

MarketWatch | Refined Products

Wednesday, March 4, 2020

Market Commentary

Recap: Oil futures bounced on Tuesday, marking the second straight day of gains after the U.S. Federal Reserve cut interest rates and as traders await the March 5-6 OPEC meeting, where the cartel and its allies are expected to agree on additional production cuts. April WTI jumped as much as 4%, rising to a session high of \$48.66 before paring gains for a settlement at \$47.18 a barrel, up 43 cents, or 0.9%. Brent for May delivery added 4 cents, or 0.08%, to settle at \$51.86 a barrel. April RBOB ended down 0.5% at \$1.5313 a gallon, while April heating oil adding 0.3% to \$1.533 a gallon.

Technical Analysis: April WTI gapped higher on the open, came down to fill the gap and then bounced again. At this point in time, it appears that there is a bit of underlying strength ahead of the March 5-6 OPEC meeting, so we would expect to see a continued push toward the \$50.00 level. The first line of resistance is set at the 10-day moving average, which is currently set at \$48.77, above this level, additional resistance rests at \$50.00. To the downside, support is set at \$46.45 and below that at \$45.00.

Fundamental News: The US Federal Reserve cut interest rates on Tuesday in an emergency move designed to shield the US economy from the impact of the coronavirus. It said it was cutting rates by a half percentage point to a target range of 1% to 1.25%. The decision was unanimous among policymakers. The Fed said that while the fundamentals of the US economy remain strong, the coronavirus poses evolving risks to economic activity.

OPEC ministers are beginning to arrive in Vienna on Tuesday as the group debates whether to further reduce oil production. OPEC and its allies led by Russia agreed in December to a collective cut of 1.7 million bpd to their supply until the end of March. Saudi Arabia has been voluntarily cutting an additional 400,000 bpd, meaning OPEC+ is effectively cutting production by 2.1 million bpd. On Tuesday, the Joint Technical Committee recommended a further cut of 1 million bpd signaling that Russia and Saudi Arabia were moving closer to a deal to support prices.

Algeria's Energy Minister and OPEC President, Mohamed Arkab, said OPEC+ countries will discuss new "substantial" oil production cuts at their meetings this week.

Kuwait's Oil Minister, Khaled al-Fadhel, said he is optimistic about the outcome of OPEC meetings this week and continued cooperation among OPEC+ countries. He supports all efforts to restore stability to the global oil market.

The Kremlin would not say whether Russia was ready to make additional oil output cuts as part of the cooperation between OPEC and non-OPEC producers and said it was necessary to wait for their meeting later this week.

Lukoil's Vice President, Leonid Fedun, said OPEC's proposal to cut oil production by up to 1 million bpd would be enough to balance the oil market and lift prices to \$60/barrel. His comments suggest Russia may be willing to agree to OPEC's proposals for more output cuts in light of the coronavirus outbreak.

The World Health Organization's Director General, Tedros Adhanom Ghebreyesus, said the coronavirus spreads less efficiently than the seasonal flu and added that transmission does not appear to be driven by people that are not sick and it can be contained. However, he stated that about 3.4% of reported COVID-19 patients have died and by comparison the seasonal flu generally kills far fewer.

Early Market Call - as of 8:45 AM EDT WTI - Apr \$48.10, up 92 cents RBOB - Apr \$1.5560, up 2.51 cents HO - Apr \$1.5567, up 2.32 cents

🗱 HOECLEJ20 - NY Harbor ULSD vs WTI Crude Crack, Apr 20, Daily 181 2500 1672 1706 2250 2000 1750 03 Mar 20 0= 1771 1500 1811 1672 1706 14 21 02 09 16 23 02 13 27 03 10 16 23 01 01 11 18 24 02

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All NYMEX | Prior Settlements

Apr-20 1.5330 0.0043 0.0327 May-20 1.5258 0.0035 0.0362 Jun-20 1.5251 0.0038 0.0376 Jul-20 1.5304 0.0047 0.0372 Aug-20 1.5405 0.0045 0.0356 Sep-20 1.5531 0.0041 0.0337 Oct-20 1.5655 0.0042 0.0318 Nov-20 1.5763 0.0045 0.0306 Dec-20 1.5763 0.0047 0.0301 Jan-21 1.5936 0.0054 0.0295 Feb-21 1.5988 0.0057 0.0287 Mar-21 1.6006 0.0059 0.0263 Apr-21 1.6975 0.0061 0.0245 May-21 1.6035 0.0061 0.0246 Jul-21 1.6120 0.0061 0.0236 Aug-21 1.6210 0.0062 0.0221 Sprague Heat Weighted Strip October - April 20/2021 \$1.5905 \$1.600 \$0.4100 Sprague Heat Weighted Strip October - April 20/2021 \$1.5905 \$0.0400 St1.8000						
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Aug-21 1.6210 0.0062 0.0221 Sprague Heat Weighted Strip October - April 20/2021 \$1.5905 Other Front Month NYMEX Close Change Crude - WTI Crude - Brent Natural Gas Gasoline May Brent- WTI Spread \$4.53 \$47.3300 \$51.8600 \$1.8000 \$1.8000 \$0.0400 \$0.0440 \$1.8000	Jun-21		1.6035	0.0061	0.0246	
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Crude - Brent Natural Gas WTI Spread \$4.53 \$51.8600 \$0.0400 Gasoline \$1.8000 \$0.0440	Other Front Month NYMEX		Close		Change	
Natural Gas \$4.53 \$1.8000 \$0.0440 Gasoline \$1.5313 -\$0.0083	Crude - WTI	May Brent-	\$47.3300)	\$0.4100	
Gasoline \$1.5313 -\$0.0083	Crude - Brent	WTI Spread	\$51.8600)	\$0.0400	
	Natural Gas	\$4.53	• • • • •			
	Gasoline		\$1.5313	3	-\$0.0083	
API Report for the Week Ending February 28, 2019						

Crude Oil Stocks(exl SPR) Cushing, OK Crude Stocks Gasoline Stocks **Distillate Stocks** Refinery Runs Crude Imports

Actual Up 1.7 million barrels Down 1.4 million barrels

Down 3.9 million barrels

Down 1.7 million barrels

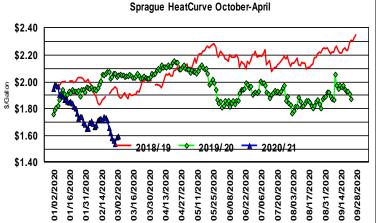
Down 67,000 b/d

Up 111,000 b/d

Mkt Expectations Up 2.6 million barrels

Down 2.0 million barrels Down 1.9 million barrels Down 0.8% at 87.1%

Sprague HeatCurve October-April



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April Heating Oil Crack Spread