

MarketWatch | Refined Products

Friday, May 22, 2020

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil prices climbed on Thursday, holding near 10-week highs, supported by lower U.S. crude oil inventories, production cuts and recovering demand as governments ease restrictions imposed on people's movements due to the coronavirus pandemic. So far this month, WTI has rallied 80%, while Brent climbed 43%. Prices , however, finished off the day's highs, pressured by profit-taking on the heels of oil's sharp climb, as well as uncertainty over the rate of demand recovery as well as U.S.-China trade tensions. July WTI rose 43 cents, or 1.3%, to settle at \$33.92 a barrel, down from a session high of \$34.66. Meanwhile, Brent crude for July delivery added 31 cents, or 0.9%, to settle at \$36.06 a barrel. This was the highest for both WTI and Brent since March 10. June RBOB finished up by 0.1% to \$1.0451 a gallon and June heating oil shed 0.2% to 98.90 cents a gallon.

<u>Technical Analysis:</u> Oil prices have made significant gains since bottoming out in April. As a result, WTI may be approaching the point where U.S. shale production begins to edge up, as low cost producers attempt to recoup revenue. This could work to keep a lid on prices, leading to a pullback. Should prices fall below the 50-day moving average currently set at \$27.35, we should see a short term shift to the downside. Below \$27.35, additional support is set at \$25.00. Resistance is set at \$34.72, and \$40.11 the 38% and 50% retracements set by the January high of \$62.75 and the April low of \$17.27.

Fundamental News: US crude oil production is expected to fall by about 1.75 million bpd from recent levels by early June. IHS Markit said operating cash losses, a lack of demand and storage capacity and no interest in giving away oil all played role in the expected decline in oil production. According to IHS Markit, much of the reduced production will return in the summer and fall if the price is right. The resumption of production may accelerate if WTI remains above \$30/barrel. However, about one third of the volumes about 550,000 bpd will remain out of the market for the long term or at least until WTI prices remain above \$50/barrel. Analysts expect about 1.4 million bpd of daily production from US shale oil regions to be shut in, along with about 550,000 barrels produced from stripper wells that produce five bpd or less.

The US EPA reported that the US generated 357 million biodiesel blending credits in April compared with 371 million in March. It also reported that the US generated 645 million ethanol blending credits in April, down from 1.14 billion in March.

Genscape reported that crude oil stocks held in Cushing, Oklahoma in the week ending Tuesday, May 19^{th} fell by 3,440,583 barrels and by 1,231,994 barrels from Friday, May 15^{th} to 58,627,897 barrels.

The Trump administration granted royalty relief to several drilling companies producing oil and gas on federal lands in recent weeks. The US Bureau of Land Management approved royalty rate cuts on at least 76 federal drilling leases in the state of Utah in recent weeks. The cuts in many cases lower royalty rates companies must pay on the value of their production from the usual 12.5% to 5%.

Millions more Americans filed for unemployment benefits last week as backlogs continue to be cleared and disruptions from the coronavirus unleash a second wave of layoffs. The US Labor Department reported that initial claims for state unemployment benefits totaled a seasonally adjusted 2.438 million in the week ending May 16 th.

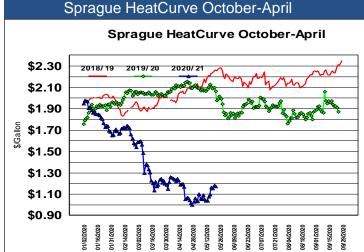
IHS Markit's flash Composite Purchasing Managers' Index in May increased to 36.4 from 27 in April. IHS Markit's flash Services PMI in May increased to 36.9 from 26.7 in April, while its flash Manufacturing PMI increased to 39.8 in May from 36.1 in April. Its flash composite new orders index for May increased to 36.1 from 26.4 in April.

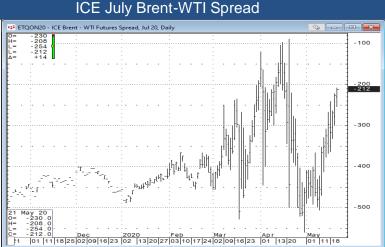
Early Market Call - as of 8:55 AM EDT WTI - July \$32.65, down \$1.27 RBOB - June \$1.0204, down 2.47 cents HO - June \$.9727. down 1.63 cents

Month Close Change one Week Jun-20 0.9890 -0.0016 -0.0942 Jul-20 1.0315 -0.0054 -0.1016 Aug-20 1.0678 -0.0066 -0.1051 Sep-20 1.1011 -0.0066 -0.1063 Oct-20 1.1256 -0.0071 -0.1029 Nov-20 1.1448 -0.0071 -0.1004 Dec-20 1.1596 -0.0065 -0.0995 Jan-21 1.1750 -0.0060 -0.0990				
Jun-20 0.9890 -0.0016 -0.0942 Jul-20 1.0315 -0.0054 -0.1016 Aug-20 1.0678 -0.0066 -0.1051 Sep-20 1.1011 -0.0066 -0.1063 Oct-20 1.1256 -0.0071 -0.1029 Nov-20 1.1448 -0.0071 -0.1004 Dec-20 1.1596 -0.0065 -0.0995 Jan-21 1.1750 -0.0060 -0.0990		ULSD (HO)	Prior Settle	Change In
Jul-20 1.0315 -0.0054 -0.1016 Aug-20 1.0678 -0.0066 -0.1051 Sep-20 1.1011 -0.0066 -0.1063 Oct-20 1.1256 -0.0071 -0.1029 Nov-20 1.1448 -0.0071 -0.1004 Dec-20 1.1596 -0.0065 -0.0995 Jan-21 1.1750 -0.0060 -0.0990	Month	Close	Change	One Week
Aug-20 1.0678 -0.0066 -0.1051 Sep-20 1.1011 -0.0066 -0.1063 Oct-20 1.1256 -0.0071 -0.1029 Nov-20 1.1448 -0.0071 -0.1004 Dec-20 1.1596 -0.0065 -0.0995 Jan-21 1.1750 -0.0060 -0.0990	Jun-20	0.9890	-0.0016	-0.0942
Sep-20 1.1011 -0.0066 -0.1063 Oct-20 1.1256 -0.0071 -0.1029 Nov-20 1.1448 -0.0071 -0.1004 Dec-20 1.1596 -0.0065 -0.0995 Jan-21 1.1750 -0.0060 -0.0990	Jul-20	1.0315	-0.0054	-0.1016
Oct-20 1.1256 -0.0071 -0.1029 Nov-20 1.1448 -0.0071 -0.1004 Dec-20 1.1596 -0.0065 -0.0995 Jan-21 1.1750 -0.0060 -0.0990	Aug-20	1.0678	-0.0066	-0.1051
Nov-20 1.1448 -0.0071 -0.1004 Dec-20 1.1596 -0.0065 -0.0995 Jan-21 1.1750 -0.0060 -0.0990	Sep-20	1.1011	-0.0066	-0.1063
Dec-20 1.1596 -0.0065 -0.0995 Jan-21 1.1750 -0.0060 -0.0990	Oct-20	1.1256	-0.0071	-0.1029
Jan-21 1.1750 -0.0060 -0.0990	Nov-20	1.1448	-0.0071	-0.1004
	Dec-20	1.1596	-0.0065	-0.0995
Feb-21 1 1886 -0.0054 -0.0090	Jan-21	1.1750	-0.0060	-0.0990
1.1000 -0.0004 -0.0990	Feb-21	1.1886	-0.0054	-0.0990
Mar-21 1.1990 -0.0052 -0.0990	Mar-21	1.1990	-0.0052	-0.0990
Apr-21 1.2039 -0.0055 -0.0973	Apr-21	1.2039	-0.0055	-0.0973
May-21 1.2107 -0.0058 -0.0928	May-21	1.2107	-0.0058	-0.0928
Jun-21 1.2198 -0.0057 -0.0888	Jun-21	1.2198	-0.0057	-0.0888
Jul-21 1.2358 -0.0057 -0.0857	Jul-21	1.2358	-0.0057	-0.0857
Aug-21 1.2505 -0.0058 -0.0830	Aug-21	1.2505	-0.0058	-0.0830
Sep-21 1.2621 -0.0059 -0.0807	Sep-21	1.2621	-0.0059	-0.0807
Oct-21 1.2719 -0.0058 -0.0791	Oct-21	1.2719	-0.0058	-0.0791

Sprague Heat V	\$1.1741		
		Close	Change
Crude - WTI	June Brent-	\$33.9200	\$0.4300
Crude - Brent	WTI Spread	\$36.0600	\$0.3100
Natural Gas	\$2.14	\$1.7100	-\$0.0610
Gasoline		\$1.0451	\$0.0013

EIA Working Gas Storage Report						
-	15-May-20	08-May-20	Change	Year Ago		
East	469	452	17	346		
Midwest	576	554	22	356		
Mountain	124	117	7	87		
Pacific	253	240	13	183		
South Central	1,081	1,059	22	753		
Salt	345	340	5	246		
Nonsalt	737	719	18	507		
Total	2,503	2,422	81	1,724		





This market update is provided for information purposes only and is not intended as advice on any transaction nor is it a solicitation to buy or sell commodities. Sprague makes no representations or warranties with respect to the contents of such news, including, without limitation, its accuracy and completeness, and Sprague shall not be responsible for the consequence or reliance upon any opinions, statements, projections and analyses presented herein or for any omission or error in fact.