



# MarketWatch | Refined Products

Friday, March 27, 2020

## Market Commentary

**Recap:** Crude oil prices pared early gains on Thursday after the U.S. Department of Energy ditched plans to buy oil for the Strategic Petroleum Reserve, and after the head of the IEA said global demand could drop as much as 20 million barrels per day, or 20% of total demand, as the coronavirus continues to force lockdowns across the globe. Demand concerns overshadowed expectations that the \$2 trillion U.S. stimulus package would bolster economic activity. WTI for May delivery fell \$1.89, or 7.7%, to settle at \$22.60 a barrel. The front-month May Brent lost \$1.05, or 3.8%, to \$26.34 a barrel the lowest front-month contract finish since March 18, according to Dow Jones Market Data. Both crude benchmarks had posted three straight sessions of gains. April RBOB settled about 0.6% lower at 54.38 cents a gallon, while April heating oil lost 4.3% at \$1.0503 a gallon.

**Technical Analysis:**

Trading was quiet in the oil markets on Thursday, with WTI floating above the lows. We would expect that the \$25 level will continue to be a significant area of resistance and given the overall bearish outlook, our bias remains to the downside. Above \$25, there is resistance set at \$27.50 and above that at \$30. Support is seen at \$20.50.

**Fundamental News:**

The US Department of Energy withdrew its solicitation for bids to purchase crude for the Strategic Petroleum Reserve due to a lack of funding from Congress. The purchases were seen as a way to absorb some of the oversupply in the crude markets due to the decline in demand and increased supply from major producers.

Saudi Arabia is struggling to find customers for its extra oil as demand falls due to the coronavirus and as freight rates increase. Sources stated that Royal Dutch Shell and US refiners were taking less Saudi crude, Finland's Neste was not taking any in April and Indian refiners had sought delayed deliveries.

The head of the International Energy Agency, Fatih Birol, stated that global oil demand could fall as much as 20 million bpd or 20% of total demand as 3 billion people are currently in lockdown due to the coronavirus outbreak. The IEA sees a major decline in US shale output in light of the current oil price. However US oil output will bounce back as soon as the oil prices recover. The head of the IEA also stated that one would expect Saudi Arabia to contribute to stability of the oil markets.

Goldman Sachs expects oil demand to fall by 10.5 million bpd in March and possibly by as much as 18.7 million bpd in April. It said the scaled of the demand decline will require a large amount of production to be shut-in, of potential several million barrels per day. Goldman Sachs said Brent crude prices will likely remain near \$20/barrel in the second quarter. It said US crude saturation will likely lead WTI prices to fall below \$20/barrel.

Bank of America Global Research sees second quarter WTI prices at \$31/barrel, third quarter prices at \$40/barrel and fourth quarter prices at \$44/barrel. It sees second quarter Brent prices at \$35/barrel, third quarter prices at \$44/barrel and fourth quarter prices at \$48/barrel.

Standard Chartered said US oil demand readings have further to fall. Year-on-year decline could exceed 7 million bpd.

Federal Reserve Chairman, Jerome Powell, said the current crisis is "not a typical downturn." He said the US "may well be in recession" but progress in controlling the spread of the coronavirus will dictate when the economy can fully reopen. He said the priority should be to get the virus under control and added that the sooner we get the virus under control the sooner the recovery can come. Economic activity is expected to resume in the second half of the year.

**Early Market Call - as of 8:44 AM EDT**

WTI - May \$21.74 down 86 cents per barrel  
 RBOB - Apr \$0.5520 up 82 points per gallon  
 HO - Apr \$1.6060 up 1.03 cents per gallon

## All NYMEX | Prior Settlements

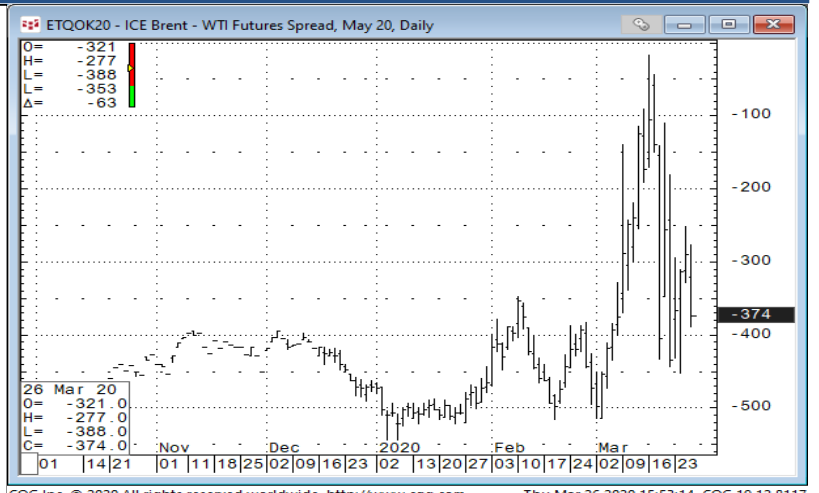
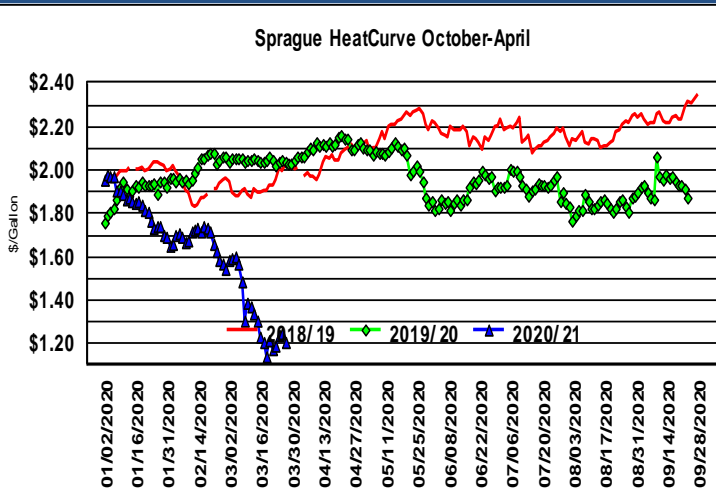
Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Apr-20	1.0503	-0.0475	-0.0086
May-20	1.0505	-0.0490	-0.0030
Jun-20	1.0653	-0.0497	0.0007
Jul-20	1.0851	-0.0488	0.0072
Aug-20	1.1094	-0.0458	0.0084
Sep-20	1.1359	-0.0432	0.0077
Oct-20	1.1598	-0.0412	0.0063
Nov-20	1.1795	-0.0401	0.0055
Dec-20	1.1941	-0.0395	0.0063
Jan-21	1.2070	-0.0388	0.0081
Feb-21	1.2173	-0.0382	0.0097
Mar-21	1.2260	-0.0378	0.0110
Apr-21	1.2329	-0.0375	0.0107
May-21	1.2445	-0.0375	0.0113
Jun-21	1.2571	-0.0377	0.0128
Jul-21	1.2751	-0.0375	0.0132
Aug-21	1.2906	-0.0375	0.0140

Sprague Heat Weighted Strip October -April 20/2021		\$1.2053	
Other Front Month NYMEX		Close	Change
Crude - WTI	May Brent- WTI Spread	\$22.6000	-\$1.8900
Crude - Brent		\$26.3400	-\$1.0500
Natural Gas	\$3.74	\$1.6370	-\$0.0220
Gasoline		\$0.5438	-\$0.0030

EIA Working Gas Storage Report				
	20-Mar-20	13-Mar-20	Change	Year Ago
East	398	412	-14	231
Midwest	492	512	-20	254
Mountain	92	96	-4	62
Pacific	194	199	-5	102
South Central	829	814	15	468
Salt	258	247	11	136
Nonsalt	571	568	3	331
Total	2,005	2,034	-29	1,117

## Sprague HeatCurve October-April

## ICE May Brent-WTI Spread



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