MarketWatch | Refined Products

Thursday, March 18, 2021

Market Commentary

Recap: WTI continues to hover around $64 with a surge in prices seeming less likely, as U.S. crude oil inventories rose for the fourth straight week, as refiners ramp up output. Stockpiles for petroleum products increased as well, according to the EIA report. This, combined with European countries and their continued struggle in rolling out vaccines for COVID-19, should keep prices contained in the short term. Despite OPEC and its allies extending and deepening production cuts and forecasts for supply shortfalls in some parts of the market, oil inventories are ample compared with historical levels even though there has been a steady decline from the massive overhang we saw during the second quarter of 2020. After hitting a low of $63.64, April WTI bounced back to settle at $64.68 a barrel, down 20 cent, or 0.3% to settle at $64.60 a barrel, while May Brent lost 39 cents, or 0.6%, to settle at $68 a barrel, April RBOB lost 2.6% to $2.05 a gallon and April heating oil shed 1.4% to $1.91 a gallon.

Technical Analysis: Oil markets remain sluggish and at this point we would look for a bit of pressure. April WTI settled below the 10-day moving averages, with moving oscillators turned to the downside. Although we do not see this market totally breaking down, we would look for WTI to dip further, testing the bottom of the ascending channel it has been trending in since November. A break below $60 could see this market turn to the downside. Resistance is set at $65 and above that at $66.40. The WTI prompt spread edged lower again on Tuesday. WTI Midland crude closed at its weakest since November, according to Bloomberg fair value data. In Europe, the ICE gasoil crack had its softest close since November, while U.S. product cracks also retreated. WTI and Brent's put skews got more bearish; most time-spreads slipped as outright prices lost ground on Tuesday.

Fundamental News: The International Energy Agency said oil prices are unlikely to mount a dramatic and sustained rally despite vaccines expected to increase demand later this year, with the world still awash in oil. The IEA said in its monthly report that "Oil's sharp rally to near $70 a barrel has spurred talk of a new supercycle and a looming supply shortfall. Our data and analysis suggest otherwise". It stated that "The prospect of stronger demand and continued OPEC+ production restraint point to a sharp decline in inventories during the second half of the year." "For now, however, there is more than enough oil in tanks and under the ground to keep global oil markets adequately supplied."

According to market data and analysts, trading in oil futures is now as high as it was in the first months of the COVID-19 crisis, with oil bulls and bears looking to hedge against moves in the steady rise of prices. Oil futures have already recovered to pre-pandemic levels, with Brent crude futures increasing by $55 in less than a year to $70/barrel this week while actual fuel demand remains weak. However, speculation over when and if people will begin to travel and commute as they once did is driving dueling bets in the market and historic volumes of trade. Underscoring the instability is a disconnect between the four-month rally in the futures price and slow physical crude sales, with global demand expected to match supply only later in 2021.

IIR Energy reported that U.S. oil refiners are expected to shut in 3.2 million bpd of capacity in the week ending March 19th, increasing available refining capacity by 1.3 million bpd from the previous week.

Enbridge Inc warned that refiners in central Canada and the U.S. Midwest would see crude supplies cut in half and propane costs would increase for some homeowners if Michigan's governor succeeds in shutting an oil pipeline that crosses the state. Refineries in Michigan, Ohio, Indiana, Pennsylvania as well as those in Ontario and Quebec would have to find alternative means for securing crude oil should Line 5 be shut.

Early Market Call - as of 8:25 AM EDT

WTI - Apr $63.88, down 72 cents

RBOB - Apr $2.0434, down 37 points

HO - Apr $1.8933, down 1.28 cents

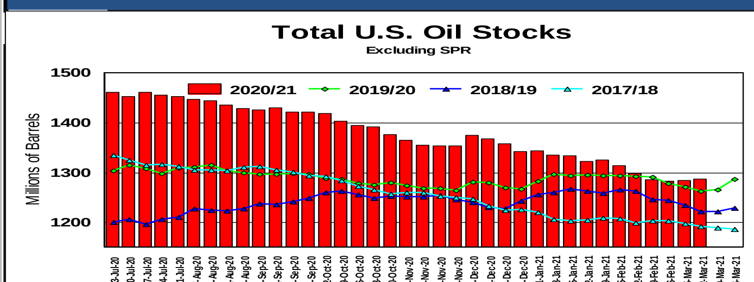
All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Apr-21	1.9061	-0.0266	0.0112
May-21	1.9068	-0.0257	0.0104
Jun-21	1.9060	-0.0249	0.0103
Jul-21	1.9061	-0.0232	0.0095
Aug-21	1.9064	-0.0215	0.0079
Sep-21	1.9078	-0.0194	0.0061
Oct-21	1.9092	-0.0176	0.0045
Nov-21	1.9105	-0.0159	0.0032
Dec-21	1.9098	-0.0146	0.0020
Jan-22	1.9107	-0.0130	0.0008
Feb-22	1.9091	-0.0117	-0.0003
Mar-22	1.9030	-0.0100	-0.0021
Apr-22	1.8900	-0.0086	-0.0038
May-22	1.8820	-0.0074	-0.0046
Jun-22	1.8766	-0.0061	-0.0061
Jul-22	1.8772	-0.0048	-0.0075
Aug-22	1.8775	-0.0037	-0.0086

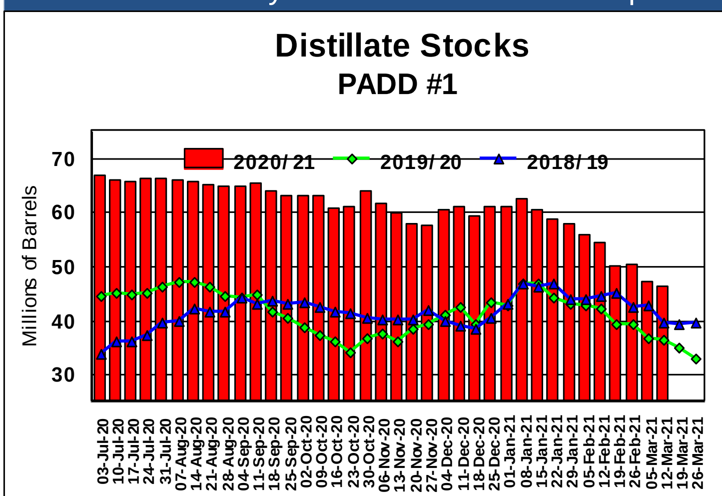
Sprague HeatCurve October 2021-April 2022 **$1.9071**

	Close	Change
Crude - WTI	$64.6300	-$0.2300
Crude - Brent	$68.0000	-$0.3900
Natural Gas	$2.5280	-$0.0340
Gasoline	$2.0471	-$0.0541

May Brent-WTI Spread $3.37



Weekly EIA Petroleum Status Report for the Week Ending March 12, 2020



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 2.396 million barrels

Cushing, OK Crude Stocks Down 624,000 barrels

Gasoline Stocks Up 472,000 barrels

Distillate Stocks Up 255,000 barrels

Refinery % Operated 76.1%, Up 7.1%

PADD #1

Distillate Stocks (in million bbls)	Week Ending Mar 12, 2021	Week Ending Mar 5, 2021	Week Ending Mar 13, 2020
New England	9.8	9.0	6.6
Central Atlantic	24.3	25.9	17.4
Total PADD #1	46.3	47.2	36.5
Distillate Imports (thousands b/d)	512	416	230