



MarketWatch | Refined Products

Friday, February 7, 2020

Market Commentary

Recap: Trading was mostly mixed on Thursday, with oil prices giving up early gains, as OPEC and Russia gave mixed signals in regard to additional output cuts and as the coronavirus continues to spread. March WTI tacked on as much as \$1.45, or 2.8%, to trade at a session high of \$52.20 a barrel, before paring gains to settle at \$50.95 a barrel, up 20 cents, or 0.4%. April Brent traded as high as \$56.58 a barrel, a gain of \$1.30, or 2.3% before settling down 35 cents or 0.63% at \$54.93 a barrel. March RBOB rose by 0.8% to \$1.498 a gallon and March heating oil added 1.2% to \$1.6654 a gallon.

Technical Analysis: WTI continued to bounce back on Thursday, but held below the 10-day moving average, which is currently set at \$52.20, which was the session high. We believe prices will continue to struggle to the upside as this market looks for a short-term bottom. A settlement above the aforementioned average should spark some light buying, but the upside is most likely to be contained due to the coronavirus and its impact on demand. Resistance above the 10-day average is set at \$53.35. Support is set at \$49.40 and below that at \$48.50.

Fundamental News: Genscape reported that crude oil stocks held in Cushing, Oklahoma in the week ending Tuesday, February 4th increased by 2,451,300 barrels on the week and by 2,909,347 barrels from Friday, January 31st to 40,037,703 barrels.

The OPEC+ technical panel, Joint Technical Committee, recommended a provisional cut in oil output of 600,000 bpd in response to the coronavirus' impact on energy demand as it awaits Russia's final position on the proposal. The cut would start immediately and continue until June if agreed by all members. OPEC+ ministers have not decided on further action, but the recommendation on Thursday by all the members of the JTC would signal progress towards a decision. The OPEC+ ministers have yet to decide on whether to bring forward their upcoming policy meeting to February from March 5-6. The JTC panel extended its meeting into a third day on Thursday after Russia voiced its opposition to a deeper supply cut and was instead suggesting an extension of current cuts.

Russia's Energy Minister, Alexander Novak, said Russia was not yet ready to announce its position on OPEC+ action in relation to the coronavirus outbreak and it was premature to talk about any decision. Separately, Russia's Energy Minister met newly appointed US ambassador to Russia, John Sullivan, and told him that Russia was ready to renew an energy dialogue, including conducting an analysis on oil and gas markets.

Eni's oil production in Libya has been cut by 50% to about 160,000 bpd. Libya's oil production fell sharply since groups loyal to eastern based commander Khalifa Haftar began a blockade on January 18th, closing ports and fields in the east and south. Meanwhile, UN envoy, Ghassan Salame, said the UN expects eastern Libyan tribes leaders to submit their list of conditions to reopen blocked oil terminals by Thursday.

US crude flows to Europe are expected to increase over the coming months as demand from Asia has decline due to the coronavirus outbreak. Activity to charter Aframax vessels, which can carry about 600,000 barrels of crude, are busy for the Transatlantic route. Petrochina, Trafigura, Vitol, Lukoil and Exxon Mobil Corp are among those looking to ship cargoes from the US Gulf Coast to Europe. Supplies in the Atlantic Basin are rising due to reduced buying from Asia.

Early Market Call - as of 8:25 AM EDT

WTI - Mar \$54.36 down 0.60

RBOB - Mar \$1.4960 down .0020

HO - Mar \$1.6500 down .0154

All NYMEX | Prior Settlements

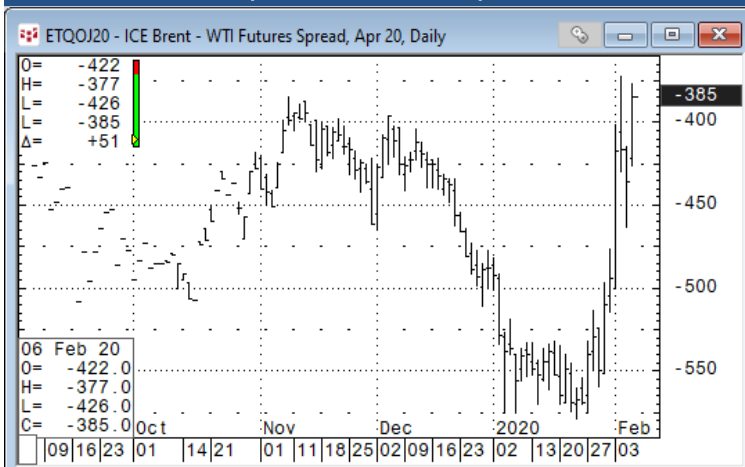
Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Mar-20	1.6654	0.0200	-0.0234
Apr-20	1.6636	0.0173	-0.0193
May-20	1.6649	0.0157	-0.0167
Jun-20	1.6688	0.0141	-0.0153
Jul-20	1.6746	0.0130	-0.0151
Aug-20	1.6812	0.0125	-0.0150
Sep-20	1.6886	0.0122	-0.0146
Oct-20	1.6957	0.0122	-0.0143
Nov-20	1.7019	0.0122	-0.0144
Dec-20	1.7067	0.0129	-0.0144
Jan-21	1.7121	0.0132	-0.0140
Feb-21	1.7145	0.0135	-0.0146
Mar-21	1.7112	0.0137	-0.0151
Apr-21	1.7028	0.0136	-0.0164
May-21	1.7010	0.0132	-0.0173
Jun-21	1.6997	0.0130	-0.0168
Jul-21	1.7027	0.0134	-0.0178

Other Front Month NYMEX		Close	Change
Crude - WTI	{	\$51.1400	\$0.2200
Crude - Brent		\$54.9300	-\$0.3500
Natural Gas		\$1.8620	\$0.0010
Gasoline		\$1.4980	\$0.0117

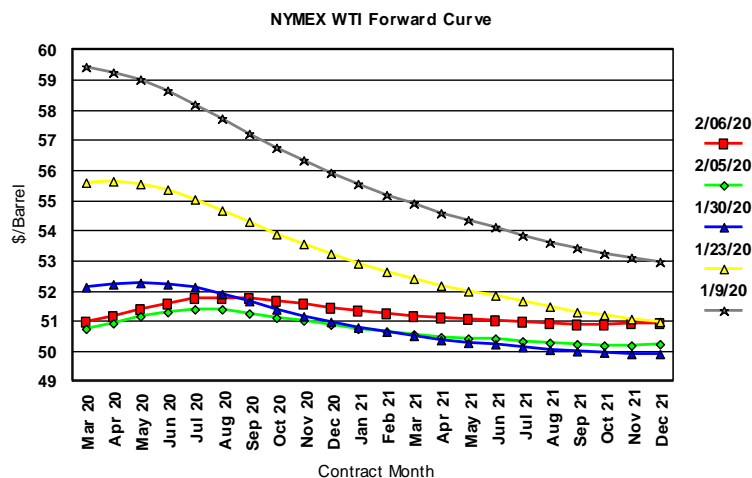
EIA Working Gas Storage Report

	31-Jan-20	24-Jan-20	Change	Year Ago
East	598	638	-40	476
Midwest	725	761	-36	534
Mountain	136	143	-7	106
Pacific	210	210	0	173
South Central	941	995	-54	703
Salt	281	297	-16	246
Nonsalt	660	698	-38	457
Total	2,609	2,746	-137	1,994

ICE April Brent-WTI Spread



NYMEX WTI Forward Curve



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