MarketWatch | Refined Products

Tuesday, February 21, 2023

Market Commentary

Recap: The crude oil market on Friday traded lower, pressured by concerns of further U.S. Federal Reserve interest rate hikes and a recession that could weigh on demand. Two Federal Reserve officials on Thursday warned of additional interest rate hikes to lower inflation to the Fed's 2% target. On Friday, Goldman Sachs and Bank of America said they expect the Federal Reserve to raise interest rates three more times this year, lifting their estimates after data on Thursday pointed to persistent inflation. The oil market opened lower and posted a high of $78.25 before it sold off sharply. The market retraced more than 62% of its move from a low of $72.25 to a high of $80.62 as it posted a low of $75.06 by mid-morning. The market later bounced off that level and retraced almost 50% of its early sell off from $78.25 to $75.06 as it traded back toward $76.60 by mid-day. The March WTI contract settled in a sideways trading pattern during the remainder of the session and settled down $2.15 or 2.7% at $76.34. Meanwhile, the April Brent contract settled down $2.14 at $83.00. The product markets also ended the session in negative territory, with the heating oil market settling down 9.87 cents at $2.7121 and the RB market settling down 2.73 cents at $2.4082.

Technical Analysis: The oil market is seen trading sideways during Monday's shortened trading session due to the Presidents' Day holiday. The market will remain in its recent trading range we have previously mentioned from $72.25 to $82.70 as the market awaits for further news on China's demand recovery. The market will also seek further direction from economic data as Fed officials stated that they may want to go back to increasing interest rates more aggressively at its next meeting. The market is seen finding resistance at $76.66, $77.00, its high of $78.25, $79.39, basis a trendline, $79.61 and $80.62. Further upside is seen at $82.48 and $82.64-$82.66. Meanwhile, support is seen at $75.06, $74.35 and $72.25. More distant support is seen at $70.60.

Fundamental News: JPMorgan analysts said Brent oil prices are unlikely to breach the $100/barrel level this year, barring any significant geopolitical drivers, with OPEC+ potentially adding supply and Russian flows recovering by mid-2023. The analysts said OPEC+ is unlikely to defend the $80 price floor and hence would not need to cut production quotas this year. They added that the group could instead add 400,000 bpd to supply.

Kpler reported that January was a record month for U.S. crude oil exports on VLCCs, averaging 859,000 b/d. The company is estimating exports in February and March on VLCCs are slated to grow even higher. Many of these flows are expected to move toward Asia with China being the main destination.

Company officials and analysts said U.S. crude oil exports that have been supported by a trade flow reshuffle in the aftermath of Russia's invasion of Ukraine will remain elevated this year as Europe and Asia search for supplies. According to data and analytics firm Kpler, exports of U.S. crude to Europe reached nearly 1.69 million bpd in December, the highest in at least two years. It has since eased to about 1.42 million bpd in February.

Analysts said China is expected to import a record amount of crude oil in 2023 due to increased demand for fuel as people travel more after China lifted its COVID-19 controls and as a result of new refineries coming onstream. According to analysts from four industry consultancies, Wood Mackenzie, FGE, Energy Aspects and S&P Global Commodity Insight, China's crude imports may increase between 500,000 and 1 bpd this year to as high as 11.8 million bpd, reversing the previous two years' decline and exceed 2020's record of 10.8 million bpd.

U.S. energy firms this week cut the number of oil and natural gas rigs operating for the second time in three weeks. Baker Hughes reported that the oil and gas rig count fell by one to 760 in the week ending February 17th. It reported that the number of oil rigs fell by two to 607 this week, while gas rigs increased by one to 151.

Early Market Call - as of 8:20 AM EDT

WTI - March $76.91, up 57 cents

RBOB - March $2.4432, up 3.9 cents

HO - March $2.7603, up 4.82 cents

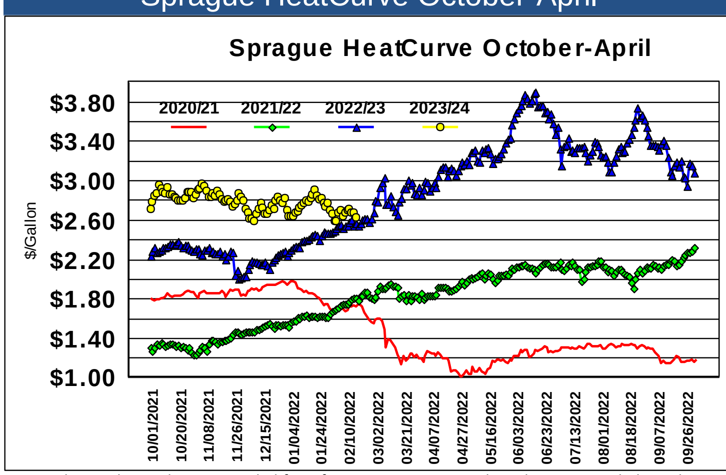
All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Mar-23	2.7121	-0.0987	-0.1525
Apr-23	2.7018	-0.0893	-0.1354
May-23	2.6796	-0.0768	-0.107
Jun-23	2.6586	-0.0644	-0.0937
Jul-23	2.648	-0.0573	-0.0876
Aug-23	2.6439	-0.0536	-0.0809
Sep-23	2.6445	-0.0531	-0.0752
Oct-23	2.6435	-0.0523	-0.0701
Nov-23	2.6396	-0.0511	-0.0652
Dec-23	2.6315	-0.0498	-0.0613
Jan-24	2.6248	-0.0476	-0.0582
Feb-24	2.6145	-0.0456	-0.0561
Mar-24	2.597	-0.044	-0.0532
Apr-24	2.572	-0.042	-0.049
May-24	2.5577	-0.04	-0.0451
Jun-24	2.5462	-0.0381	-0.0411
Jul-24	2.5389	-0.0365	-0.0407
Sprague HeatCurve October 2023-April 2024			**$2.6181**

		Close	Change
Crude - WTI	Apr Brent-WTI Spread $6.45	$76.5500	-$2.1900
Crude - Brent		$83.0000	-$2.1400
Natural Gas		$2.2750	-$0.1140
Gasoline		$2.4082	-$0.0273

March WTI

Sprague HeatCurve October-April



8-14 Day Weather Forecast