russia should be set at a fair market value minus any risk premium resulting from its invasion of Ukraine. The price cap's level is unclear and U.S. and EU officials have not specified a numeric range.

Oil demand in China could decline for the first time in two decades this year as Beijing's zero-COVID policy keeps people at home during upcoming holidays and reduces fuel consumption. Sun Jianan, an analyst from Energy Aspects said China's demand for gasoline, diesel and jet fuel could fall by 380,000 bpd to 8.09 million bpd in 2022, which would be the first contraction since 2002. In comparison, demand increased by 450,000 bpd, or 5.6%, in 2021. So far this year, China has seen its January-August crude oil imports decline by 4.7%, the first contraction for the eight-month period since at least 2004.

IIR Energy reported that U.S. oil refiners are expected to shut in about 364,000 bpd of capacity in the week ending September 9th, increasing available refining capacity by 336,000 bpd.

U.S. energy firms this week cut the number of oil and natural gas rigs operating to the lowest since late July as the growth in the rig count and production has slowed. Baker Hughes reported that the U.S. oil and gas rig count fell by one to 759 in the week ending September 9th, down for the fifth week in six. U.S. oil rigs fell by five to 591 this week, their lowest since mid-June, while gas rigs increased by four to 166, their highest since August 2019.

Early Market Call - as of 8:35 AM EDT

WTI - October $93.85, up $1.01

RBOB - October $2.4460, up 1.21 cents

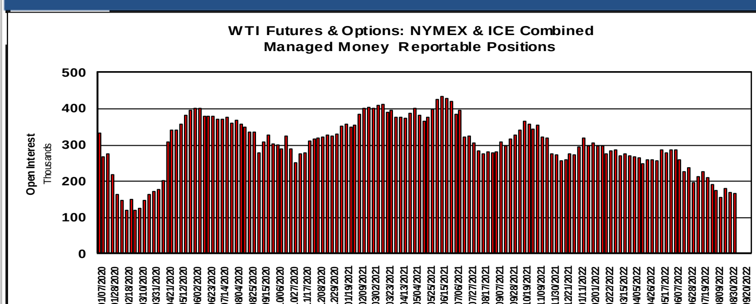
HO - October $3.6281, up 4.86 cents

All NYMEX | Prior Settlements

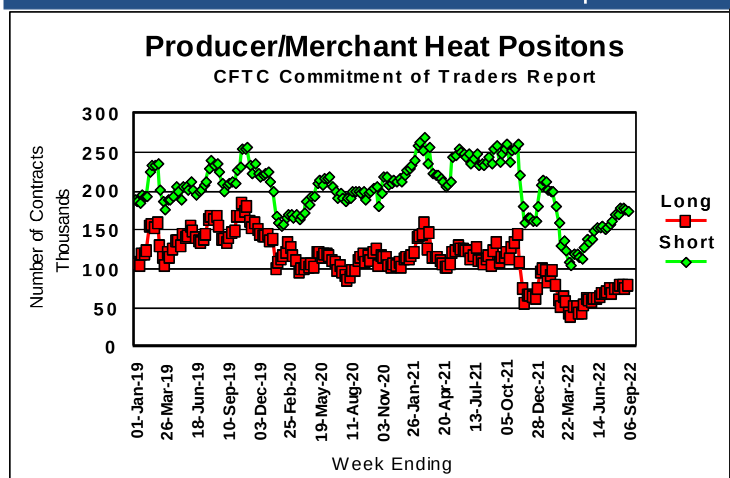
Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Oct-22	3.5787	0.0386	0.0007
Nov-22	3.5184	0.0477	0.0072
Dec-22	3.4533	0.0544	0.0119
Jan-23	3.3903	0.0598	0.0149
Feb-23	3.3194	0.0632	0.0184
Mar-23	3.2386	0.0653	0.0235
Apr-23	3.1485	0.0669	0.0278
May-23	3.076	0.068	0.0303
Jun-23	3.0204	0.0677	0.03
Jul-23	2.9864	0.0674	0.0296
Aug-23	2.9587	0.0668	0.0296
Sep-23	2.9331	0.0658	0.0301
Oct-23	2.9102	0.0649	0.0305
Nov-23	2.8883	0.0632	0.03
Dec-23	2.8675	0.0619	0.0301
Jan-24	2.8459	0.0623	0.03
Feb-24	2.8319	0.0616	0.029
Sprague HeatCurve October 2022-April 2023			**$3.3716**

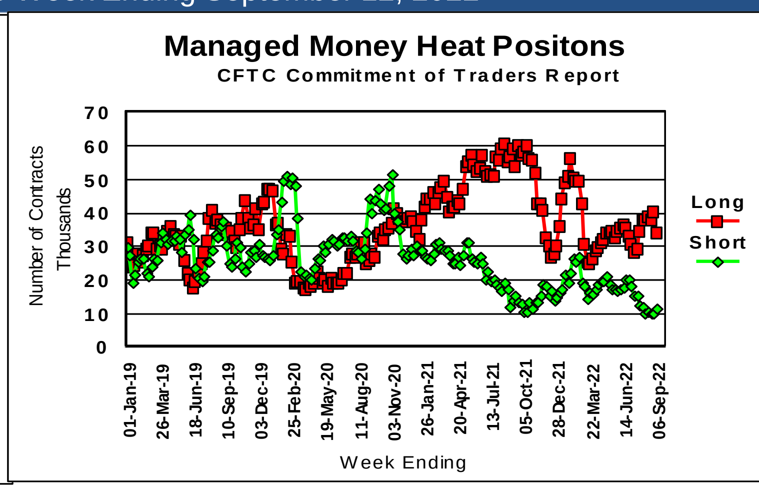
	Close	Change
Crude - WTI	$86.3600	$3.2900
Crude - Brent	$92.8400	$3.6900
Natural Gas	$7.9960	$0.0810
Gasoline	$2.4331	$0.0870

Oct Brent-WTI Spread $6.48



Commitment of Traders Report for the Week Ending September 12, 2022





This market update is provided for information purposes only and is not intended as advice on any transaction nor is it a solicitation to buy or sell commodities. Sprague makes no representations or warranties with respect to the contents of such news, including, without limitation, its accuracy and completeness, and Sprague shall not be responsible for the consequence or reliance upon any opinions, statements, projections and analyses presented herein or for any omission or error in fact.