



# MarketWatch | Refined Products

Friday, November 2, 2018

## Market Commentary

**Recap:** Oil prices fell for the fourth straight day, owing its weakness to increased output by some of the world's largest producers and mounting concern over weaker global demand due to the U.S. - China trade dispute. Signs of slowing demand have already been seen, as China's manufacturing sector in October expanded at its weakest pace in over two years. Weakness in the market continues to foster longer dated contango market conditions down the curve, with spreads out to June19/July19 trading in contango market conditions. The Dec18/Dec19 spread has also slipped into a contango market for the first time since September of 2017. This is an indication that traders are growing less optimistic about forward demand. Spot prices fell to 5-month lows, with December WTI falling as much as 3.3% to a low \$63.11 and January Brent falling equally as much to a low of \$72.56. December WTI finished down \$1.62, or 2.48%, to settle at \$63.69 a barrel, while January Brent settled at \$72.89 a barrel, down \$2.15, or 2.87%.

### Technical Analysis

Technical traders sprang into action after December WTI failed to gather momentum above the unchanged level. This spot contract is now poised to reach the lowest weekly settlement in WTI since June. The 200-day moving average, currently set at \$65.40, is now a level of resistance, with additional resistance at \$66.27, set by the ascending trend line that can be depicted on a daily bar chart for December futures. Support is set at \$62.14 and \$61.20.

**Fundamental News:** Genscape reported that as of October 30<sup>th</sup>, crude oil stocks at Cushing, OK stood at 35,452,022 barrels, up 1.288 million barrels from October 26<sup>th</sup> and up over 1.9 million barrels from October 23<sup>rd</sup>.

Bloomberg reported that both India and South Korea agreed with the U.S. on the outline of deals that would allow them to keep importing some Iranian oil, according to Asian officials with knowledge of the matter. No final decision has been made and an announcement is not expected before November 5<sup>th</sup>.

RBC Capital Markets in a research note to clients said it expects U.S. sanctions will probably reduce Iranian exports by 1.3-1.7 million b/d by the 1Q2019. They also noted they expect the U.S. to be "very stringent in issuing significant reduction exemptions."

Goldman Sachs said that they remained committed to their "year-end Brent price forecast of \$80.00 per barrel." While they noted they have slightly revised downward their demand growth forecast it remains above consensus expectations. They noted the market has misread emerging market demand, by underestimating destocking currently underway in these countries. They also noted that Chinese demand continues to surprise to the upside despite the appearance of an economic slowdown.

S&P Global Platts said it estimates U.S. exports of gasoline in October reached their highest level on a monthly basis since at least 2010. The analysis pointed to the poor refinery runs in Mexico as being a primary driver in this surge in exports with some traders estimating over half of these exports are going to Mexico.

PEMEX reported this week its refinery utilization at its six Mexican refineries fell to a record low in the third week of October to just 25.7%, down from a poor 29.2% operable capacity a week before. Back in April PEMEX refineries were averaging 52.6%.

### Early Market Call - as of 9:10 AM EDT

WTI - Dec \$63.13 down 56 cents  
 RBOB - Dec \$1.7068 down 97 points  
 HO - Dec \$2.1809 down 1.99 cents

## All NYMEX | Prior Settlements

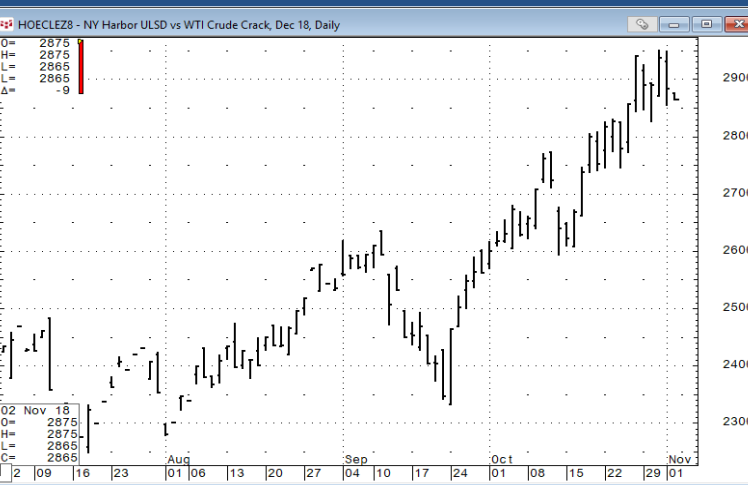
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Dec-18	2.2008	-0.0506	-0.0776
Jan-19	2.1959	-0.0526	-0.0823
Feb-19	2.1898	-0.053	-0.0837
Mar-19	2.1817	-0.0525	-0.0842
Apr-19	2.1706	-0.0519	-0.0843
May-19	2.1655	-0.051	-0.0841
Jun-19	2.1636	-0.05	-0.083
Jul-19	2.1696	-0.0489	-0.0811
Aug-19	2.177	-0.0477	-0.0789
Sep-19	2.1853	-0.0465	-0.0768
Oct-19	2.1927	-0.0455	-0.0751
Nov-19	2.1992	-0.0445	-0.0734
Dec-19	2.2046	-0.0434	-0.0716
Jan-20	2.2075	-0.0429	-0.0712
Feb-20	2.2037	-0.0422	-0.0695
Mar-20	2.1948	-0.0416	-0.0678
Apr-18	2.1825	-0.0414	-0.067

Other Front Month NYMEX		Close	Change
Crude - WTI	Jan Brent-	\$63.8100	-\$1.6300
Crude - Brent	WTI Spread	\$72.8900	-\$2.1500
Natural Gas	\$9.08	\$3.2370	-\$0.0240
Gasoline		\$1.7165	-\$0.0349

## EIA Weekly Nat Gas Storage Report

	EIA Weekly Report			
	26-Oct-18	19-Oct-18	Change	Year Ago
East	826	825	1	924
Midwest	956	934	22	1,103
Mountain	180	177	3	226
Pacific	262	262	0	317
South Central	919	896	23	1,195
Salt	234	218	16	322
Nonsalt	686	678	8	872
Total	3,143	3,095	48	3,766

## NYMEX Dec Heat Crack



## NYMEX Dec Heat



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