MarketWatch | Refined Products

Monday, May 13, 2024

Market Commentary

Recap: The oil market on Friday posted an outside trading day as it traded off an early high on indications that interest rates may remain high for a longer period of time than the market has been expecting. However, the market still managed to post a weekly gain of 0.19%, which was driven by continuing geopolitical risks in the Middle East and supportive demand signals from the U.S. and China. Conflict in the Middle East continued as Israeli forces bombarded areas of the southern Gaza city of Rafah on Thursday, amid a lack of progress in the latest round of negotiations to halt hostilities in Gaza. Also, the weekly decline in U.S. crude inventories reported by the EIA on Wednesday and China's latest trade data showing higher crude imports in April, suggest a recovery in demand. In overnight trading, the crude market continued its upward trend seen over the last few sessions. It posted a high of $79.96 early in the session before it erased its gains and sold off sharply. It breached its previous low of $78.91 as it traded to a low of $78.20 ahead of the close. The market was pressured as comments made by Federal Reserve officials indicated that the central bank may not need to cut rates until later in the year. Oil prices were also pressured as the U.S. dollar strengthened. The June WTI contract settled down $1 at $78.26 while the July Brent contract settled down $1.09 at $82.79. The product markets ended the session lower, with the heating oil market settling down 4.32 cents at $2.4344 and the RB market settling down 4.21 cents at $2.4997.

Technical Analysis: The crude market will remain driven by headlines over the weekend. It may retrace some of its losses on Monday and trend sideways as stochastics have not crossed to the downside yet. Resistance is seen at its high of $79.96, $80.74, $81.57, $81.95 followed by $82.39, $82.95 and $83.12. The market is seen finding support at its low of $78.20 followed by $76.89, $76.67, $76.07 and $75.10.

Fundamental News: Baker Hughes reported that U.S. energy firms this week cut the number of oil and natural gas rigs operating for a third consecutive week. The oil and gas rig count fell by two to 603 in the week to May 10th, the lowest since January 2022. Baker Hughes said oil rigs fell by three to 496 this week, their lowest since November, while gas rigs increased by one to 103.

IIR Energy said that U.S. oil refiners are expected to shut in about 800,000 bpd of capacity in the week ending May 10th, increasing available refining capacity by 205,000 bpd.

Sources stated that Saudi Aramco will supply full contractual volumes of crude to at least four Asian refiners in June. The allocation comes after Saudi Arabia increased June prices for most grades bound for Asia to their highest in five months, underscoring increased demand this summer. However, source stated that Chinese refiners will lift less Saudi crude oil in June than in May.

Atlanta Federal Reserve President, Raphael Bostic, said the U.S. central bank likely remains on track to cut interest rates this year even if the timing and extent of the policy easing is uncertain and further declines in inflation come only slowly. He said he still sees only a single quarter-percentage-point cut likely coming late this year and that his focus now is less on how much the policy rate might fall through 2024 and more on determining the right timing for any move lower.

Dallas Federal Reserve President, Lorie Logan, said there are "uncertainties" over whether monetary policy is sufficiently restrictive to bring inflation down to the U.S. central bank's 2% goal and it is "too early" to be cutting interest rates.

Chicago Federal Reserve Bank President, Austan Goolsbee, said he believes U.S. monetary policy is "relatively restrictive," meaning that borrowing costs are putting downward pressure on inflation. He said increased supply, including on the labor side, makes it difficult to interpret if strong job gains and strong economic growth indicate any worrisome overheating.

Early Market Call - as of 8:15 AM EDT

WTI - June $78.79, up 53 cents

RBOB - June $2.5217, up 2.2 cents

HO - June $2.4570, up 2.26 cents

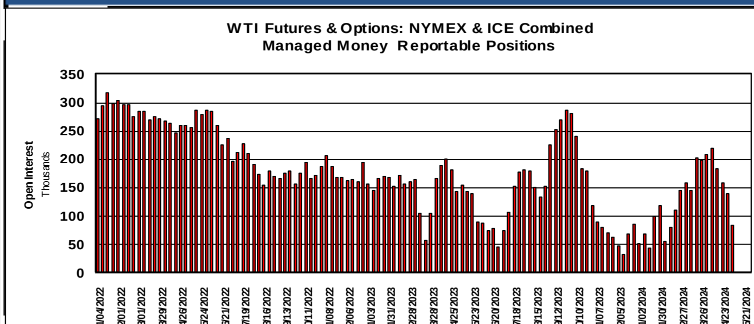
All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Jun-24	2.4344	-0.0432	-0.0090
Jul-24	2.4498	-0.0409	-0.0072
Aug-24	2.4649	-0.0384	-0.0059
Sep-24	2.4779	-0.0374	-0.0060
Oct-24	2.4856	-0.0368	-0.0074
Nov-24	2.4857	-0.0352	-0.0084
Dec-24	2.4812	-0.0335	-0.0092
Jan-25	2.4823	-0.0319	-0.0086
Feb-25	2.4752	-0.0304	-0.0084
Mar-25	2.4604	-0.0285	-0.0084
Apr-25	2.4404	-0.0267	-0.0088
May-25	2.4291	-0.0248	-0.0081
Jun-25	2.4207	-0.0234	-0.0082
Jul-25	2.4157	-0.0225	-0.0086
Aug-25	2.4117	-0.0216	-0.0094
Sep-25	2.4090	-0.0208	-0.0106
Oct-25	2.4057	-0.0201	-0.0121

Sprague HeatCurve October 2024-April 2025 **$2.4743**

	Close	Change
Crude - WTI	$77.8400	-$0.9600
Crude - Brent	$82.7900	-$1.0900
Natural Gas	$2.2520	-$0.0490
Gasoline	$2.4997	-$0.0421

July Brent-WTI Spread $4.95



Commitment of Traders Report for the Week Ending May 7, 2024