MarketWatch | Refined Products

Wednesday, March 15, 2023

Market Commentary

Recap: The oil market continued on its downward path on Tuesday following Monday's trading session, when the market saw a $5 trading range. The market posted a high of $74.90 in overnight trading before the market extended the previous day's decline as the collapse of Silicon Valley Bank added to concerns of a broader recession that could reduce demand. The market traded down to $72.66 following the release of the Consumer Price Index report, which showed that consumer prices increased 0.4% in February, which would lower the year-on-year increase in the CPI to 6.0% in February and mark the smallest year on year increase since September 2021. The market bounced off that level and retraced its losses as OPEC indicated in its monthly report that stronger demand in China may provide some support and offset the weakness in the U.S. and Europe. However, the market once again erased its gains and breached its support at $72.25 as it extended its losses and posted a low of $71.36 ahead of the close amid a rebound in the dollar. The April WTI contract settled down $3.47 at $71.33, the lowest settlement since December 9th and continued to trend lower in the post-settlement period, trading to a new low of $70.78. The May Brent contract settled down $3.32 at $77.45. The product market settled in negative territory, with the heating oil contract settling down $3.42 at $2.7144 and the RB market settling down 3.84 cents at $2.5530.

Market Analysis: On Wednesday, the oil market will likely retrace some of its losses ahead of the release of the weekly petroleum stock reports. However, the market may continue to trend lower as the Federal Reserve is seen increasing its rates by 25 basis points when it meets next week. The challenge for the Fed is how to prioritize inflation that is still far too high with growing financial stability risks in the aftermath of the collapse of Silicon Valley Bank. The oil market is seen finding support at its low of $71.42 followed by $70.25 and $70.08. Meanwhile, resistance is seen at $73.34, $73.72, $74.13, $74.66, its high of $74.90, $74.97 and $75.86. More distant resistance is seen at $76.26, $77.06 and $77.47.

Fundamental News: According to OPEC, global oil markets appear on track for a modest surplus next quarter amid a seasonal lull in demand. OPEC is producing about 28.92 million bpd or about 300,000 bpd more than it expects will be needed in the second quarter. It said the surplus could be even larger if production from Russia continues to prove resilient to international sanctions. OPEC expects Russia to produce 10.9 million bpd this quarter, about 620,000 bpd more than it estimated in last month's report. OPEC kept forecasts for Russian output during the rest of the year unchanged, predicting that it will fall next quarter by 900,000 bpd. OPEC raised its forecast for Chinese oil demand growth in 2023 due to the relaxation of the country's COVID-19 curbs, although it left the global total steady, citing potential downside risks for world growth. In its monthly report, OPEC said world oil demand in 2023 will increase by 2.32 million bpd or 2.3% to 101.9 million bpd. This was unchanged from last month's forecast. OPEC expects Chinese oil demand to grow by 710,000 bpd in 2023, up from last month's forecast of 590,000, although the global total was steady due to downward revisions elsewhere. The report also showed OPEC's crude oil production increased in February despite the wider OPEC+ alliance last year pledging output cuts to support the market. OPEC said its crude oil output in February increased by 117,000 bpd to 28.92 million bpd. OPEC cut its global demand forecast for its crude in 2023 by 200,000 bpd.

U.S. senators reintroduced a bipartisan bill on Tuesday that would allow nationwide sales of gasoline with a higher blend of ethanol year-round. Senators Deb Fischer and Amy Klobuchar argue that the expanded sales of E15 or fuel containing 15% ethanol would decrease gasoline prices and reduce U.S. dependence on foreign oil. The API supported the bill when it was introduced last autumn.

Early Market Call - as of 8:10 AM EDT
WTI - April $70.28, down $1.04
RBOB - April $2.5234, down 2.96 cents
HO - April $2.6726, down 4.18 cents

All NYMEX | Prior Settlements

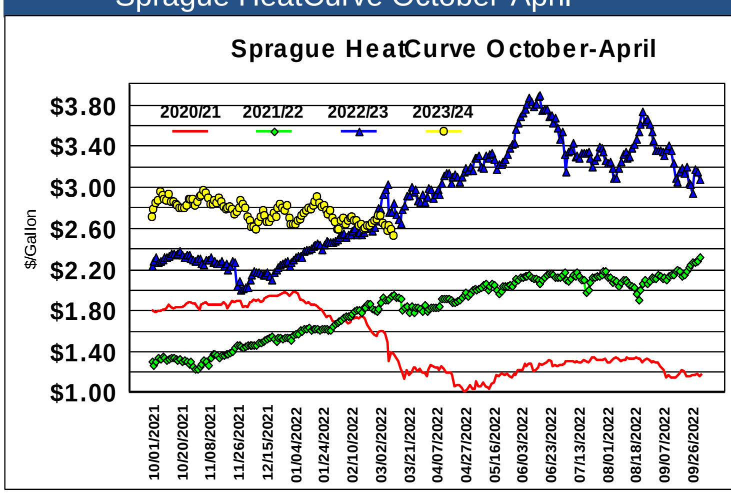
Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Mar-23	2.7144	-0.0471	-0.0831
Apr-23	2.6243	-0.0607	-0.1275
May-23	2.5703	-0.0648	-0.1402
Jun-23	2.5511	-0.0636	-0.1413
Jul-23	2.5449	-0.0631	-0.1401
Aug-23	2.5456	-0.0630	-0.1380
Sep-23	2.5455	-0.0629	-0.1358
Oct-23	2.5420	-0.0627	-0.1337
Nov-23	2.5347	-0.0618	-0.1311
Dec-23	2.5298	-0.0609	-0.1283
Jan-24	2.5217	-0.0603	-0.1252
Feb-24	2.5074	-0.0600	-0.1218
Mar-24	2.4871	-0.0597	-0.1181
Apr-24	2.4760	-0.0591	-0.1157
May-24	2.4660	-0.0585	-0.1140
Jun-24	2.4602	-0.0561	-0.1104
Jul-24	2.4537	-0.0547	-0.1074
Sprague HeatCurve October 2023-April 2024			**$2.5245**

		Close	Change
Crude - WTI	**May Brent-WTI Spread $5.96**	$71.4900	-$3.4200
Crude - Brent		$77.4500	-$3.3200
Natural Gas		$2.5730	-$0.0330
Gasoline		$2.5530	-$0.0384

API Report for the Week Ending March 10, 2023

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Up 1.2 million barrels	Up 600,000 barrels
Gasoline Stocks	Down 4.6 million barrels	Down 2.2 million barrels
Distillate Stocks	Down2.9 million barrels	Down 1.2 million barrels
Refinery Runs		Up 0.5% at 86.5%

Sprague HeatCurve October-April



8-14 Day Weather Forecast