



MarketWatch | Refined Products

Monday, November 5, 2018

Market Commentary

Recap: Oil prices fell for the fourth straight week, pressured by U.S. plans to issue temporary allotments to eight countries, which would allow them to import Iranian oil despite the imposition of U.S. sanctions. This combined with increasing global production pushed December WTI as much as 1.6% lower on the day and January Brent as much as 0.9% lower on the day. After falling to a session low of \$62.63, December WTI trimmed losses to settle at \$63.14 a barrel, down 55 cents, or 0.9%. This represents a weekly loss of 6.6% and a monthly loss of 10.8%. January Brent lost 6 cents, or less than 0.1% to settle at \$72.83 a barrel, the lowest settlement since August 21. It lost about 6.2% on the week and for the first time since September 2017, fell below the 200-day moving average. December RBOB fell 0.5% to \$1.708 a gallon, while December heating oil lost 1.3% to \$2.173 a gallon. Both contracts lost about 5.7% for the week.

Technical Analysis

December WTI held below \$67.80, the resistance level set by the ascending trend line on weekly spot continuation chart, but found support at \$63.00, the 38% retracement set by October's high of \$77.22 and \$39.99, the low set in June of 2017. Given this scenario and coming into next week, we would look for additional downside movement, with this spot contract seeing support at \$61.36 followed by \$61.11 and \$58.60, the 50% retracement set by the aforementioned range. Resistance is marked by the ascending trend line and is set at \$68.16, followed by \$69.68 and \$71.34.

Fundamental News:

U.S. Secretary of State Mike Pompeo announced Friday morning the United States would grant eight jurisdictions waivers from its Iran-related sanctions which will be taking effect on Monday. The eight jurisdictions were not named, but Secretary Pompeo did note the European Union as a whole, which has 28 members would not be receiving a waiver. Secretary of Treasury Mnuchin also said the United States had made it clear to the Belgian based SWIFT financial messaging service that it was expected to disconnect all Iranian financial institutions that the United States plans to blacklist as of Monday, but declined to name the target institutions. Bloomberg reported that Japan, India, South Korea, Turkey and China are among the eight countries to receive the waivers in exchange for continued import cuts.

UBS in a research note on Friday forecasted crude oil prices to rebound back to \$85 per barrel in the coming weeks as the recent sell-off is seen as being overdone. The bank also noted that prices should be supported by the fact that total U.S. inventory levels in the last two weekly reports has declined.

Goldman Sachs again said it expects the global oil market will be in deficit in 4Q18 which will lead to a strengthening in Brent time spreads. They expect the steeper backwardation to drive spot prices higher and it will result in Brent reaching its year-end target of \$80 per barrel. The investment bank looks for long dated prices in 2H19 to decline when the Permian becomes debottlenecked. They are calling for Brent prices at the end of 2019 to be at \$65.00 per barrel.

Oil Movements reported that in the four weeks ending November 17th it sees OPEC oil shipments will rise by 680,000 b/d to 25.3 million b/d versus the prior four week period.

Baker Hughes reported for the week ending November 2nd the number of oil drilling rigs operating in the United States stood at 874, down 1 on the week and the first weekly decline in four weeks. A year ago there were 729 oil rigs operating in the United States.

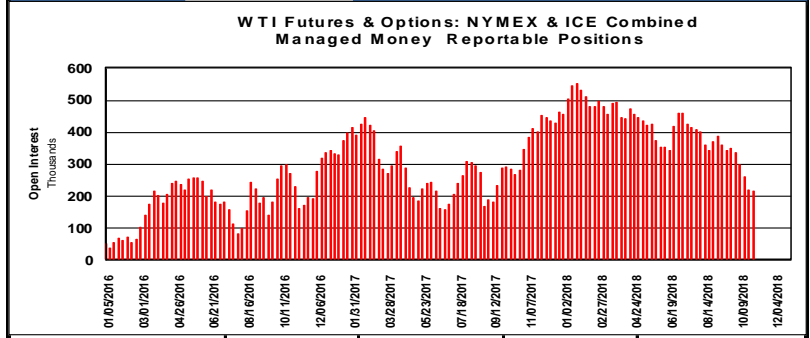
Early Market Call - as of 9:00 AM EDT

WTI - Dec \$63.49 up 35 cents
 RBOB - Dec \$1.7098 up 15 points
 HO - Dec \$2.1960 up 2.32 cents

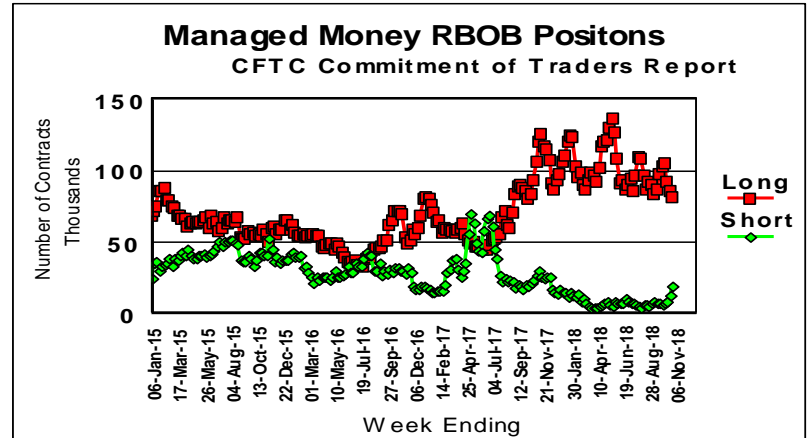
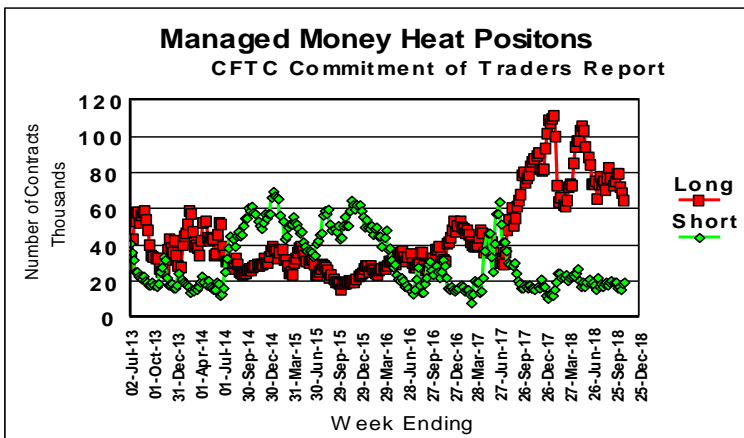
All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Dec-18	\$2.1728	-\$0.0280	-\$0.1306
Jan-19	\$2.1675	-\$0.0284	-\$0.1346
Feb-19	\$2.1619	-\$0.0279	-\$0.1343
Mar-19	\$2.1548	-\$0.0269	-\$0.1325
Apr-19	\$2.1446	-\$0.0260	-\$0.1308
May-19	\$2.1409	-\$0.0246	-\$0.1280
Jun-19	\$2.1402	-\$0.0234	-\$0.1250
Jul-19	\$2.1466	-\$0.0230	-\$0.1224
Aug-19	\$2.1543	-\$0.0227	-\$0.1200
Sep-19	\$2.1626	-\$0.0227	-\$0.1180
Oct-19	\$2.1700	-\$0.0227	-\$0.1163
Nov-19	\$2.1765	-\$0.0227	-\$0.1147
Dec-19	\$2.1821	-\$0.0225	-\$0.1124
Jan-20	\$2.1859	-\$0.0216	-\$0.1109
Feb-20	\$2.1824	-\$0.0213	-\$0.1091
Mar-20	\$2.1749	-\$0.0199	-\$0.1061
Apr-18	\$2.1638	-\$0.0187	-\$0.1043

Other Front Month NYMEX		Close	Change
Crude - WTI	Jan Brent-	\$63.2800	-\$0.5300
Crude - Brent	WTI Spread	\$72.8300	-\$0.0600
Natural Gas	\$8.55	\$3.2840	\$0.0470
Gasoline		\$1.7083	-\$0.0082



Commitment of Traders Report for the Week Ending October 30, 2018



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