



# MarketWatch | Refined Products

Thursday, August 10, 2023

## Market Commentary

**Recap:** The oil market rallied higher on Wednesday as draws in U.S. fuel stocks helped offset some concerns of weaker demand from China as the country's crude oil imports in July fell by 18.8% on the month to the lowest level since January. The market traded mostly sideways in overnight trading before it began its upward trend once again. The crude market was supported by fears that Ukraine could target ships heading to Russian Black Sea ports. Also, production cuts from Saudi Arabia and Russia continued to lend support to the market. The WTI contract traded higher and extended its gains to \$1.73 and posted a high of \$84.65, the highest level since November 2022, following the release of the EIA's weekly petroleum stock reports. The oil complex was well supported by the larger than expected draws in product stocks, with a draw of 2.66 million barrels in gasoline stocks and a draw of 1.7 million barrels in distillate stocks. The market mostly shrugged off a large build of 5.85 million barrels in crude stocks following the record draw the week before. The oil market later erased most of its gains, retracing more than 62% of its rally before settling in a sideways trading range. The September WTI contract settled up \$1.48 at \$84.40, the highest level since November 16, 2022 and the October Brent contract settled up \$1.38 at \$87.55, the highest level since January 23<sup>rd</sup>. The product markets settled sharply higher, with the heating oil market settling up 12.14 cents at \$3.2070 and the RB market settling up 8.33 cents at \$2.9284.

**Technical Analysis:** The crude market is seen retracing some of its gains on Thursday before it continues to trend higher in its upward trending channel. The market is seen finding resistance at its high of \$84.65 and \$86.21. Meanwhile, support is seen at \$82.67, \$81.32, \$79.90, \$78.69, \$78.55, \$78.29 and \$77.18.

**Fundamental News:** The EIA reported that crude oil stocks in the U.S. Strategic Petroleum Reserve increased by 995,000 barrels in the week ending August 4<sup>th</sup> to 347.75 million barrels, the biggest weekly increase since June 2020. U.S. Energy Department has bought back some 6.3 million barrels of oil to refill the SPR in recent months, after the Biden administration released a record 180 million barrels from the reserve last year to control prices after Russia's invasion of Ukraine. U.S. net imports of crude oil increased by 14,000 bpd to 6.682 million bpd, the highest level since January 2022. Meanwhile, crude exports fell by 2.923 million bpd on the week to 2.360 million bpd. Exports fell by the most on record. The EIA also reported that crude oil production increased by 400,000 bpd on the week to 12.6 million bpd.

IIR Energy reported that U.S. oil refiners are expected to shut in about 212,000 bpd of capacity in the week ending August 11<sup>th</sup>, increasing available refining capacity by 131,000 bpd. Offline capacity is expected to fall to 180,000 bpd in the week ending August 18<sup>th</sup>.

According to executives and analysts, top U.S. oil refiners will run their plants this quarter at up to 95% of their combined 17.9 million bpd capacity. The refining industry has been running at above 90% of capacity for more than a year on strong gasoline and diesel demand and high profit margins. Analysts said the new forecasts will be challenged by extreme heat that has blanketed the main U.S. refining hub on the Gulf Coast this summer, contributing to scattered outages. Marathon Petroleum, the largest refiner with 13 processing plants that provide 16% of U.S. refining throughput, aims to operate at 94% of its combined 2.9 million bpd capacity in the third quarter. The second-largest U.S. refiner, Valero Energy aims to process at up to 95% of its 3 million bpd capacity. Among smaller refiners, Par Pacific aims to operate at 92% of its capacity and HF Sinclair is targeting 94% of crude oil throughput.

Colonial Pipeline Co is allocating space for Cycle 47 on Line 1, its main gasoline line from Houston, Texas to Greensboro, North Carolina. The current allocation is for the pipeline segment north of Collins, Mississippi.

**Early Market Call - as of 8:30 AM EDT**

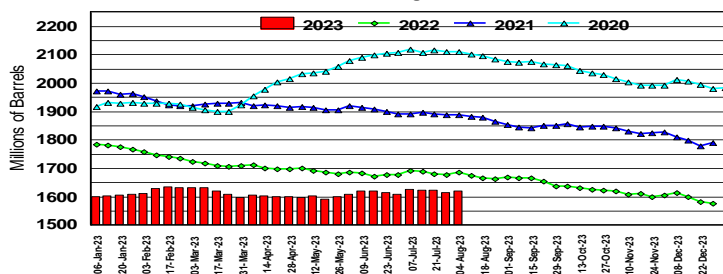
WTI - September \$83.91, down 49 cents  
 RBOB - September \$2.9083, down 2.01 cents  
 HO - September \$3.1743, down 3.27 cents

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Sep-23	3.2070	0.1214	0.2027
Oct-23	3.1707	0.1122	0.1946
Nov-23	3.1006	0.0978	0.1722
Dec-23	3.0173	0.0789	0.1445
Jan-24	2.9682	0.0694	0.1338
Feb-24	2.9228	0.0604	0.1261
Mar-24	2.8714	0.0516	0.1189
Apr-24	2.8136	0.0445	0.1128
May-24	2.7719	0.0378	0.1079
Jun-24	2.7389	0.0313	0.1033
Jul-24	2.7279	0.0283	0.1061
Aug-24	2.7220	0.0257	0.1081
Sep-24	2.7163	0.0242	0.1101
Oct-24	2.7063	0.0240	0.1102
Nov-24	2.6882	0.0240	0.1085
Dec-24	2.6660	0.0228	0.1036
Jan-25	2.6455	0.0218	0.0979

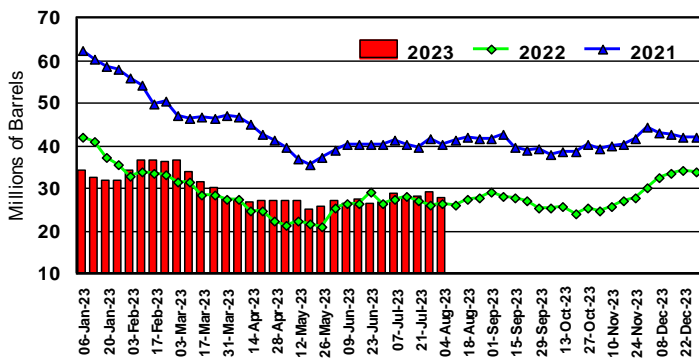
Sprague HeatCurve October 2023-April 2024		\$2.9696
	Close	Change
Crude - WTI	\$83.6900	\$1.3300
Crude - Brent	\$87.5500	\$1.3800
Natural Gas	\$2.9590	\$0.1820
Gasoline	\$2.9284	\$0.0833

### Total U.S. Oil Stocks Including SPR



## Weekly EIA Petroleum Status Report for the Week Ending August 4, 2023

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Up 5.851 million barrels  
 Cushing, OK Crude Stocks Up 159,000 barrels  
**Gasoline Stocks** Down 2.661 million barrels  
**Distillate Stocks** Down 1.706 million barrels  
**Refinery % Operated** 93.8%, up 1.1%

### PADD #1

	Week Ending August 4, 2023	Week Ending July 28, 2023	Week Ending August 5, 2022
Distillate Stocks (in million bbl)			
New England	3.1	3.4	3.1
Central Atlantic	14.0	13.2	12.4
Total PADD #1	27.8	29.1	26.4
Distillate Imports (thousands b/d)	40	66	155

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