



MarketWatch | Refined Products

Thursday, December 10, 2020

Market Commentary

Recap: Oil futures posted modest losses on Wednesday despite the more than 15 million barrel increase in U.S. crude oil inventories. The modest reaction to the huge stockpile build has been attributed to the sharp rise in crude oil imports, which increased by 2.7 million barrels per day last week, the largest increase on record, as exports fell. Also limiting the down move was optimism that the vaccine for COVID-19 would be rolled out soon in the U.S. Prices traded higher earlier in the session, ahead of the inventory report, boosted by optimism that a second round of economic stimulus would be coming out of Washington. January WTI fell 8 cents, or 0.2%, to settle at \$45.52 a barrel, while February Brent added 2 cents, or .04%, to settle at \$48.86 a barrel. January RBOB tacked on 1.6¢ to \$1.2759 a gallon, but January heating fell nearly 0.6¢ to \$1.3989 a gallon.

Technical Analysis:

It seems that the bullish momentum in WTI continues, as the January WTI came down to test key support set at \$45, but buyers were waiting underneath, and pushed the market right back above it. This market will most likely continue to edge higher on post-vaccine euphoria. Since breaking above the flag pattern that can be depicted on a daily spot continuation chart, WTI has come down to test the upper trend line of this formation and continues to bounce off of it. This validates the breakout of this continuation pattern, and is a supportive sign. There remains the possibility for a short-term pullback toward \$43.50, an area that served as previous resistance. At this point, we still believe that a push toward \$50 is still on the table, but remain cautious as to how far this market can go from there.

Fundamental News: The Trump administration has argued against a petition from oil refiners asking the U.S. Supreme Court to review a lower court decision that undermined the legitimacy of the EPA's biofuel waiver program. Department of Justice officials said the court should not review the case as it does not conflict with any other Supreme Court or appeals court decision. The officials argued that the court could review the decision after a similar case is completed in the D.C. Circuit Court of Appeals. A coalition of U.S. biofuel groups filed a brief with the D.C. Circuit Court of Appeals challenging the Trump administration's decision in 2019 to grant 31 oil refineries exemptions from U.S. biofuel blending obligations.

IIR Energy said U.S. oil refiners are expected to shut in 3.9 million bpd of capacity in the week ending December 11th, decreasing available refining capacity by about 117,000 bpd from the previous week. Offline capacity is expected to decline to 3.7 million bpd in the week ending December 18th.

Euroilstock reported that European refiners processed 8.84 million bpd of crude in November, up 2.6% on the month but down 10.1% on the year. Total oil and oil product inventories in November fell by 0.2% on the month but increased by 8.4% on the year to 1.178 billion barrels.

Russia's Finance Minister, Anton Siluanov, said that the decision by OPEC+ last week to gradually increase oil output would help Russia to fulfill its budget revenue plan and also potentially grow its sovereign wealth fund. OPEC and non-OPEC producer Russia agreed last Thursday to slightly ease their deep oil output cuts from January by 500,000 bpd. Russia's Energy Minister, Alexander Novak, said the OPEC+ decision is in line with Russia's interests. He said oil prices have stabilized and sees a partial recovery of oil demand.

Iraqi oil officials and security sources said two oil wells were bombed inside a small oilfield on Wednesday but production was not affected.

Early Market Call - as of 9:10 AM EDT

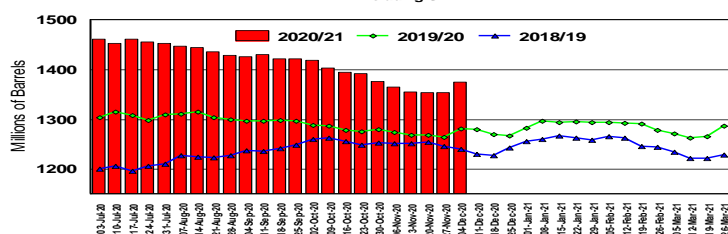
WTI - Jan \$46.51, up 97 cents
 RBOB - Jan \$1.3085, up 3.29 cents
 HO - Jan \$1.4300, up 3.06 cents

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-21	1.3989	-0.0078	-0.0327
Feb-21	1.4054	-0.0082	-0.0301
Mar-21	1.4096	-0.0087	-0.0271
Apr-21	1.4111	-0.0088	-0.0249
May-21	1.4131	-0.0091	-0.0221
Jun-21	1.4166	-0.0092	-0.0194
Jul-21	1.4224	-0.0090	-0.0176
Aug-21	1.4291	-0.0086	-0.0167
Sep-21	1.4365	-0.0082	-0.0158
Oct-21	1.4437	-0.0079	-0.0147
Nov-21	1.4503	-0.0077	-0.0138
Dec-21	1.4550	-0.0072	-0.0134
Jan-22	1.4613	-0.0070	-0.0125
Feb-22	1.4633	-0.0068	-0.0110
Mar-22	1.4607	-0.0064	-0.0092
Apr-22	1.4525	-0.0063	-0.0068
May-22	1.4481	-0.0061	-0.0045

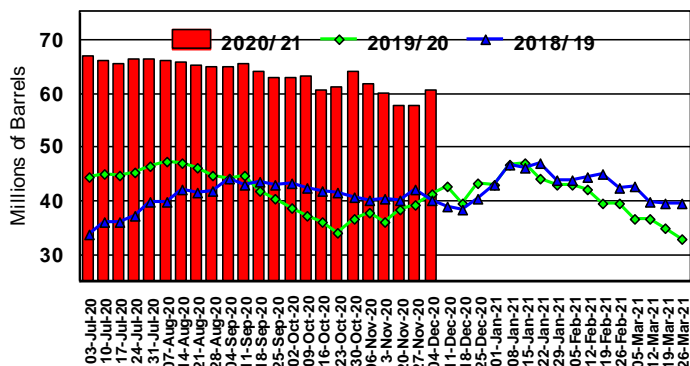
		Close	Change
Crude - WTI	Feb Brent- WTI Spread \$3.14	\$45.7200	-\$0.0800
Crude - Brent		\$48.8600	\$0.0200
Natural Gas		\$2.4420	\$0.0430
Gasoline		\$1.2759	\$0.0200

Total U.S. Oil Stocks
Excluding SPR



Weekly EIA Petroleum Status Report for the Week Ending December 4, 2020

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 15.189 million barrels
 Cushing, OK Crude Stocks Down 1.364 million barrels
Gasoline Stocks Up 4.221 million barrels
Distillate Stocks Up 5.222 million barrels
Refinery % Operated 79.9%, Up 1.7%

PADD #1

Distillate Stocks (in million bbls)	Week Ending Dec 4, 2020	Week Ending Nov 27, 2020	Week Ending Dec 5, 2019
New England	12.9	11.8	8.0
Central Atlantic	34.1	33.3	21.8
Total PADD #1	60.4	57.6	41.1
Distillate Imports (thousands b/d)	248	575	144

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