MarketWatch | Refined Products

Thursday, January 19, 2023

Market Commentary

Recap: The oil market ended the session lower on Wednesday as the market weighed concerns over a possible recession against expectations that the lifting of China's COVID-19 restrictions will lead to a fuel demand recovery. Early in the session, the market was well supported by the IEA stating that the lifting of restrictions in China is expected to increase global oil demand this year to a new record high, while supply will be limited by the cap on Russian export prices imposed by G7. The market may have also been supported as the Department of Energy on Tuesday confirmed that it did not sell any SPR oil last week, marking the first week with no sales since September 2021. The market traded mostly sideways in overnight trading before it bounced off a low of \$80.55 and extended its gains to \$2.20 as it rallied to a high of \$82.38, a level not seen since early December. The market, which retraced more than 50% of its move from a low of \$70.08 to a high of \$93.74, later erased all of its gains as it sold off sharply in afternoon trading following a selloff in the equities market. The market gave up its gains following earlier reports of weakness in retail sales, a drop in industrial output and news of more job layoffs that added to fears of a potential recession. The February WTI contract sold off to a low of \$79.01 ahead of the close and settled down 70 cents at \$79.48, while the March Brent contract settled down 94 cents at \$84.98. The product markets ended mixed once again, with the heating oil market settling up 1.2 cents at \$3.2630 and the RBOB market settling down 2.16 cents at \$2.5235.

Market Analysis: The oil market on Thursday is seen trading in its recent trading range and look for further direction from the weekly petroleum stock reports, which are expected to show a small draw in crude stocks and builds in product stocks. Technically, its stochastics look ready to cross to the downside. The market is seen finding support at \$79.01, \$78.53, \$77.97 and \$77.10-\$77.06. Meanwhile, resistance is seen at \$80.00, \$80.30, \$81.36, its high of \$82.38, followed by \$82.74, \$83.34 and \$84.70, its 62% retracement level.

Fundamental News: The International Energy Agency said the lifting of COVID-19 restrictions in China is set to increase global oil demand this year to a new record high, while price cap sanctions on Russia could limit supply. Global oil demand is set to increase by 1.9 million bpd in 2023 to a record 101.7 million bpd. China is expected to account for half of the 2023 oil demand growth following its reopening. The IEA said world oil supply growth in 2023 is set to slow to 1 million bpd, led by declines in Russian exports.

U.S. Energy Secretary, Jennifer Granholm, warned Republicans in a letter limiting that President Joe Biden's authority to tap the country's oil reserves would undermine national security, cause crude shortages and raise gasoline prices.

According to industry sources and analysts, Asia's diesel supplies are set to increase in early 2023 after a year of tight inventories as refiners increase their output to capture higher margins and China maintains export volumes with new quotas. The increasing supply will help Asian refiners capture some European demand expected after sanctions on Russian oil products start on February 5th. According to consultancy Wood Mackenzie, Asia's 2023 diesel supply could increase by almost 3% over the previous year while demand growth will lag behind at around 1%.

U.S. oil refiners plan twice as many refinery overhauls this spring as usual. The size of the planned outages suggests supplies of gasoline and diesel could tighten and margins increase as the European Union's February 5th ban on imports of Russian petroleum products takes effect, increasing the call on U.S. fuels. According to IIR Energy and Reuters, at least 15 U.S. oil refineries plan maintenance ranging from two to 11 weeks through May. By mid-February, U.S. refiners will fall by 1.4 million bpd of processing capacity, double the five-year average.

Early Market Call - as of 8:45 AM EDT

WTI - February \$79.40, down 8 cents

RBOB - February \$2.5452, up 2.17 cents

HO - February \$3.2543, down 87 points

All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Feb-23	\$3.2630	\$0.0120	\$0.0451
Mar-23	\$3.1831	\$0.0140	\$0.0869
Apr-23	\$3.0538	\$0.0101	\$0.0995
May-23	\$2.9611	\$0.0060	\$0.0974
Jun-23	\$2.9003	\$0.0012	\$0.0862
Jul-23	\$2.8678	-\$0.0024	\$0.0765
Aug-23	\$2.8474	-\$0.0046	\$0.0715
Sep-23	\$2.8373	-\$0.0051	\$0.0706
Oct-23	\$2.8279	-\$0.0046	\$0.0711
Nov-23	\$2.8166	-\$0.0038	\$0.0713
Dec-23	\$2.8032	-\$0.0030	\$0.0713
Jan-24	\$2.7909	-\$0.0028	\$0.0687
Feb-24	\$2.7772	-\$0.0031	\$0.0656
Mar-24	\$2.7569	-\$0.0021	\$0.0637
Apr-24	\$2.7290	-\$0.0019	\$0.0621
May-24	\$2.7099	-\$0.0025	\$0.0608
Jun-24	\$2.6959	-\$0.0030	\$0.0568
Sprague HeatCurve October 2023-April 2024			**\$2.7854**

		Close	Change
Crude - WTI	Mar Brent-WTI Spread \$5.18	\$79.8000	-\$0.6500
Crude - Brent		\$84.9800	-\$0.9400
Natural Gas		\$3.3110	-\$0.2750
Gasoline		\$2.5235	-\$0.0216

API Report for the Week Ending January 13, 2023

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Up 7.6 million barrels	Down 600,000 barrels
Gasoline Stocks	Up 2.8 million barrels	Up 2.5 million barrels
Distillate Stocks	Down 1.8 million barrels	Up 100,000 barrels
Refinery Runs		Up 3.8% at 87.9%

8-14 Day Weather Forecast