



MarketWatch | Refined Products

Wednesday, October 3, 2018

Market Commentary

Recap: Oil prices posted slight losses on Tuesday, after rising to their highest level in almost four years. Investors were awaiting the release of the API report, which reflected an increase of 907,000 barrels in the week of September 28. Tuesday's activity appears to be a bit of a pullback. Worth noting, and if recent history is an indication of future performance, minor pullbacks have been followed by an additional move higher. That being said, we could see WTI move toward the \$77.00 level. December Brent settled at \$84.80 a barrel, down 18 cents, while WTI for November delivery dropped by 7 cents, to settle at \$75.23 a barrel. November RBOB fell only 6 points, to settle at \$2.127 a gallon, while November heating oil finished down just 3 points, settling at \$2.408 a gallon.

Technical Analysis

Tuesday's trading session was light in volume and narrow in range, which is a sign of a technical pullback. The reversal top that occurred indicates sellers came out in greater force however, this is not a sign that the major trend has change, but merely a prelude to the start of a 2 to 3 day correction, which has been the recent case. Resistance is set at \$76.59 and \$77.40. Support is set at \$73.96 and \$72.95.

Fundamental News: Russia's energy minister said Tuesday that OPEC and other leading oil producing countries can quickly agree on oil output increase if needed. For now OPEC and non-OPEC producers are operating on a case by case basis, and Russia is in favor of Iran maintaining its position in the oil market.

HSBC in its fourth quarter Global Economic outlook said it sees a growing risk that crude oil prices could touch \$100 per barrel.

Barclays Bank in a research note to clients warned that "softening demand growth and new supply should cool bullish sentiment and push prices lower by the end of the year." This new supply they believe will be the result of a SPR release and/or a massive uptick in Saudi exports. But oil prices may further rally this month based on concerns of falling Iranian exports due to sanctions. The bank did slightly adjust upward their 4Q2018 forecast for Brent by \$3 to \$77 per barrel. Brent prices in 2019 should average \$72 per barrel with WTI averaging \$65.00 per barrel.

UBS expanded its Brent 4Q2018 trading range by \$5 per barrels to \$75-\$90, as a result of spare global production capacity falling to a 10 year low.

Citigroup warned investors that American crude prices may tumble to their steepest discount against Brent since 2013, possibly reaching a \$15 per barrel discount because inventories in Cushing are set to grow as the pipeline bottleneck stops growing Permian output from reaching the Gulf Coast for export.

Goldman Sachs told investors that there is a risk oil prices will stay above \$80 a barrel toward the end of the year, as a result of Iranian exports plunging and producers pulling back from hedging. They noted that without producer selling, the two year forward oil price has rallied to \$75.50, as consumers and speculators buy contracts based on price risks associated with Iranian sanctions.

Reuters reported Tuesday that repairs to docks at Venezuela's main oil export port will take at least another month to complete following a tanker collision that occurred there more than a month ago. PDVSA was forced to shut the Jose port's South dock, one of three used to ship heavy and upgraded oil to customers.

Early Market Call - as of 9:05 AM EDT

WTI - Nov \$ 75.26 up 3 cents
RBOB - Nov \$ 2.1225 down 44 points
HO - Nov \$2.4083 up 7 points

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Nov-18	\$2.4076	-\$0.0003	\$0.0979
Dec-18	\$2.4115	\$0.0001	\$0.0975
Jan-19	\$2.4143	-\$0.0001	\$0.0975
Feb-19	\$2.4119	-\$0.0004	\$0.0977
Mar-19	\$2.4054	-\$0.0001	\$0.0987
Apr-19	\$2.3952	\$0.0007	\$0.0998
May-19	\$2.3880	\$0.0016	\$0.1000
Jun-19	\$2.3818	\$0.0019	\$0.0993
Jul-19	\$2.3823	\$0.0016	\$0.0984
Aug-19	\$2.3846	\$0.0010	\$0.0970
Sep-19	\$2.3891	\$0.0002	\$0.0955
Oct-19	\$2.3933	-\$0.0005	\$0.0941
Nov-19	\$2.3966	-\$0.0007	\$0.0928
Dec-19	\$2.3984	-\$0.0012	\$0.0902
Jan-20	\$2.3993	-\$0.0010	\$0.0886
Feb-20	\$2.3915	-\$0.0012	\$0.0812
Mar-20	\$2.3806	-\$0.0025	\$0.0755

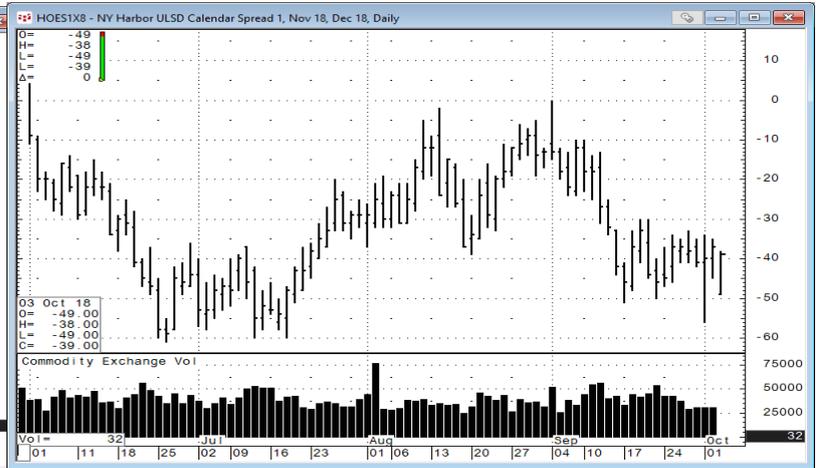
Sprague Heat Curve November 18- March 19			\$2.4106
Other Front Month NYMEX		Close	Change
Crude - WTI	Dec	\$75.2300	-\$0.0700
Crude - Brent	Brent-WTI	\$84.8000	-\$0.1800
Natural Gas	Spread	\$3.1660	\$0.0720
Gasoline		\$2.1269	-\$0.0006

API Report for the Week Ending September 28, 2018

Crude Stocks – Up 907,000 barrels
Cushing Crude Stocks – Up 2 million barrels
Gasoline Stocks – Down 1.7 million barrels
Distillate Stocks - Down 1.2 million barrels
Refinery Crude Runs – Down 158,000 b/d

NYMEX ULSD Dec 18 - Dec 19 Spread

NYMEX Oct-Nov ULSD Spread



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