MarketWatch | Refined Products

Monday, January 9, 2023

Market Commentary

Recap : The oil market retraced its previous losses and rallied by over $1 early in the session amid a weaker dollar. The dollar pared its earlier gains following the release of the U.S. Labor Department's nonfarm payroll data. The report showed that employers added 223,000 jobs in December, which was higher than market forecasts. The market was also supported by news that China expects passenger traffic by road, rail, water and air during the coming Lunar New Year holidays to double from the same period last year. The oil market traded mostly sideways in overnight trading and posted a low of $73.24 early in the morning before it extended its gains to $1.80 as it rallied to a high of $75.47 following the release of the employment report. The market later erased some of its sharp gains and traded back towards its low ahead of the close. The February WTI contract settled up 10 cents or 0.1% at $73.77, while the March Brent contract settled down 12 cents or 0.2% at $78.57. However, both WTI and Brent ended the week down 8%, the largest weekly decline to start the year since 2016. Both benchmarks had gained about 13% during the previous three weeks. Meanwhile, the product markets ended mixed with the heating oil contract settling up 3.22 cents at $3.0045 and the RB market settling down 2.25 cents at $2.2446.

Technical Analysis: On Monday, the market will likely remain pressured after the market's early gains faded once again during Friday's session. The market is technically seen finding resistance at $74.00, $74.54, $75.00 and its high of $75.47. More distant resistance is seen at $75.91, its 38% retracement level off a low of 72.46 to a high of $81.50, followed by $76.98, its 50% retracement level and $78.05, its 62% retracement level. Support is seen at its low of $73.24, $72.46, $70.48 and $70.31.

Fundamental News: U.S. manufacturers reported business activity declined for the second consecutive month in December and the sector appears to be on the leading edge of a recession. The Institute for Supply Management's manufacturing activity index fell to 48.4 in December compared with 49.0 in November. The index has fallen in nine of the last 12 months as the business cycle has slowed under the impact of faster inflation, higher interest rates, high inventories and a post-pandemic rotation from goods to services spending. The index averaged 49.2 in the three months between October and December and is nearing levels which have been consistent in the past with the onset of a recession, as defined by the National Bureau of Economic Research. Reuters reported that the decline in manufacturing and freight has already lowered consumption of diesel and other distillate fuel oils, and consumption is likely to fall if the manufacturing downturn deepens. More than four-fifths or 67% of distillate fuel oil is consumed by trucking firms, railroads consume 6% of distillate supply, maritime bunkers consume 3%, industrial users consume 3% and the construction sector consumes 4%. In the three months between August and October, the volume of distillate supplied to the domestic market averaged 4.0 million bpd, unchanged from the same period in 2021. In line with manufacturing activity, the growth in distillate supplied has been decelerating progressively since the second quarter of 2021 and has now stalled. If the manufacturing slowdown deepens over the next six months, as seems likely, distillate consumption is likely to fall. Reuters reported that reduced distillate consumption would help replenish severely depleted inventories, which at the end of October were equivalent to just 27 days consumption, the lowest for that time of year for over three-quarters of a century.

Gasoline exports on the Northwest Europe to U.S. route are at 333,000 tons so far this month compared with 430,000 tons in December.

Baker Hughes reported U.S. energy firms cut seven oil and natural gas rigs in their biggest weekly decline since September 2021 to 772, the lowest level since November, in the week ending January 6th. U.S. oil rigs fell by three to 618 this week, their lowest since November, while gas rigs fell by four to 152, their lowest since June.

Early Market Call - as of 8:20 AM EDT
WTI - February $76.15, up $2.38
RBOB - February $2.3227, up 7.81 cents
HO - February $3.0935, up 8.9 cents

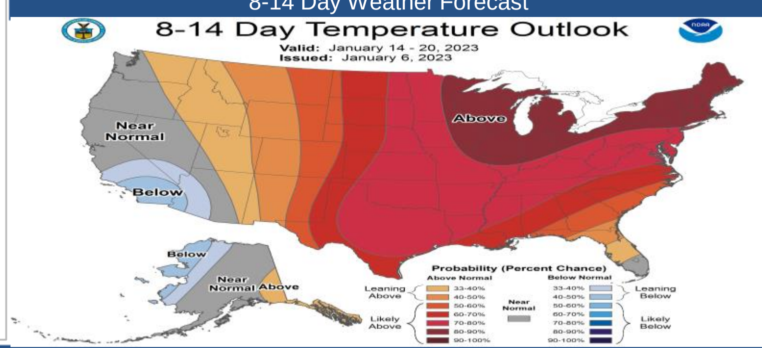
All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Feb-23	3.0045	0.0322	-0.2905
Mar-23	2.9214	0.0289	-0.2578
Apr-23	2.8137	0.0176	-0.2464
May-23	2.7428	0.0083	-0.2375
Jun-23	2.7051	0.0032	-0.2288
Jul-23	2.691	0.0011	-0.221
Aug-23	2.6818	0.0001	-0.2133
Sep-23	2.6768	0.0006	-0.2054
Oct-23	2.6714	0.002	-0.1965
Nov-23	2.6632	0.0033	-0.1879
Dec-23	2.6527	0.0046	-0.181
Jan-24	2.6435	0.006	-0.1753
Feb-24	2.6328	0.0066	-0.1703
Mar-24	2.6138	0.008	-0.167
Apr-24	2.587	0.009	-0.165
May-24	2.5698	0.0095	-0.1618
Jun-24	2.5607	0.0119	-0.1565
Sprague HeatCurve October 2023-April 2024			$2.6378

	Close	Change
Crude - WTI	$74.0400	$0.1200
Crude - Brent	$78.5700	-$0.1200
Natural Gas	$3.7100	-$0.0100
Gasoline	$2.2446	-$0.0225

Mar Brent-WTI Spread $4.53

8-14 Day Weather Forecast



Commitment of Traders Report for the Week Ending January 3, 2023