



# MarketWatch | Refined Products

Tuesday, November 12, 2019

## Market Commentary

**Recap:** Oil prices finished lower on Monday as trade talks between the U.S. and China continued to spread fear about demand. On Saturday, U.S. President Donald Trump said negotiations between China and the U.S. were going "very nicely," but he said recent reports about an agreement to eliminate tariffs in stages weren't accurate and emphasized that he believes Beijing needs a deal more than Washington. The comments raised questions about a near-term trade deal, with trade one of the bigger drivers of crude prices outside of supply-demand factors. December WTI fell as much as 0.99 cents, or 1.7%, to a session low for \$56.25 before paring losses for a settlement of \$56.86 a barrel, down 38 cents, or 0.7%. January Brent lost as much as 94 cents, or 1.5%, hitting a session low of \$61.57 before it too pared gains to settle at \$62.18 a barrel, down 33 cents, or 0.5%. December RBOB fell 2.38 cents, or 1.5%, to \$1.6099 a gallon, while December heating oil lost 0.2% to settle at \$1.9142 a gallon.

**Technical Analysis:** December WTI continues to pivot around the 200-day moving average and \$56.82 the 50% retracement provided by the September high of \$62.74 and the October low of \$50.89. We would look for continued moves toward \$58.21, the 62% retracement of the aforementioned range, as this spot contract trends within the ascending channel. A settlement below the 50-day moving average currently set at \$55.50 will shift our sentiment to the downside, with a push toward \$54.00.

**Fundamental News:** Genscape reported that crude oil stocks held in Cushing, Oklahoma in the week ending Friday, November 8<sup>th</sup> fell by 1,194,240 bpd on the week and by 209,277 bpd from Tuesday, November 5<sup>th</sup> to 47,680,264 bpd.

A Saudi industry source familiar with the country's oil operations said that the country has raised its oil output in October to 10.3 million bpd but kept its supply to the market below its OPEC output target. Oil supply to the market stood at 9.89 million bpd. The source said the difference in barrels between production and supply was to replenish Aramco's crude inventories.

According to the latest S&P Global Platts survey of OPEC production, Saudi Arabia pumped 9.8 million bpd in October, leading OPEC's total production back to 29.71 million bpd, a 1.26 million bpd rebound from its lowest level since the depths of the global financial crisis in 2009. OPEC's cut compliance for the 11 OPEC members stood at 141%.

During an energy conference in Abu Dhabi, Oman's Energy Minister, Mohammed bin Hamad al-Rumhy, said OPEC and allied oil producers will probably extend a deal to limit crude supply but are unlikely to deepen their cuts. Separately, Oman's Energy Minister said the country's oil and gas sector has allocated investments of between \$10 billion and \$15 billion over the next three years. Meanwhile, the UAE's Energy Minister, Suhail al-Mazrouei, said he was not worried about long-term growth in oil demand. He said oil demand growth was "reasonable."

Iran's Oil Minister, Bijan Zanganeh, announced a new oil discovery at the Namavaran reservoir, which holds about 22 billion barrels of crude. He said the find was the second largest in the country and could be the key to unlocking the OPEC member's oil and gas potential, which remains stunted due to US sanctions imposed on Iran and a lack of investment. He said that with a 10% oil recovery rate, the exploitable oil will be 2.2 billion barrels. He stated that the oil in place was very dense and heavy, with a specific gravity of over 20 API, which could make it technically difficult to extract. Iran's oil production has fallen to its lowest level in more than three decades. Iran saw its production fall to 2.23 million bpd in September.

IIR Energy reported that US oil refiners are expected to shut in 951,000 bpd of capacity in the week ending November 15<sup>th</sup>, increasing available refining capacity by 393,000 bpd from the previous week. Offline capacity is expected to fall to 511,000 bpd in the week ending November 22<sup>nd</sup>.

**Early Market Call - as of 8:20 AM EDT**

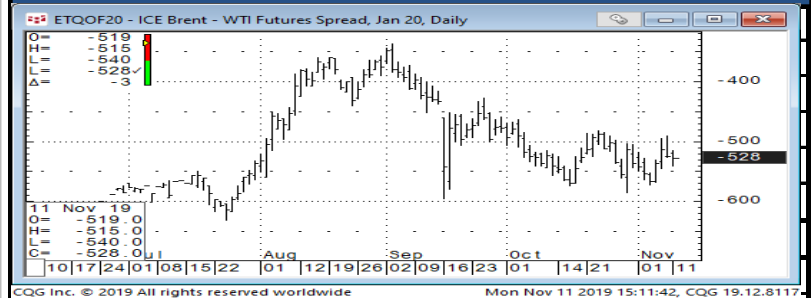
WTI - Dec \$56.97  
RBOB - Dec \$1.6114  
HO - Dec \$1.9084

## All NYMEX | Prior Settlements

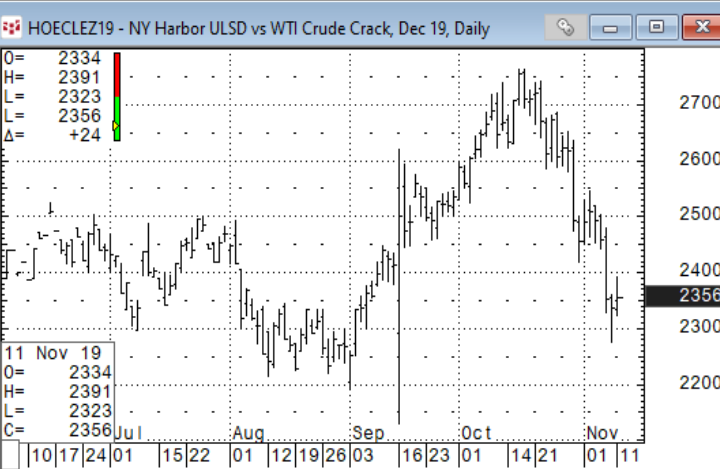
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Dec-19	1.9142	-0.0039	0.0263
Jan-20	1.9092	-0.0040	0.0244
Feb-20	1.9031	-0.0028	0.0313
Mar-20	1.8914	-0.0008	0.0135
Apr-20	1.8751	0.0004	0.0079
May-20	1.8645	0.0009	0.0054
Jun-20	1.8567	0.0006	0.0053
Jul-20	1.8546	0.0005	0.0054
Aug-20	1.8536	0.0006	0.0061
Sep-20	1.8544	0.0007	0.0068
Oct-20	1.8557	0.0007	0.0073
Nov-20	1.8570	0.0007	0.0077
Dec-20	1.8582	0.0014	0.0077
Jan-21	1.8597	0.0012	0.0072
Feb-21	1.8549	0.0010	0.0070
Mar-21	1.8447	0.0008	0.0067
Apr-21	1.8271	0.0005	0.0068

Other Front Month NYMEX		Close	Change
Crude - WTI	Jan Brent-	\$56.9000	-\$0.3600
Crude - Brent	WTI Spread	\$62.1800	-\$0.3300
Natural Gas	\$5.28	\$2.6370	-\$0.1520
Gasoline		\$1.6099	-\$0.0238

### ICE January Brent-WTI Spread



## December Heating Oil Crack Spread



## December RBOB Crack Spread

