MarketWatch | Refined Products

Monday, November 19, 2018

Market Commentary

Recap: U.S. crude oil closed in on the $58.00 level in early trading, but was unable to sustain strength. By midday, December WTI fell below unchanged, posting a session low of $55.89. While talk of production cuts provided a lift, the rise in the U.S. active rig count kept gains at bay. With oil prices breaking down as they did over the course of the week, the rebound is not surprising. It is however, questionable as to whether or not the rebound can sustain itself. WTI is contending with the psychological level of $55.00, and a break below this level opens the possibility of testing $50.00. To the upside, and above $58.80, $60.00 becomes the upside target of contention. December WTI finished the session at $56.46 a barrel, unchanged on the day, but down 7.2% on the week, marking the sixth weekly loss in a row. Brent for January delivery finished at $66.76 a barrel up 14 cents, or 0.21%, down 4.8% on the week. December RBOB rose 1.3% to $1.577 a gallon, settling about 2.7% lower on the week, while December heating oil ended little changed at $2.074 a gallon, for a weekly loss of about 4.6%.

Fundamental News: Iraqi restarted its Kirkuk crude exports on Friday after they were halted a year ago due to a standoff between the central government and Kurdistan's semi-autonomous region. Flows resumed at a modest level of about 50,000-60,000 bpd compared with a peak of 300,000 bpd seen last year. The exports resumed after a new government in Baghdad agreed on a tentative deal with Erbil. The deal signals that new Iraqi Prime Minister Adel Abdul-Mahdi and Oil Minister Thamir Ghadhban are ready to work with Erbil despite previous tensions and a failed independence referendum in September 2017. The halt of exports from Kirkuk in October 2017 stopped almost 300,000 bpd of oil flowing out of Iraq towards Turkey and international markets, causing a net revenue loss of about $8 billion over the past year. A spokesman for Iraqi Oil Ministry said the resumption of Kirkuk shipments of between 50,000 and 100,000 bpd will not add to Iraq's total exports, because it will compensate for some of the refineries in the north from the southern oilfields.

Chevron said the energy industry and oil-producing countries need to prepare for a long period of low crude prices and one in which prices will not reach $100/barrel again, due largely to the boom in US shale production.

Baker Hughes reported that the number of rigs searching for oil increased for the fifth time in six weeks. Oil companies added two oil rigs in the week ending November 16th, bringing the total count to 888, still the highest level since March 2015.

IIR Energy reported that US oil refiners are expected to shut in 625,000 bpd of capacity in the week ending November 16th, increasing available refining capacity by 837,000 bpd on the week. IIR expects offline capacity to fall to 131,000 bpd in the week ending November 23rd and to 59,000 bpd in the week ending November 30th.

The Permian shale play of Texas and New Mexico may be pumping record volumes of oil however production from the Bakken and Eagle Ford plays have been steadily increasing. According to the EIA's drilling productivity report, volume of crude produced by a new well in the Bakken and Eagle Ford plays have been increasing since early 2017. New wells drilled in December in the Bakken and Eagle Ford plays are forecast to produce 1,575 bpd and 1,450 bpd for each rig operating, respectively. It is more than double that forecast for the Permian at 613 bpd per rig. For October, the number of drilled and uncompleted wells in the US shale regions increased by 269 on the month to 8,545. The Permian was home to the majority of those additional drilled and uncompleted wells, increasing by 249 to 3,866.

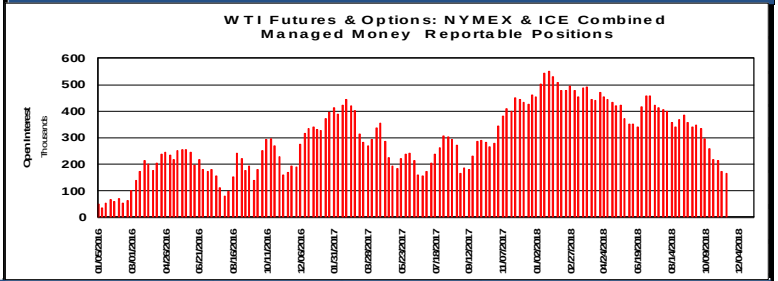
Early Market Call - as of 9:00 AM EDT

WTI - Dec $55.66 down 80 cents
RBOB - Dec $1.5496 down 2.74 cents
HO - Dec $2.0673 down 58 points

All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Dec-18	$2.0737	-$0.0004	-$0.0991
Jan-19	$2.0669	-$0.0001	-$0.0969
Feb-19	$2.0576	-$0.0005	-$0.0970
Mar-19	$2.0482	-$0.0014	-$0.0975
Apr-19	$2.0333	-$0.0019	-$0.0978
May-19	$2.0274	-$0.0022	-$0.0980
Jun-19	$2.0256	-$0.0028	-$0.0981
Jul-19	$2.0312	-$0.0036	-$0.0983
Aug-19	$2.0391	-$0.0042	-$0.0980
Sep-19	$2.0490	-$0.0048	-$0.0980
Oct-19	$2.0582	-$0.0055	-$0.0982
Nov-19	$2.0665	-$0.0059	-$0.0989
Dec-19	$2.0734	-$0.0056	-$0.0986
Jan-20	$2.0770	-$0.0054	-$0.0974
Feb-20	$2.0743	-$0.0056	-$0.0974
Mar-20	$2.0689	-$0.0066	-$0.0961
Apr-20	$2.0579	-$0.0082	-$0.0965

Other Front Month NYMEX		Close	Change
Crude - WTI	Jan Brent-WTI Spread $9.76	$57.0000	$0.3200
Crude - Brent		$66.7600	$0.1400
Natural Gas		$4.2720	$0.2340
Gasoline		$1.5770	$0.0204



Commitment of Traders Report for the Week Ending November 13, 2018