



MarketWatch | Refined Products

Thursday, October 13, 2022

Market Commentary

Recap: Oil futures fell on Wednesday as a dismal economic outlook and a stronger U.S. dollar outweighed fears of tight supplies. OPEC, which together with allies including Russia last week sent prices rising by agreeing to cut supply by 2 million barrels per day (bpd), slashed its demand outlook on Wednesday. Meanwhile, the U.S. dollar hit a 24-year high against the yen on Wednesday on concerns about inflation and the pace of increases to U.S. interest rates. Crude for November delivery lost \$2.08 per barrel, or 2.33% to \$87.27. Brent Crude for December delivery lost \$1.84 per barrel, or 1.95% to \$92.45. In contrast to crude oil, petroleum products posted slight gains, with RBOB Gasoline for November delivery gaining 0.30 cent per gallon, or 0.11% to \$2.6303, while ULSD for November delivery gained 0.20 cent per gallon, or 0.05% to \$3.9328.

Market Analysis: Trading was a bit volatile on Wednesday, with November WTI gapping lower on the opening, but reversing to the upside to fill the gap and test the \$90 level. With the inability of this spot contract to break above \$90, technical traders pushed it right back down, where it slipped below the 50-day moving average and gained enough momentum to dip down toward \$86.22, the 10-day moving average, where it found support. With market participants appearing to be more focused on a global economic slowdown, we would look for this market to work lower, with the possibility of re-entering the downward channel it broke out of earlier this month. Resistance is seen at \$90 and above that at \$94.37, the 38% retracement provided by the June high of \$123.68 and the September low of \$76.25. On the downside, support is set at \$86.77, the 10-day moving average and \$82.99.

Fundamental News: In its Short Term Energy Outlook, the EIA raised its oil demand growth estimate for 2022 by 20,000 bpd to 2.12 million bpd but cut its 2023 world oil demand growth forecast by 490,000 bpd to 1.48 million bpd. The EIA forecast that U.S. oil demand and production is expected to increase more slowly than previously forecast for the remainder of the year and in 2023. Overall U.S. demand for petroleum and other liquid fuels this year is expected to increase by 460,000 bpd to 20.35 million bpd, down from its previous growth forecast of an increase of 510,000 bpd. U.S. demand in 2023 is forecast to increase 190,000 bpd to 20.54 million bpd, also lower from a previous growth forecast of 350,000 bpd. U.S. oil production is estimated to average 11.75 million bpd in 2022, down from a previous estimate of 11.79 million bpd and production in 2023 is expected to increase by 610,000 bpd to 12.36 million bpd, down from a previous forecast of an increase of 840,000 bpd.

OPEC cut its 2022 forecast for growth in world oil demand for a fourth time since April and also cut next year's figure, citing slowing economies, the resurgence of China's COVID-19 containment measures and high inflation. In its monthly report, OPEC reported that oil demand will increase by 2.64 million bpd or 2.7% in 2022, down 460,000 bpd from the previous forecast. Next year, OPEC sees oil demand rising by 2.34 million bpd, 360,000 bpd less than previously forecast, to 102.02 million bpd. OPEC still expects demand in 2023 to exceed the pre-pandemic rate of 2019. OPEC cut its 2022 global economic growth forecast to 2.7% from 3.1%, trimmed next year's figure to 2.5% and said there was potential for further weakness. The report showed OPEC output increased by 146,000 bpd to 29.77 million bpd in September, led by Saudi Arabia and Nigeria. Still, OPEC is producing far less than called for by the OPEC+ agreement due to under-investment in oilfields by some members. OPEC expects world demand for its crude to average 29.4 million bpd next year, down 300,000 bpd from last month and implying a surplus of 370,000 bpd should output continue at September's rate and other things remain equal.

Refinitiv analysts said diesel imports from Asia and the Middle East are set to reach 2.4 million tons in October, compared with a total of around 2.8 million tons in September.

Early Market Call - as of 8:20 AM EDT

WTI - November \$87.43 UP 0.16
 RBOB - November \$03036 Down 0.0134
 HO - November \$3.9752 Up 0.0424

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Nov-22	\$3.9328	\$0.0020	\$0.2459
Dec-22	\$3.6216	-\$0.0014	\$0.0677
Jan-23	\$3.5023	-\$0.0054	\$0.0321
Feb-23	\$3.4091	-\$0.0095	\$0.0181
Mar-23	\$3.3108	-\$0.0147	\$0.0084
Apr-23	\$3.2053	-\$0.0186	\$0.0021
May-23	\$3.1209	-\$0.0195	\$0.0024
Jun-23	\$3.0536	-\$0.0181	\$0.0068
Jul-23	\$3.0159	-\$0.0160	\$0.0127
Aug-23	\$2.9881	-\$0.0154	\$0.0177
Sep-23	\$2.9650	-\$0.0156	\$0.0210
Oct-23	\$2.9427	-\$0.0158	\$0.0241
Nov-23	\$2.9192	-\$0.0154	\$0.0265
Dec-23	\$2.8933	-\$0.0154	\$0.0270
Jan-24	\$2.8659	-\$0.0162	\$0.0257
Feb-24	\$2.8416	-\$0.0164	\$0.0200
Mar-24	\$2.8147	-\$0.0178	\$0.0163

Sprague HeatCurve October 2023-April 2024			\$2.8624
		Close	Change
Crude - WTI	Dec Brent-WTI Spread \$6.39	\$86.0600	-\$1.9100
Crude - Brent		\$92.4500	-\$1.8400
Natural Gas		\$6.4350	-\$0.1610
Gasoline		\$2.6303	\$0.0030

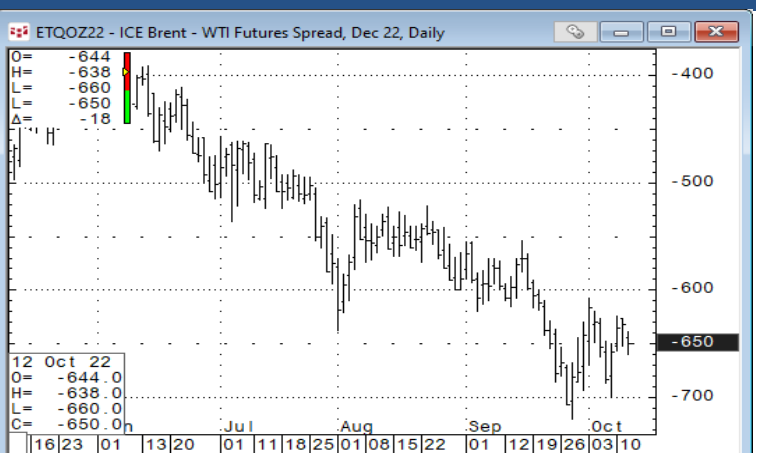
API Report for the Week Ending October 7, 2022

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Up 7.1 million barrels	Up 2.1 million barrels
Gasoline Stocks	Up 2 million barrels	Down 1.9 million barrels
Distillate Stocks	Down 4.6 million barrels	Down 2.2 million barrels
Refinery Runs		Down 0.8% at 90.5%

WTI Continuation



ICE December Brent-WTI



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