



MarketWatch | Refined Products

Friday, October 12, 2018

Market Commentary

Recap: Oil prices fell sharply on Thursday after the EIA reported a 6 million barrel rise in U.S. crude oil inventories. This was the third week in a row U.S. crude oil inventories increased. The rise in inventories coincides with a drop in U.S. Midwest refinery utilization, which fell to 73.3% last week, the lowest levels on record, according to EIA data. November WTI fell to its lowest level in three weeks, falling as much as 3.6%, as it hit a low of \$70.52 a barrel before paring losses for a settlement at \$70.97, down \$2.20, or 3.01%. Brent for December delivery slipped 3.9%, hitting a low of \$79.80, its lowest level in two weeks, but pared losses for a settlement of \$80.26 a barrel, down 42.83, or 3.41%. November gasoline dropped by 4.3% to \$1.933 a gallon—the lowest finish since March. November heating oil fell 2.6% to \$2.332 a gallon.

Technical Analysis

November WTI reached the 62% retracement level of \$70.52, which was set by October's high of \$76.90 and September's low of \$66.57. The failure of this spot contract to penetrate this level prompted technical traders into covering shorts, leading to a bounce in prices. The near term momentum, which shifted to the downside on Wednesday, remains in effect. As a result, we would look for an attempt to break through \$70.52. Support below this level is set at \$69.50, the 10-day moving average, and below that at \$68.29. Resistance is set at \$71.74 and above that at \$72.95.

Fundamental News: OPEC's Secretary General said Thursday, "There is no cause for alarm" and said oil supplies are sufficient. He said the oil market has been reacting to perceptions of a possible supply shortage. He noted that there were a lot of non-fundamental factors influencing the market that were beyond OPEC's control. He did note that "the projections for 2019 clearly show a possible rebuild in stocks".

UAE's oil minister said Thursday that the UAE began raising oil production in the 3Q2018 and expects its production will reach its target of 3.5 million b/d by the end of the year.

In a report released by OPEC on Thursday, the cartel cut its forecast of global demand growth for oil next year for a third straight month. The 50,000 b/d reduction in this estimate was due to the headwinds facing the global economy from trade disputes to volatile emerging markets, as well as rising supplies coming from non-OPEC producers. OPEC also lowered its estimate for demand for OPEC crude oil in 2019 by another 300,000 from last month's estimate to 31.8 million b/d, which in turn marks a decline of 900,000 b/d from the projection for 2018. OPEC said its own production rose by 132,000 b/d in September to 32.76 million b/d, the highest monthly production level since August 2017. Saudi Arabia and Libya increased output by 108,000 and 103,000 b/d respectively. OPEC sees the growth of non-OPEC supply in 2019 of 2.12 million b/d.

Russia's energy minister said Thursday that Russia's oil production in October is 100,000 b/d higher than average production recorded in September.

The BSEE reported at midday oil producers in the Gulf of Mexico had shut in some 680,107 b/d of oil production down slightly from Wednesday. Natural gas production in the gulf that was still shut in on Thursday stood at 744 MMcf/d or 29.1% of total production from the area. BP, Chevron and other offshore oil and gas producers Thursday have confirmed that they have begun redeploying offshore personnel to company related facilities in the Gulf of Mexico. Operations at the LOOP marine terminal resumed normal operations Thursday afternoon.

Early Market Call - as of 8:58 AM EDT

WTI - Nov \$71.80

RBOB - Nov \$1.9560

HO - Nov \$2.3413

All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Nov-18	\$2.3322	-\$0.0627	-\$0.0675
Dec-18	\$2.3335	-\$0.0630	-\$0.0698
Jan-19	\$2.3349	-\$0.0630	-\$0.0713
Feb-19	\$2.3315	-\$0.0627	-\$0.0720
Mar-19	\$2.3240	-\$0.0626	-\$0.0727
Apr-19	\$2.3127	-\$0.0626	-\$0.0737
May-19	\$2.3065	-\$0.0614	-\$0.0732
Jun-19	\$2.3031	-\$0.0597	-\$0.0716
Jul-19	\$2.3064	-\$0.0586	-\$0.0700
Aug-19	\$2.3106	-\$0.0579	-\$0.0690
Sep-19	\$2.3159	-\$0.0574	-\$0.0686
Oct-19	\$2.3210	-\$0.0569	-\$0.0680
Nov-19	\$2.3259	-\$0.0560	-\$0.0667
Dec-19	\$2.3306	-\$0.0546	-\$0.0646
Jan-20	\$2.3312	-\$0.0543	-\$0.0645
Feb-20	\$2.3239	-\$0.0538	-\$0.0635
Mar-20	\$2.3139	-\$0.0523	-\$0.0620

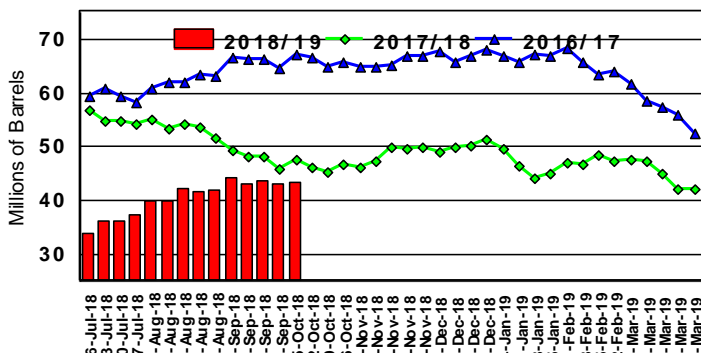
Sprague Heat Curve Nov-March			\$2.3315
Other Front Month NYMEX		Close	Change
Crude - WTI	Dec Brent-	\$70.8100	-\$2.2200
Crude - Brent	WTI Spread	\$80.2600	-\$2.8300
Natural Gas	\$9.45	\$3.2220	-\$0.0620
Gasoline		\$1.9327	-\$0.0877

EIA Working Gas Storage Report

EIA Weekly Report				
	05-Oct-18	28-Sep-18	Change	Year Ago
East	790	763	27	881
Midwest	871	836	35	1,019
Mountain	180	177	3	223
Pacific	262	262	0	314
South Central	854	829	25	1,146
Salt	191	181	10	309
Nonsalt	663	648	15	836
Total	2,956	2,866	90	3,583

EIA Weekly Petroleum Status Report for the Week Ending October 5, 2018

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 5.99 million barrels

Cushing, OK Crude Stocks Up 2.36 million barrels

Gasoline Stocks Up 951,000 barrels

Distillate Stocks Down 2.67 million barrels

Refinery % Operated 88.8%, Down 1.6%

PADD #1

Distillate Stocks (in million bbls)	Week Ending Oct 5, 2018	Week Ending Sep 28, 2018	Week Ending Oct 6, 2017
New England	7.6	7.4	8.5
Central Atlantic	23.1	23.6	26.8
Total PADD #1	43.3	43.1	47.7
Distillate Imports (thousands b/d)	156	125	81

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