



MarketWatch | Refined Products

Thursday, April 30, 2020

Market Commentary

Recap: U.S. oil futures surged by more than 20% on Wednesday after government data showed a smaller than expected build in U.S. crude stockpiles and a surprise draw in gasoline inventories. Oil prices were also lifted by hopes for a rebound in demand, as some countries begin to ease up on pandemic related shutdowns and amid apparent progress on a clinical trial on an experimental coronavirus treatment drug. While U.S. storage is rapidly filling, crude production cuts by U.S. shale producers - estimated by consultants Rystad Energy at 300,000 barrels per day (bpd) for May and June - should slow flows into tanks. WTI for June delivery rose \$2.72, or 22%, to settle at \$15.06 a barrel. Tracking the front-month contracts, prices were looking at a monthly decline of more than 26%. Dow Jones Market Data show, as the COVID-19 pandemic has sapped demand for crude and products. June Brent crude added \$2.08, or 10.2%, to \$22.54 a barrel ahead of the contract's expiration at Thursday's settlement. May RBOB rose 9% to 72.72 cents a gallon—the highest finish for the front-month contract since March 13. May heating oil tacked on 10.1% to 69.45 cents a gallon, posting the largest daily percentage gain since Sept. 16, 2019. The May contracts expire at the end of Thursday's session.

Technical Analysis: June WTI gapped higher on the opening and continued to rally, but fell short of the 10-day moving average, currently set at \$17.08. With a slight shift in the fundamentals, and a cross to the upside in slow stochastics, we would look for a push at the aforementioned average, with successful breaks opening up for a run at \$17.65. Above this level, additional resistance is set at \$18.26. To the downside, support is set at \$14.54 and below that at \$13.35.

Fundamental News: Rystad Energy stated that US oil production of at least 300,000 bpd will be shut during May and June. It is unclear how much of this is due to the COVID-19 pandemic and the related fall in demand. Oil production cuts in May and June could amount to 300,000 bpd, an increase from about 100,000 bpd projected for April. It estimates that shale producers will try to deliver on announced cuts as much as possible by reducing the number of new wells put into production.

Russia's Energy Minister, Alexander Novak, said the country's oil output could fall by up to 15% this year, representing its first annual decline since 2008. He said Russian oil output will fall to between 480 million and 500 million tons or 9.6 million bpd to 10 million bpd, from 2019's post-Soviet high of 560 million tons. Russia's Energy Minister said that foreign-operated as well as domestic oil projects in the country will reduce output, pro-rata, as part of a global pact to cut crude production. He also said Russian companies will cut their production by 19% from February levels as part of the global pact to reduce oil output. Separately, Russia's Energy Minister, Alexander Novak, said the country is seeing tentative signs of recovery in fuel demand on the European market.

Angola has made a downward revision to its crude oil loading programs for May and June as OPEC countries look to meet their respective pledges on production cuts. The May program was reduced by four cargoes to 41 or 1.27 million bpd, with the June program reduced by three cargoes to 39 or 1.25 million bpd.

Nigeria cut its June export program for Qua Iboe crude and deferred two May loading cargoes to the following month. The June program has three cargoes, loading at a rate of 95,000 bpd, down from the original May program of 215,000 bpd. Two May loading cargoes have been deferred to June, reducing the May export total to 153,000 bpd.

IIR Energy reported that US oil refiners are expected to shut in about 4.1 million bpd of capacity in the week ending May 1st, increasing available refining capacity by 467,000 bpd from the previous week. Offline capacity is expected to fall to 1.6 million bpd in the week ending May 8th.

Early Market Call - as of 8:20 AM EDT

WTI - June \$17.31 up \$2.25
RBOB - May \$0.8035 up 0.0490
HO - May \$0.83562 up 0.0592

All NYMEX | Prior Settlements

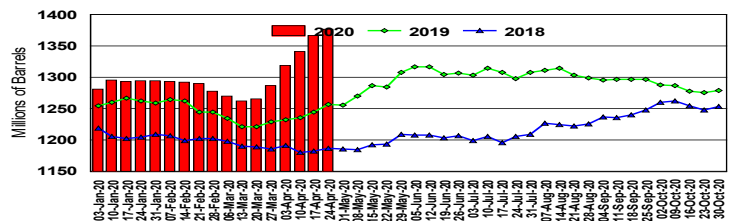
Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
May-20	0.6945	0.0637	0.0366
Jun-20	0.7770	0.0662	0.0063
Jul-20	0.8316	0.0571	0.0050
Aug-20	0.8790	0.0465	0.0123
Sep-20	0.9194	0.0396	0.0210
Oct-20	0.9553	0.0355	0.0287
Nov-20	0.9843	0.0319	0.0357
Dec-20	1.0066	0.0285	0.0405
Jan-21	1.0281	0.0250	0.0428
Feb-21	1.0462	0.0220	0.0434
Mar-21	1.0614	0.0196	0.0435
Apr-21	1.0710	0.0175	0.0427
May-21	1.0828	0.0152	0.0414
Jun-21	1.0954	0.0131	0.0407
Jul-21	1.1153	0.0125	0.0390
Aug-21	1.1342	0.0121	0.0376
Sep-21	1.1499	0.0122	0.0360

Sprague Heat Weighted Strip October -April 20/2021 \$1.0264

Other Front Month NYMEX	Close	Change
Crude - WTI	\$15.0600	\$2.7200
Crude - Brent	\$22.5400	\$2.0800
Natural Gas	\$1.8690	-\$0.0790
Gasoline	\$0.7272	\$0.0600

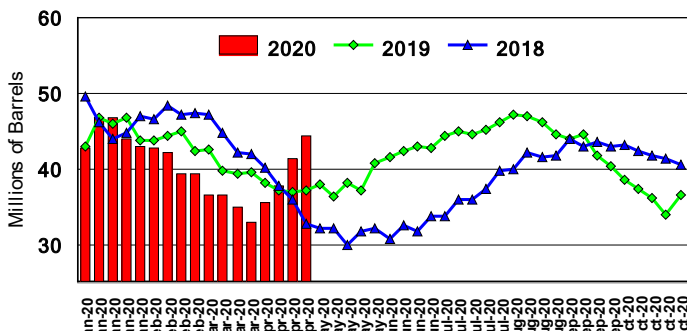
June Brent-
WTI Spread
\$7.48

Total U.S. Oil Stocks Excluding SPR



Weekly EIA Petroleum Status Report for the Week Ending April 24, 2020

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 8.991 million barrels

Cushing, OK Crude Stocks Up 4.776 million barrels

Gasoline Stocks Down 3.669 million barrels

Distillate Stocks Up 5.092 million barrels

Refinery % Operated 69.6%, up 2%

PADD #1

Distillate Stocks (in million bbls)	Week Ending Apr 24, 2020	Week Ending Apr 17, 2020	Week Ending Apr 19, 2019
New England	8.2	7.2	5.5
Central Atlantic	20.9	19.2	20.5
Total PADD #1	44.4	41.4	37.2
Distillate Imports (thousands b/d)	212	88	16

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