MarketWatch | Refined Products

Tuesday, February 9, 2021

Market Commentary

Recap: Pandemic related optimism, along with expectations for the passage of the latest U.S. economic stimulus package, pushed oil futures to their highest level in over a year on Monday. Prices also gained support after President Biden held off on immediately lifting sanctions against Iran. This follows last week's strong finish as expectations for increasing demand and production restraints by OPEC+, prompted fresh buying. March WTI added $1.12, or 2%, to settle at $57.97 a barrel, the highest settlement for a spot contract since Jan. 21, 2020. Brent for April delivery rose $1.22, or 2.1%, to close at $60.56. This is the highest first month settlement since Jan. 24, 2020. March RBOB tacked on almost 1.6%, to settle at $1.6748 a gallon, while March heating oil added 2%, to settle at $1.7478 a gallon.

Technical Analysis: While oil markets are moving higher, a lot depends on things that are not immediately in our control. OPEC+ must remain disciplined in their efforts to adhere to output cuts, which could very quickly turn. The coronavirus is still not contained, despite the roll out of several vaccinations, which has its own problems, and with new variants of this virus showing up; it is still not yet known how effective current vaccines will be. Global stockpiles remain well above the five year average, while demand continues to struggle. So while investors appear to be more optimistic, a minor shift in one of the aforementioned could send this market crashing right back down, so buyer beware. For now, we may have established a new trading range between $60 and $55. With March WTI settling above the upward trend line set at $57.32, we would look for a push toward the $58. Support is set at $56.30 and $55.

Fundamental News: European gasoline shipments into the U.S. recovered to the highest level in two months, while diesel-type fuel arrivals fell in the week ending February 4th. Weekly imports of gasoline from Europe more than doubled to 328,000 bpd, the most since early December, compared with 119,000 bpd in the previous week. Seven tankers discharged a total 1.97 million barrels of gasoline at U.S. East Coast ports, while one tanker arrived with 323,000 barrels on the U.S. Gulf Coast. Meanwhile, inflows of diesel-type fuels from Europe slowed to just two cargoes totaling 499,000 barrels or 71,000 bpd. About 816,000 barrels of diesel was discharged in the previous week.

An oil tanker left Libya's easternmost port without loading crude due to a strike by the terminal's security guards. The Front Cruiser is the first vessel to withdraw from the port of Hariga without taking on a cargo since the strike began last month. Another tanker canceled a scheduled arrival at Hariga and diverted instead to Es Sider.

Iran's Supreme Leader, Ayatollah Ali Khamenei, said that Iran's "final and irreversible" decision was to return to compliance with the 2015 nuclear deal only if U.S. lifts sanctions on the Islamic Republic. The comment, as well as U.S. President Joe Biden's separate statement that the United States would not lift sanctions simply to get Iran back to the negotiating table, appeared to be posturing by both sides as they weigh whether and how to revive the pact. Separately, a senior Biden administration official said U.S. President Joe Biden meant to convey that Iran needs to stop enriching uranium beyond the limits permitted under the Iran nuclear deal in a television interview broadcast on Sunday. The official said "they have to stop enriching beyond the limits of the JCPOA." The United States wants Iran to come back into (compliance with) its JCPOA commitments and if does, the United States will do the same." On Monday, the White House said that if Iran was fully compliant with the nuclear deal, the U.S. would do the same.

IIR Energy reported that U.S. oil refiners are expected to shut in 3.5 million bpd of capacity in the week ending February 12th, increasing available refining capacity by 279,000 bpd from the previous week. Offline capacity is expected to fall to 3.3 million bpd in the week ending February 19th.

Early Market Call - as of 8:05 AM EDT

WTI - Mar $57.94, down 3 cents

RBOB - Mar $1.6672, down 75 points

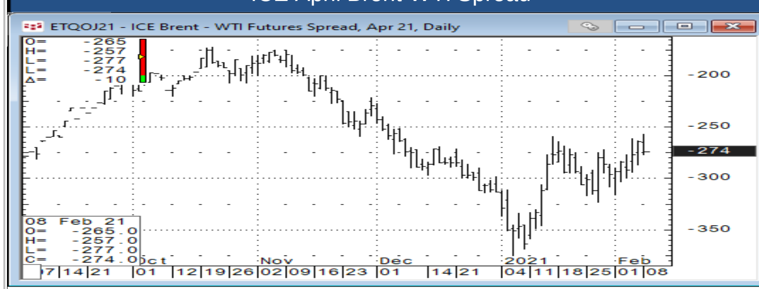
HO - Mar $1.7500, up 22 points

All NYMEX | Prior Settlements

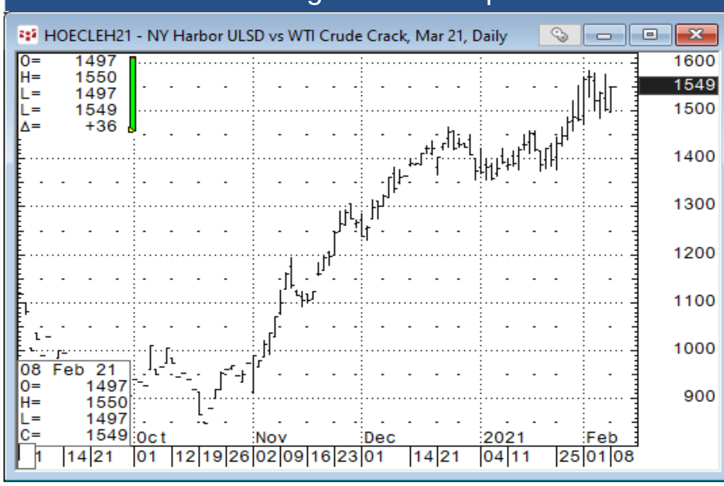
Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Mar-21	1.7478	0.0341	-0.1009
Apr-21	1.7386	0.0333	-0.1002
May-21	1.7337	0.0327	-0.0994
Jun-21	1.7313	0.0323	-0.0986
Jul-21	1.7314	0.0322	-0.0972
Aug-21	1.7320	0.0320	-0.0951
Sep-21	1.7341	0.0318	-0.0928
Oct-21	1.7361	0.0314	-0.0900
Nov-21	1.7372	0.0311	-0.0881
Dec-21	1.7367	0.0313	-0.0868
Jan-22	1.7378	0.0311	-0.0859
Feb-22	1.7354	0.0305	-0.0843
Mar-22	1.7274	0.0301	-0.0824
Apr-22	1.7126	0.0293	-0.0808
May-22	1.7040	0.0284	-0.0783
Jun-22	1.6980	0.0276	-0.0764
Jul-22	1.6973	0.0272	-0.0745
Sprague HeatCurve October 2021-April 2022			**$1.7331**

		Close	Change
Crude - WTI	Apr Brent-WTI Spread $2.73	$57.8300	$1.1300
Crude - Brent		$60.5600	$1.2200
Natural Gas		$2.8820	$0.0190
Gasoline		$1.6748	$0.0255

ICE April Brent-WTI Spread



March Heating Oil Crack Spread



March RBOB Crack Spread