



MarketWatch | Refined Products

Tuesday, February 11, 2020

Market Commentary

Recap: Oil prices continued their downward spiral on Monday as the spread of the coronavirus took yet another bite out of demand amid indications OPEC and its allies are unlikely to take immediate steps to further curtail output. Oil has dropped over 25% from a peak in January after the spreading virus hit demand in China, the world's largest oil importer, and fueled concerns of excess global supplies. The premium of the Brent front-month over the same WTI contract fell to its lowest since August 2019 in intraday trade, with the April spread falling to a low of -\$4.02. WTI for March delivery slipped 31 cents, or 0.6%, to \$50.02 a barrel, while April Brent fell 49 cents, or 0.9%, to \$53.98 a barrel. March RBOB fell 1.1% to \$1.5066 a gallon, while March heating oil was off 1.4% at \$1.6197 a gallon.

Technical Analysis: WTI traded in oversold territory for 14 straight days, the longest bearish streak since November 2018. Although moving oscillators are set deep in oversold territory, they do not appear ready to cross to the upside. With this in mind, and the fact that this market has broken \$50.00, we would look for prices to continue to work lower. Our initial downside objective is \$48.05, with additional support set at \$46.30. To the upside, resistance is set at \$51.85 and above that at \$53.30.

Fundamental News: Bloomberg reported that US President Donald Trump has proposed selling 15 million barrels from the US oil reserve.

Algeria's Oil Minister, Mohamed Arkab, said the Joint Technical Committee had advised further output cuts until the end of the second quarter. Meanwhile, Russia's Energy Minister, Alexander Novak, has stated that Russia needs more time to assess the situation.

According to the Alaska Department of Revenue, Alaska North Slope crude oil production in January fell about 10,000 bpd on the year to 514,887 bpd. Average oil production from the Alaska North Slope was 525,075 bpd in January 2019. Output fell by 12,661 bpd on the year to 510,271 bpd in December and fell by 14,943 bpd to 511,549 bpd in November.

Libya's central bank said the country's oil revenues fell to zero in January after forces and tribesmen allied to eastern commander Khalifa Haftar blocked major oil ports. Tribesmen and forces loyal to him closed all eastern ports and major fields last month in a power play. The oil shutdown has caused losses exceeding 2.5 billion Libyan dinars or \$1.78 billion.

IIR Energy reported that US oil refiners are expected to shut in 513,000 bpd of capacity in the week ending February 14th, increasing available refining capacity by 148,000 bpd from the previous week. Offline capacity is expected to increase to 533,000 bpd in the week ending February 21st.

President Donald Trump's \$4.8 trillion budget plan for the coming fiscal year drew a prompt rejection on Monday from congressional Democrats, who said it betrayed his promise to protect health and safety-net programs. The budget would fund the Republican president's top priorities, including construction of a wall on the US border with Mexico, while cutting hundreds of billions of dollars from safety net programs under the banner of welfare reform. The budget would cut Medicare spending by lowering drug costs and nearly half Social Security's disability program by tightening eligibility requirements. It would also cut \$292 billion from food stamps and the Medicaid health plan for the poor by enacting new work requirements for beneficiaries. The budget includes \$2 billion to fund further construction on the border wall with Mexico. Military spending would increase 0.3% to \$740.5 billion. The budget forecasts a \$4.6 trillion in deficit reduction over 10 years and assumes economic growth at an annual rate of about 3% for years to come.

Early Market Call - as of 8:35 AM EDT

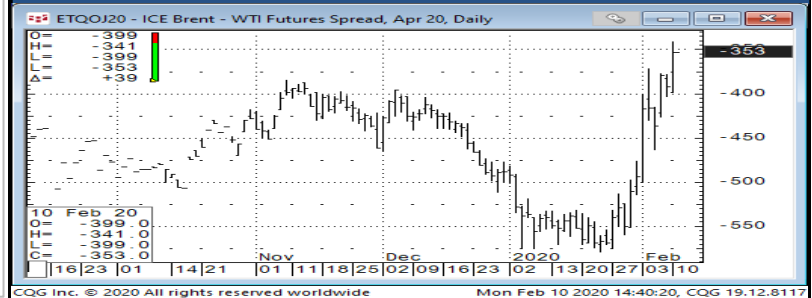
WTI - Mar \$50.45, up 87 cents
 RBOB - Mar \$1.5324, up 1.10 cents
 HO - Mar \$1.6314, up 1.89 cents

All NYMEX | Prior Settlements

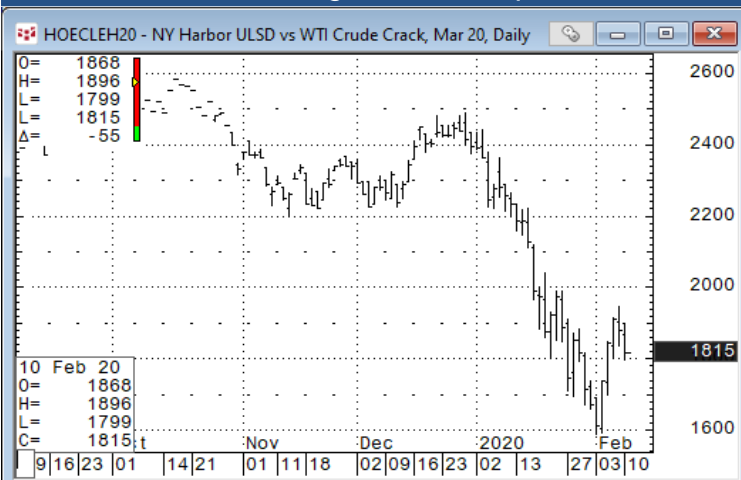
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Mar-20	1.6125	-0.0308	-0.0346
Apr-20	1.6093	-0.0300	-0.0277
May-20	1.6086	-0.0302	-0.0204
Jun-20	1.6122	-0.0298	-0.0152
Jul-20	1.6192	-0.0288	-0.0131
Aug-20	1.6276	-0.0279	-0.0124
Sep-20	1.6375	-0.0268	-0.0128
Oct-20	1.6470	-0.0259	-0.0135
Nov-20	1.6553	-0.0252	-0.0145
Dec-20	1.6619	-0.0242	-0.0156
Jan-21	1.6684	-0.0235	-0.0159
Feb-21	1.6714	-0.0231	-0.0159
Mar-21	1.6694	-0.0222	-0.0163
Apr-21	1.6626	-0.0210	-0.0168
May-21	1.6627	-0.0195	-0.0169
Jun-21	1.6639	-0.0176	-0.0170
Jul-21	1.6689	-0.0163	-0.0191

Other Front Month NYMEX		Close	Change
Crude - WTI	Apr Brent- WTI Spread	\$49.7800	-\$0.7700
Crude - Brent		\$53.2700	-\$1.2000
Natural Gas		\$1.7660	-\$0.0920
Gasoline		\$1.5213	-\$0.0026

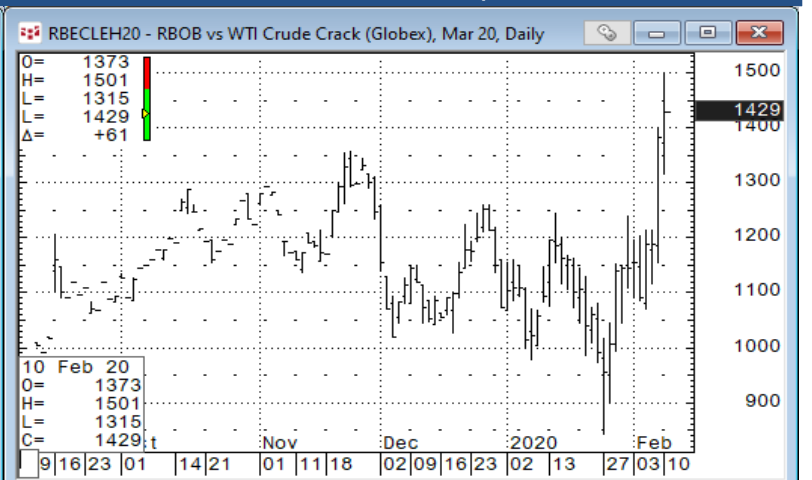
ICE April Brent-WTI Spread



March Heating Oil Crack Spread



March RBOB Crack Spread



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