



MarketWatch | Refined Products

Friday, February 12, 2021

Market Commentary

Recap: Oil futures turned lower on Thursday, snapping an eight-day rally for WTI, as the IEA issued a glimmer outlook for demand. The IEA noted that oil markets remain "fragile" and in doing so, lowered its forecasts for world consumption for 2021 by 100,000 barrels per day. Demand concerns remain a key factor and its recovery is finely tuned into the coronavirus, its variants and the overall impact this will have on an economic recovery across the globe, especially in the first quarter of 2021. March WTI fell 35 cents, or 0.6%, to settle at \$58.33 a barrel. Brent for April delivery slipped 22 cents, or 0.4%, to settle at \$61.25 a barrel, ending a nine-day streak of gains. March RBOB ended down 0.3%, to close at \$1.6483 a gallon, while March heating oil lost 0.8%, settling at \$1.7473 a gallon.

Technical Analysis: Oil markets continue to struggle, as the coronavirus takes on new variants and as doubts about the efficacy of the vaccines dampen market sentiment. Perhaps this market is a bit overdone to the upside given the steep run-up and the position of the RSI, which is high in overbought territory. The RSI is at the most overbought level since 1999. Thursday's retracement could be a hint that this market has gotten ahead of itself and that prices at this level may entice producers to open up their spigots. Traders appear to be taking light profits and testing the market's strength. We believe this market has enough room to peel back a few dollars, with \$55 in our sights. Prior to \$55, there is support set at \$56.60. That being said, the outlook for oil prices looks stronger down the road, as the vaccine for COVID-19 becomes more available, and while seasonal driving picks up, depleting overflowing supplies. There is resistance set up at the Jan. 21, 2020 high of \$59.75

Fundamental News: The International Energy Agency said global oil supply still outstrips demand due to persistent COVID-19 lockdowns and the spread of variants, but vaccines should help demand recover and soon enable producers to produce more. The IEA kept its outlook for oil demand growth in 2021 largely steady, saying a decline in the first quarter of this year from already low levels in the last quarter of 2020 would soon reverse. It said "the forecasts for economic and oil demand growth are highly dependent on progress in distributing and administering vaccines, and the easing of travel restrictions in the world's major economies." It said global oil demand is set to increase by 5.4 million bpd in 2021 to 96.4 million bpd. Oil demand is expected to fall by 1 million bpd in the first quarter from already low fourth quarter 2020 levels.

In its latest monthly report, OPEC sees 2021 world oil demand increasing by 5.7 million bpd, down from a previous estimate of 5.9 million bpd to 96.1 million bpd. It said the economy is showing signs of a healthy recovery in 2021, however oil demand is currently lagging. It said oil demand is forecast to increase in the second half of 2021. OPEC raised its 2021 forecast for global demand of its crude to 27.5 million bpd compared with a previous estimate of 27.2 million bpd. The call on OPEC in the third and fourth quarters was increased by 1.09 million bpd and 950,000 bpd, respectively. It cut its 2021 overall non-OPEC supply growth forecast to 670,000 bpd from a previous forecast of 850,000 bpd. OPEC reported that its oil output in January increased by 180,000 bpd to 25.5 million bpd.

The Houston Ship Channel reopened to inbound traffic on Thursday morning after suspending all operations on Wednesday evening due to fog. The channel is still closed to outbound vessels.

European gasoline shipments to the U.S. increased in recent weeks with 25 tankers transporting about 911,000 tons or 7.7 million barrels of mostly gasoline and blending components, under way to the U.S.

Early Market Call - as of 8:30 AM EDT

WTI - Mar \$58.02 down 22 cents per barrel

RBOB - Mar \$1.6436 down 66 points

HO - Mar \$1.7375 down 71 points

All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Mar-21	1.7446	-0.0164	-0.0441
Apr-21	1.7384	-0.0141	-0.0450
May-21	1.7339	-0.0137	-0.0446
Jun-21	1.7319	-0.0132	-0.0445
Jul-21	1.7324	-0.0126	-0.0448
Aug-21	1.7334	-0.0122	-0.0449
Sep-21	1.7359	-0.0120	-0.0447
Oct-21	1.7379	-0.0119	-0.0434
Nov-21	1.7389	-0.0117	-0.0424
Dec-21	1.7384	-0.0114	-0.0419
Jan-22	1.7396	-0.0114	-0.0418
Feb-22	1.7377	-0.0112	-0.0417
Mar-22	1.7298	-0.0110	-0.0413
Apr-22	1.7156	-0.0105	-0.0412
May-22	1.7076	-0.0102	-0.0408
Jun-22	1.7022	-0.0098	-0.0404
Jul-22	1.7023	-0.0093	-0.0405

Sprague HeatCurve October 2021-April 2022 \$1.7352

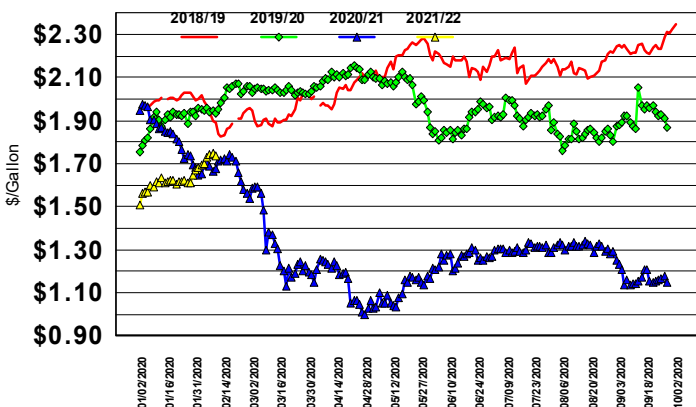
		Close	Change
Crude - WTI	Apr Brent-	\$58.1400	-\$0.4300
Crude - Brent	WTI Spread	\$61.1400	-\$0.3300
Natural Gas	\$3.00	\$2.8680	-\$0.0430
Gasoline		\$1.6502	-\$0.0032

EIA Working Gas Storage Report

	05-Feb-21	29-Jan-21	Change	05-Feb-2020
East	529	582	-53	577
Midwest	666	719	-53	703
Mountain	150	158	-8	129
Pacific	257	261	-4	204
South Central	915	970	-55	914
Salt	261	281	-20	272
Nonsalt	654	689	-35	641
Total	2,518	2,689	-171	2,527

Sprague HeatCurve October-April

Sprague HeatCurve October-April



WTI Continuation



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