MarketWatch | Refined Products

Tuesday, October 4, 2022

Market Commentary

Recap: Oil futures jumped over $4 a barrel on Monday as OPEC and other major producers considered reducing output by more than 1 million barrels per day to bolster prices with what would be its biggest cut since the start of the COVID-19 pandemic. November WTI traded as high as $84.56 a barrel, for a gain of $5.07 or 6.3%, while December Brent topped the session at $89.82, a gain of $4.68, or 5.5%. Oil prices have declined for four straight months since June, as COVID-19 lockdowns in top energy consumer China hurt demand while rising interest rates and a surging U.S. dollar weighed on global financial markets. Most traders were expecting cuts of about 50,000 barrels per day; if the cut is agreed upon it would be the group's second consecutive monthly cut after reducing output by 100,000 bpd last month. November WTI crude rose $4.14, or 5.2%, to settle at $83.63 barrel. This was the largest one day dollar gain since Monday, July 18 2022 and the largest one day percentage gain since Wednesday, May 11, 2022. December Brent gained $3.72 per barrel, or 4.37% to $88.86 today, the largest one day dollar gain since Monday, Aug. 29, 2022 and the largest one day percentage gain since Monday, July 18, 2022, also snapping a two session losing streak. ULSD for November delivery gained 14.75 cents per gallon, or 4.58% to $3.3691 today, snapping a two session losing streak. RBOB Gasoline for November delivery gained 14.31 cents per gallon, or 6.04% to $2.5129, the largest one day dollar gain since Monday, July 25, 2022 and the largest one day percentage gain since Thursday, March 17, 2022

Technical Analysis: Crude oil prices fought back hard on Monday, however, it remains to be seen whether production cuts will be sufficient enough to change the current trend of the market. Crude oil markets are facing a lot of headwind, as demand continues to fall amid weak economic global news indicating a slowing of the economy. We are still of the belief that it will be hard for a rally to sustain itself and therefore sticking with selling on signs of weakness rather than buying on dips. Support is seen at $81, $80 and below that at $76.25. Resistance is seen at $85, $86.30 and $89.

Fundamental News: OPEC sources said OPEC+ is discussing an oil output cut of more than a million bpd at its meeting on October 5th. Also, there may be additional voluntary cuts by individual members, making it the largest cut since 2020. It is not yet clear what levels of voluntary cuts Saudi Arabia or any other top Gulf OPEC oil producer could contribute. A significant production cut is poised to anger the United States, which has been putting pressure on Saudi Arabia to continue producing more to help lower oil prices further and reduce revenues for Russia as the West seeks to punish Moscow for sending troops to Ukraine. Last week, a source familiar with the Russian thinking said Moscow would like to see OPEC+ cutting 1 million bpd or one percent of global supply. That would be the biggest cut since 2020 when OPEC+ reduced output by a record 10 million bpd as demand crashed due to the COVID pandemic.

Three OPEC+ sources stated that OPEC+ cancelled its Joint Technical Committee meeting scheduled for Tuesday ahead of a gathering of ministers from the producer group to set policy. One of the sources said the decision to cancel the Joint Technical Committee meeting came from the JMMC, without elaborating.

Goldman Sachs said a production cut under consideration by OPEC and its allies was justified by the sharp decline in oil prices from recent highs and supported its bullish view. OPEC+ is discussing output cuts of more than 1 million bpd. It said an OPEC+ supply cut would reinforce its bullish oil price view, while help limit downside to prices should economic growth disappoint. It said "We reiterate both our bullish oil view as well as our preference for long crude timespread positions into year-end." It said the ability for OPEC to conduct such a large cut is rooted in a lack of any supply elasticity, with shale activity showing signs of slowing. It expects Russian production to fall into year-end while demand is expected to be supported by natural gas to oil switching in Europe and Asia.

Early Market Call - as of 8:25 AM EDT

WTI - November $85.14 Up $1.51

RBOB - November $ 2.5936 Up 0.0807

HO - November $2.4703 Up 0.1008

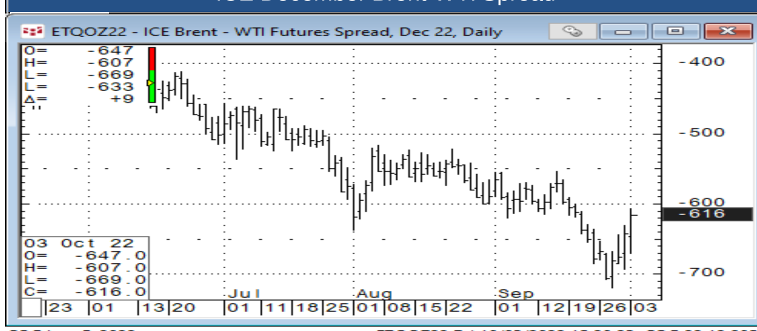
All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Nov-22	3.3691	0.1475	0.2062
Dec-22	3.2515	0.1245	0.1644
Jan-23	3.1823	0.1088	0.146
Feb-23	3.1149	0.0982	0.1314
Mar-23	3.0385	0.0922	0.12
Apr-23	2.9526	0.0856	0.1062
May-23	2.8872	0.0797	0.0906
Jun-23	2.8402	0.0745	0.0766
Jul-23	2.8174	0.0708	0.068
Aug-23	2.7989	0.0672	0.0617
Sep-23	2.7834	0.0649	0.059
Oct-23	2.7685	0.0624	0.0562
Nov-23	2.7529	0.0603	0.0541
Dec-23	2.7353	0.0544	0.0492
Jan-24	2.7157	0.0501	0.0446
Feb-24	2.7014	0.0491	0.0435
Mar-24	2.6802	0.0491	0.0433
Sprague HeatCurve October 2023-April 2024			**$2.7133**

	Close	Change
Crude - WTI	$82.7000	$3.9800
Crude - Brent	$88.8600	$3.7200
Natural Gas	$6.4700	-$0.2960
Gasoline	$2.5129	$0.1431

Dec Brent-WTI Spread $6.16

ICE December Brent-WTI Spread



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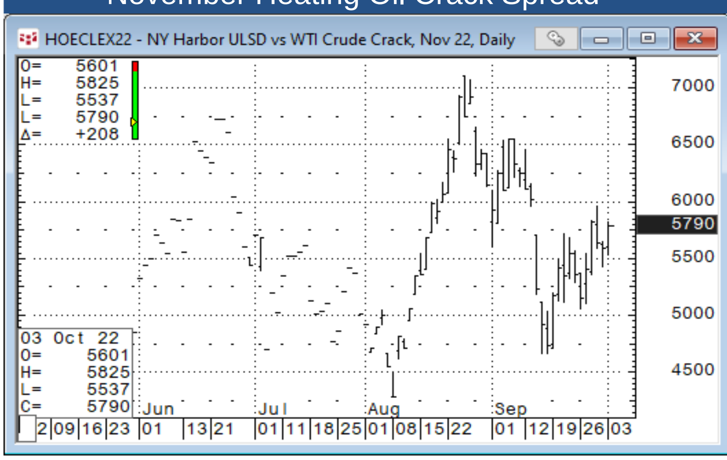
November Heating Oil Crack Spread



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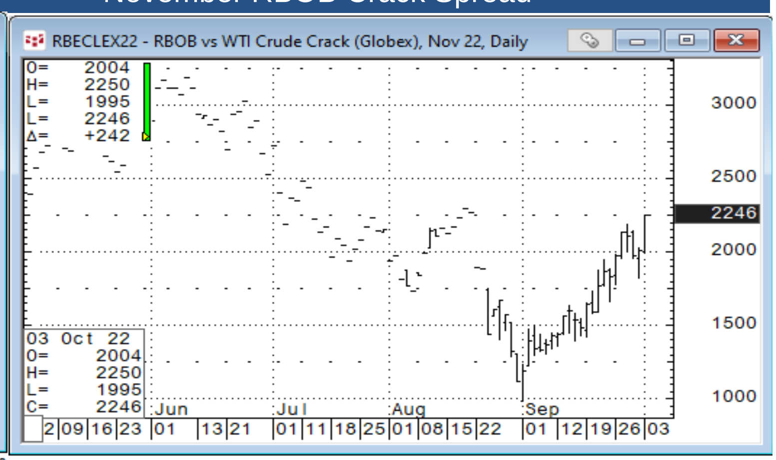
November RBOB Crack Spread



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