

# MarketWatch | Refined Products

Friday, October 19, 2018

## **Market Commentary**

Recap: Oil prices opened slightly higher on Thursday, but were unable to gather momentum to the upside. Macroeconomic worries and lower demand forecasts outweighed concern regarding supply shortfalls due to the impending U.S. sanctions against Iran, and in turn pushed prices to fresh weekly lows. November WTI fell as much as 2% lower on the day, reaching a bottom of \$68.53 a barrel before paring gains. The soon to expire spot contract settled at \$68.65 a barrel, down \$1.10, or 1.58%. Brent for December delivery lost 76 cents, or 0.95%, to settle at \$79.29 a barrel. Oil prices have declined 4% over the past 2 days. November RBOB fell 1.4%, to settle at \$1.891 a gallon, while November heating oil lost 0.7%, settling at \$2.295 a gallon.

#### **Technical Analysis**

November WTI validated its break below the 50-day moving average by holding below it on a mild run-up, and then retreating from it. At this point in time, we would look for extended moves to the downside, with \$67.84 our initial downside objective, with additional support set at \$66.57. Resistance is set at \$70.04 and \$71.74.

<u>Fundamental News:</u> U.S. Secretary of State Pompeo briefed President Trump on the results of his trip to Saudi Arabia and Turkey Thursday morning. He said he asked President Trump to give Saudi Arabia a few more days to wrap up its investigation into the disappearance of the Saudi dissident journalist Khashoggi. Meanwhile U.S. Treasury Secretary Mnuchin announced he would follow other corporate and world government officials and would not be attending an investor conference in Riyadh scheduled for next week.

PJK reported Thursday morning gasoil stocks in the ARA hub stood at 2.874 million tonnes down 5.3% from the previous week, but still 13.9% higher than the same week a year ago. Gasoline stocks on the week stood at 988,000 tonnes, down 7.1% from the prior week but 22.9% above a year ago.

Water levels on the Rhine River fell to a record low on Thursday and currently are forecast to continue to fall even further, hampering oil product barge trading in Northwest Europe.

The U.S. EPA said Thursday U.S. generation of renewable fuel blending credits fell in September versus the previous month. The U.S. generated 1.22 billion ethanol credits in September versus 1.36 billion in August, while 322 million biodiesel blending credits were created in September versus 350 million in August.

The acting head of the EPA said Thursday the agency has the authority to allow sales of higher ethanol blends of gasoline year round without an act of Congress. The EPA previously has prohibited summer sales of E15 in certain areas because of smog concerns.

Reuters reported an unprecedented volume of Iranian crude oil is set to arrive at China's northeastern port of Dalian this month and into early November. The National Iranian Tanker Company said it is shipping more than 20 million barrels to the port. Prior to this period, the port in Dalian would receive between 1 and 3 million barrels of Iranian oil each month for the past three years.

Early Market Call - as of 8:58 AM EDT WTI - Nov \$69.30 up 65 cents RBOB - Nov \$1.9185 up 2.74 cents HO - Nov \$2.3147 up 1.98 cents

### All NYMEX | Prior Settlements

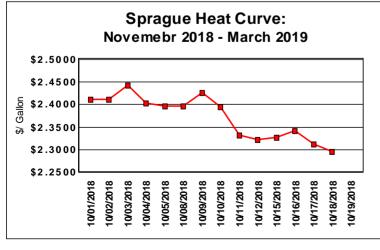
|        | ULSD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
| Month  | Close     | Change       | One Week  |
| Nov-18 | \$2.2949  | -\$0.0162    | -\$0.0373 |
| Dec-18 | \$2.2964  | -\$0.0161    | -\$0.0371 |
| Jan-19 | \$2.2980  | -\$0.0168    | -\$0.0369 |
| Feb-19 | \$2.2956  | -\$0.0172    | -\$0.0359 |
| Mar-19 | \$2.2900  | -\$0.0173    | -\$0.0340 |
| Apr-19 | \$2.2795  | -\$0.0174    | -\$0.0332 |
| May-19 | \$2.2737  | -\$0.0179    | -\$0.0328 |
| Jun-19 | \$2.2703  | -\$0.0186    | -\$0.0328 |
| Jul-19 | \$2.2739  | -\$0.0192    | -\$0.0325 |
| Aug-19 | \$2.2789  | -\$0.0194    | -\$0.0317 |
| Sep-19 | \$2.2852  | -\$0.0195    | -\$0.0307 |
| Oct-19 | \$2.2916  | -\$0.0194    | -\$0.0294 |
| Nov-19 | \$2.2976  | -\$0.0196    | -\$0.0283 |
| Dec-19 | \$2.3024  | -\$0.0201    | -\$0.0282 |
| Jan-20 | \$2.3038  | -\$0.0202    | -\$0.0274 |
| Feb-20 | \$2.2963  | -\$0.0204    | -\$0.0276 |
| Mar-20 | \$2.2846  | -\$0.0205    | -\$0.0293 |

| Sprague Heat Curve Nov-March |            |                  | \$2.2953  |
|------------------------------|------------|------------------|-----------|
| Other Front Mo               | nth NYMEX  | Close            | Change    |
| Crude - WTI                  | Dec Brent- | <b>\$68.7600</b> | -\$0.9900 |
| Crude - Brent                | WTI Spread | \$79.2900        | -\$0.7600 |
| Natural Gas                  | \$10.53    | \$3.1980         | -\$0.1220 |
| Gasoline                     |            | \$1.8911         | -\$0.0276 |

#### EIA Working Gas Storage Report EA Weekly Report 12-Oct-18 05-0ct-18 Change Year Ago 812 790 22 Fast 899 Midwest 908 871 37 1,050 177 180 -3 224 Mountain Pacific 264 262 316 South Central 877 854 1,150 12 Salt 203 191 303 Nons alt 673 663 10 847 3.037 2.956 3.638 Total

## Sprague Weighted Heat Curve

#### NYMEX Dec Heat Crack





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