



# MarketWatch | Refined Products

Thursday, December 3, 2020

## Market Commentary

**Recap:** Oil futures, which received an early boost in overnight trading on reports the UK had approved the use of a vaccine for COVID-19, rallied after the EIA reported a second weekly drop in U.S. crude inventories. Traders also placed bets that OPEC+ would extend production cuts into the new year, lending additional support to the market. January WTI rose 73 cents, or 1.6%, to settle at \$45.28 a barrel, while Brent for February delivery tacked on 83 cents, or 1.8%, to settle at \$48.25 a barrel. January RBOB added 1.6%, to settle at \$1.2399 a gallon, while January heating oil rose 1.4% to \$1.3662 a gallon.

**Technical Analysis:** WTI rallied despite the significant builds in both gasoline and distillate inventories. The higher move came on circulating unconfirmed reports that OPEC is making progress in its talks concerning production cuts. Should such an agreement emerge, oil prices may continue their upside momentum. It appears buyers are out there down around the \$44 level, as this market continues to bounce off of this level. Based upon a spot continuation chart for WTI, a bull flag formation has formed. This short term pattern, which slopes against the prevailing trend, is considered a period of consolidation before the uptrend continues. A break, followed by a settlement above this pattern should see prices move higher. Resistance is set at \$45.58 and above that at \$46.30. A push above this level could take WTI toward \$50. To the downside, support rests at \$44.21 and below that at \$43.80. We would continue to monitor the coronavirus and its impact on demand.

**Fundamental News:** The EIA said U.S. oil production increased in the week ending November 27<sup>th</sup> to the highest level since May. U.S. oil production increased by 100,000 bpd to 11.1 million bpd. Meanwhile, U.S. gasoline demand fell to 7.97 million bpd, the lowest since June. Russian oil and gas condensate output increased to 10 million bpd in November from 9.98 million bpd in October.

IIR Energy reported that U.S. oil refiners are expected to shut in 3.58 million bpd of capacity in the week ending December 4<sup>th</sup>, increasing available refining capacity by about 136,000 bpd from the previous week. Offline capacity is expected to ease to 3.57 million bpd in the week ending December 11<sup>th</sup>.

Bloomberg reported that Mexico will take a \$2.5 billion payout from its sovereign oil hedge this year.

According to PDVSA data and Refinitiv Eikon, Venezuela's oil exports almost doubled in November from the previous month as new customers linked to a Russian trading firm increased purchases from PDVSA. A total of 24 cargoes left Venezuela in November carrying 639,000 bpd of crude and refined products, an increase from the 360,000 bpd exported in October.

U.S. Treasury Secretary, Steven Mnuchin, said President Donald Trump will sign coronavirus relief legislation proposed by Republican Senate Majority Leader, Mitch McConnell, should the proposed package pass the U.S. Congress.

According to an economic forecast released by S&P Global, the U.S. economy will fall into a double-dip recession and take nearly a year longer to return to pre-pandemic growth if Congress fails to pass a new coronavirus relief bill.

On Wednesday, Britain approved Pfizer's COVID-19 vaccine, ahead of the United States and Europe to become the West's first country to formally endorse a vaccine it said should reach the most vulnerable people early next week.

The World Health Organization said it had received data from Pfizer and BioNTech on the COVID-19 vaccine and was reviewing it for "possible listing for emergency use".

### Early Market Call - as of 8:45 AM EDT

WTI - Jan \$45.09 Down 0.19

RBOB - Jan \$1.2386 Down 0.012

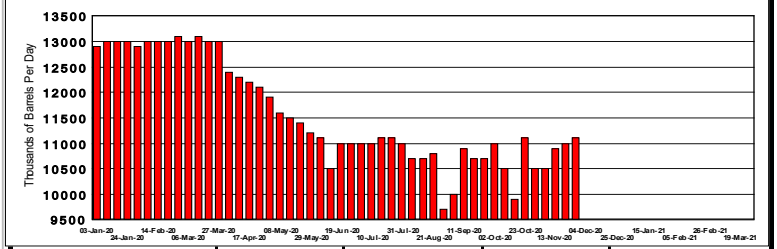
HO - Jan \$1.3626 Down 0.036

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-21	1.3662	0.0189	0.0230
Feb-21	1.3753	0.0189	0.0208
Mar-21	1.3825	0.0181	0.0199
Apr-21	1.3862	0.0173	0.0186
May-21	1.3910	0.0165	0.0168
Jun-21	1.3972	0.0159	0.0146
Jul-21	1.4048	0.0150	0.0133
Aug-21	1.4124	0.0140	0.0126
Sep-21	1.4207	0.0133	0.0124
Oct-21	1.4290	0.0123	0.0125
Nov-21	1.4365	0.0118	0.0121
Dec-21	1.4416	0.0113	0.0121
Jan-22	1.4488	0.0107	0.0118
Feb-22	1.4523	0.0101	0.0118
Mar-22	1.4515	0.0095	0.0122
Apr-22	1.4457	0.0088	0.0137
May-22	1.4436	0.0081	0.0149

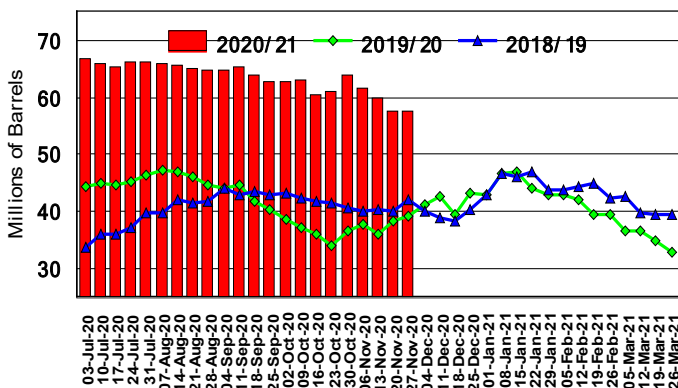
		Close	Change
Crude - WTI	Feb Brent- WTI Spread \$2.81	\$45.4400	\$0.7100
Crude - Brent		\$48.2500	\$0.8300
Natural Gas		\$2.7800	-\$0.1000
Gasoline		\$1.2399	\$0.0195

### U.S. Domestic Crude Production



## Weekly EIA Petroleum Status Report for the Week Ending November 27, 2020

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Down 679,000 barrels  
**Cushing, OK Crude Stocks** Down 317,000 barrels  
**Gasoline Stocks** Up 3.491 million barrels  
**Distillate Stocks** Up 3.238 million barrels  
**Refinery % Operated** 78.2%, Down 0.5%

#### PADD #1

Distillate Stocks (in million bbls)	Week Ending Nov 27, 2020	Week Ending Nov 20, 2020	Week Ending Nov 29, 2019
New England	11.8	12.3	8.1
Central Atlantic	33.3	33.2	19.8
Total PADD #1	57.6	57.7	39.2
Distillate Imports (thousands b/d)	575	171	129

This market report is provided for informational purposes only and is not intended to be used in any transaction nor is it a solicitation to buy or sell commodities. Sprague makes no representations or warranties with respect to the contents of such news, including, without limitation, its accuracy and completeness, and Sprague shall not be responsible for the consequence or reliance upon any opinions, statements, projections and analyses presented herein or for any omission or error in fact.