



# MarketWatch | Refined Products

Wednesday, August 26, 2020

## Market Commentary

**Recap:** Oil prices logged their highest finish since early March, as the energy sector in the Gulf of Mexico prepared for Hurricane Laura, which is expected to reach the area later this week. Oil producers on Tuesday had evacuated 310 offshore facilities and shut 1.56 million barrels per day (bpd) of crude output, 84% of Gulf of Mexico's offshore production, near the 90% outage that Katrina brought 15 years ago. The storm will make landfall by early Thursday in an area that accounts for more than 45% of total U.S. petroleum refining capacity and 17% of oil production, according to the EIA. October WTI rose 73 cents, or 1.7%, to settle at \$43.34 a barrel. Brent for October delivery added 73 cents, or 1.62%, to finish the session at \$43.35 a barrel. September RBOB added 2.1% to settle at \$1.3959 a gallon, while the most actively traded October contract gained 0.7%, to finish at \$1.2685 a gallon. September heating oil rose 1%, to \$1.2601 a gallon.

**Market Outlook:** Oil prices continue to grind higher with the 10 and 50-day moving averages on a daily spot continuation chart providing levels of support. As long as we hold above these technical indicators, traders appear to be comfortable buying dips. Resistance is set above at the 200-day moving average which is currently set at \$45.92, with additional resistance at \$46.39. Support is set at \$42.71 and below that at \$40.

**Fundamental News:** The U.S. energy industry began preparing for a major hurricane strike by Tuesday, cutting crude production at a rate approaching the level of 2005's Hurricane Katrina and halting oil refining at plants along the Texas/Louisiana coast. The National Hurricane Center stated that Hurricane Laura will gain strength and become a major hurricane with sustained, 115 mph winds when it strikes the coast by early Thursday. The Department of the Interior reported that oil producers cut 1.56 million bpd or 84% of the daily output from U.S. offshore Gulf of Mexico wells ahead of Hurricane Laura. Energy producers evacuated 299 production platforms and 11 drilling rigs as of midday Tuesday. Refiners shut down eight coastal facilities that process nearly 2.78 million bpd of oil processing or 14.6% of the U.S. total capacity, according to Reuters.

Exxon Mobil Corp cut output at its 369,024 bpd refinery in Beaumont, Texas, to minimum rates overnight ahead of a possible shutdown starting as early as Tuesday ahead of Hurricane Laura. The forecast track for the storm has shifted further west to an expected landfall early on Thursday as a major hurricane near the mouth of Sabine River, which runs past Beaumont and Port Arthur, Texas. Meanwhile, Exxon Mobil Corp plans to shut multiple units at its 560,500 bpd Baytown, Texas refinery by midday on Wednesday because of the threat from Hurricane Laura and possible shipping stoppages because of the storm.

Total SA plans to shut its 225,500 bpd Port Arthur, Texas, refinery on Tuesday ahead of Hurricane Laura's arrival in the area on Thursday. Total cut production to about 50% of capacity on Monday in anticipation of a possible shutdown.

Motiva's 639,700 bpd Port Arthur refinery is shutting down ahead of Hurricane Laura.

Valero Energy Corp began a full shutdown of its 335,000 bpd Port Arthur, Texas refinery on Tuesday ahead of Hurricane Laura.

Multiple units at Phillips 66's 273,000 bpd Lake Charles refinery were shut on Tuesday morning.

A 53,200 bpd catalytic reformer at Citgo's 440,000 bpd Lake Charles refinery was shut on Tuesday morning. The refinery is being shut ahead of Hurricane Laura. Also at the refinery, a 42,000 fluid catalytic cracking unit, a 34,000 bpd coker, and 50,000 VDU remain offline for prolonged periods.

**Early Market Call - as of 8:53 AM EDT**

WTI - Oct \$43.20 down 15 cents  
RBOB - Sep \$1.3472 down 4.87 cents  
HO - Sep \$1.2517 down 84 points

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Sep-20	1.2601	0.0125	0.0003
Oct-20	1.2746	0.0106	0.0079
Nov-20	1.2935	0.0115	0.0108
Dec-20	1.3133	0.0124	0.0109
Jan-21	1.3319	0.0122	0.0107
Feb-21	1.3477	0.0117	0.0099
Mar-21	1.3587	0.0114	0.0084
Apr-21	1.3640	0.0113	0.0074
May-21	1.3728	0.0112	0.0060
Jun-21	1.3831	0.0111	0.0055
Jul-21	1.3975	0.0111	0.0057
Aug-21	1.4110	0.0110	0.0059
Sep-21	1.4235	0.0108	0.0061
Oct-21	1.4348	0.0107	0.0062
Nov-21	1.4453	0.0107	0.0058
Dec-21	1.4536	0.0107	0.0053
Jan-22	1.4645	0.0110	0.0050

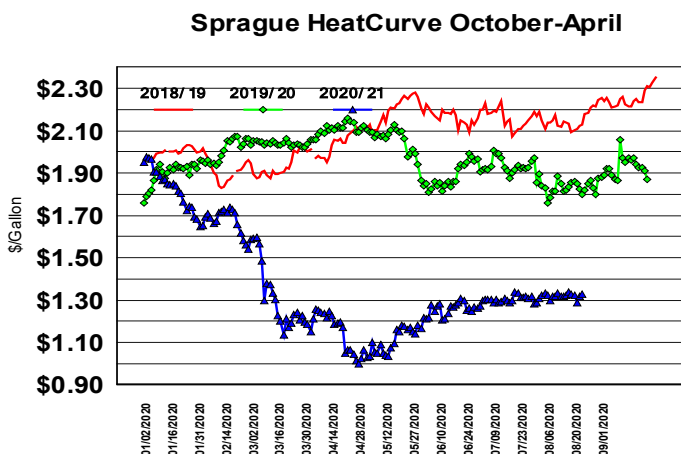
### Sprague Heat Weighted Strip October -April 20/2021 \$1.33

		Close	Change
Crude - WTI	Oct Brent- WTI Spread \$2.21	\$43.6500	\$0.7200
Crude - Brent		\$45.8600	\$0.7300
Natural Gas		\$2.4890	-\$0.0240
Gasoline		\$1.3959	\$0.0288

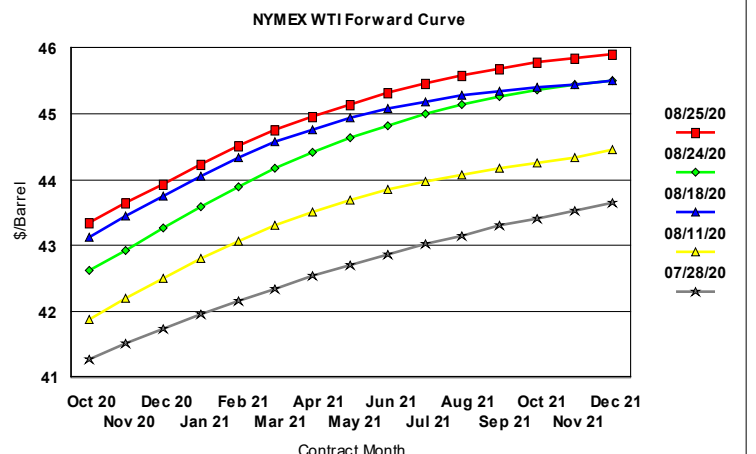
### API Report for the Week Ending August 21, 2019

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Down 4.5 million barrels	Down 3.8 million barrels
Cushing, OK Crude Stocks	Down 646,000 barrels	Down 214,000 barrels
Gasoline Stocks	Down 6.4 million barrels	Down 1.7 million barrels
Distillate Stocks	Up 2.3 million barrels	Down 1 million barrels
Refinery Runs	Up 152,000 bpd	
Crude Imports	Up 147,000 bpd	

## Sprague HeatCurve October-April



## WTI Forward Curve



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