



MarketWatch | Refined Products

Wednesday, July 5, 2023

Market Commentary

All NYMEX | Prior Settlements

Recap: On Monday, the oil market erased its early gains and sold off ahead of the Fourth of July holiday on Tuesday. Early in the morning, the market rallied to a high of \$71.77 after Saudi Arabia and Russia announced supply cuts for August overshadowing any concern over the economy. Saudi Arabia said it would extend its voluntary cut of 1 million bpd for another month to include August, adding that the cut could be extended beyond that month. Shortly after the Saudi announcement, Russian Deputy Prime Minister, Alexander Novak, said Russia would cut its oil exports by 500,000 bpd in August. The cuts amount to 1.5% of global supply and bring the total pledged by OPEC+ to 5.16 million bpd. The oil market later erased most of its gains as it traded back towards the \$70.00 level by mid-morning. It held support at that level for much of the day before further selling pushed the market to a low of \$69.69 ahead of the close. The August WTI contract settled down 85 cents at \$69.79, while the September Brent contract settled down 76 cents at \$74.65. The product markets settled in negative territory, with the heating oil market settling down 7.03 cents at \$2.3773 and the RB market settling down 8.25 cents at \$2.4624.

Technical Analysis: The oil market on Wednesday is seen continuing to trade in its sideways trading range as the latest news of the Saudi and Russian output cuts limits its losses caused by concerns over the economy and the likelihood of further increases to U.S. interest rates. The market is seen finding resistance at \$71.25, its high of \$71.77, followed by \$72.65, \$72.72, \$73.37 and \$75.70. Meanwhile, support is seen at its lows of \$69.93, \$69.53, \$69.41, \$68.93, \$68.85, \$67.05 and \$66.96.

Fundamental News: The state news agency said Saudi Arabia will extend its voluntary cut of one million bpd for another month to include August. The SPA quoted an official source from the Ministry of Energy as saying "The kingdom's production for the month of August 2023 will be approximately 9 million barrels per day." The source added that the voluntary cut could be extended beyond August. The official said "This additional voluntary cut comes to reinforce the precautionary efforts made by OPEC+ countries with the aim of supporting the stability and balance of oil markets."

Russia's Deputy Prime Minister, Alexander Novak, said Russia will cut its oil exports by 500,000 bpd in August.

Algeria's Energy Ministry said the country will cut oil output by an extra 20,000 barrels in August to support efforts by Saudi Arabia and Russia to balance and stabilize oil markets. The voluntary cut will be in addition to the 48,000 barrel reduction decided in April.

IIR Energy reported that U.S. oil refiners are expected to shut in about 129,000 bpd of capacity in the week ending July 7th, increasing available refining capacity by 915,000 bpd. Offline capacity is expected to decrease to 92,000 bpd in the week ending July 14th.

Colonial Pipeline Co is allocating space for Cycle 40 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.

U.S. manufacturing fell further in June, reaching levels last seen when the economy was reeling from the initial wave of the COVID-19 pandemic. The Institute for Supply Management said that its manufacturing PMI fell to 46.0 in June, the lowest reading since May 2020, from 46.9 in May. That marked the eighth consecutive month that the PMI stayed below the 50 threshold, which indicates contraction in manufacturing, the longest such stretch since the Great Recession.

Early Market Call - as of 8:52 AM EDT

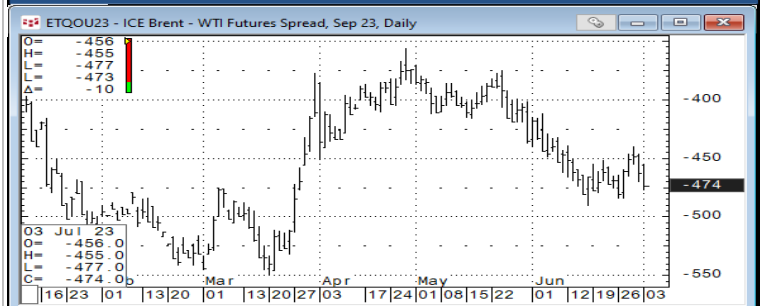
WTI - August \$71.31 up 1.52 per barrel
 RBOB - August \$2.5275 up 6.51 cents per gallon
 HO - August \$2.4678 up 9.05 cents per gallon

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-23	\$2.3773	-\$0.0703	-\$0.0354
Sep-23	\$2.3751	-\$0.0669	-\$0.0288
Oct-23	\$2.3741	-\$0.0637	-\$0.0242
Nov-23	\$2.3706	-\$0.0600	-\$0.0192
Dec-23	\$2.3640	-\$0.0569	-\$0.0161
Jan-24	\$2.3608	-\$0.0542	-\$0.0137
Feb-24	\$2.3544	-\$0.0522	-\$0.0119
Mar-24	\$2.3400	-\$0.0511	-\$0.0112
Apr-24	\$2.3172	-\$0.0496	-\$0.0101
May-24	\$2.3016	-\$0.0489	-\$0.0088
Jun-24	\$2.2893	-\$0.0483	-\$0.0080
Jul-24	\$2.2851	-\$0.0471	-\$0.0080
Aug-24	\$2.2832	-\$0.0464	-\$0.0077
Sep-24	\$2.2817	-\$0.0462	-\$0.0085
Oct-24	\$2.2808	-\$0.0468	-\$0.0097
Nov-24	\$2.2779	-\$0.0477	-\$0.0107
Dec-24	\$2.2735	-\$0.0476	-\$0.0117

Sprague HeatCurve October 2023-April 2024 \$2.3552

		Close	Change
Crude - WTI	Sep Brent- WTI Spread \$4.74	\$69.9100	-\$0.8700
Crude - Brent		\$74.6500	-\$0.7600
Natural Gas		\$2.7090	-\$0.0890
Gasoline		\$2.4624	-\$0.0825

ICE September Brent-WTI Spread



August Heating Oil Crack Spread

August RBOB Crack Spread

