MarketWatch | Refined Products

Thursday, June 2, 2022

Market Commentary

Recap: After opening at unchanged, oil futures bounced after European Union leaders agreed to a phased ban on Russian oil and as China ended its COVID-19 lockdown in Shanghai, which could bolster demand in an already tight market. EU leaders agreed in principle on Monday to cut 90% of oil imports from Russia by the end of this year, the bloc's toughest sanctions yet since the start of the invasion of Ukraine, which Moscow calls a "special military operation". Oil prices were pushed and pulled throughout the remainder of the session, driven higher by the aforementioned and pushed lower on concern that some OPEC members may decide to boost supply more than normal when the OPEC+ group holds its monthly meeting tomorrow. Attention has also turned to the weekly U.S. oil inventory report, due out Thursday. WTI for July delivery gained 59 cents per barrel, or 0.51% to $115.26, while Aug Brent Crude gained 69 cents per barrel, or 0.60% to $116.29. RBOB for July delivery gained 15.54 cents per gallon, or 3.97% to $4.0716 and ULSD for July delivery gained 20.83 cents per gallon, or 5.29% to $4.1433.

Market Analysis: Earlier this week, EU leaders announced an agreement to ban 90% of Russian Crude imports by the end of the year. News of the ban immediately sent oil prices rallying back $120 a barrel, the highest level since March. While the move has been welcomed by many foreign policy leaders, it obviously doesn't come without consequences. Economists have warned that rising energy prices will continue to push inflation pressures to unprecedented levels, raising the threat of a recession. That view has also been echoed by The International Energy Agency, stating that falling global Oil supplies signal the repeat of a 1970s style inflation-induced recession as prices continue to remain elevate close to historical highs. In comparison, there's no denying that the current Energy Crisis is 'much bigger' than what was seen during the Oil shocks of the 1970s. Back then it was just about Oil. Now we have an oil crisis, a gas crisis, and an electricity crisis simultaneously. And let's not forget about China. China's move to end its strict lockdown policy in Shanghai and Beijing is also adding to global demand for oil. This paints quite a supportive picture for crude prices. That being said, we would like to see a settlement above the upper line of the ascending channel that as formed on the daily spot continuation chart before adding to any length Resistance is set at $116.64 and $118.55. on the down side support is seen at $113.42 and below that at $106.92.

Fundamental News: OPEC+ sources stated that OPEC+ is set to stick to its monthly modest oil output increases despite seeing tighter global markets. Two OPEC+ sources stated that OPEC+ expects an oil market surplus of 1.4 million bpd in 2022, 500,000 bpd less than previously forecast. The sources were citing figures prepared for a meeting of the OPEC+ Joint Technical Committee taking place on Wednesday. The OPEC+ sources said there was no discussion of suspending Russia from the output agreement during the technical meeting. The Wall Street Journal reported on Tuesday that some OPEC members were considering suspending Russia from an oil production deal.

Russia's Foreign Minister, Sergei Lavrov, said that cooperation through the OPEC+ grouping remains relevant for Russia. Meanwhile, Russia's Foreign Ministry said top diplomats from Russia and the UAE have noted close cooperation within the OPEC+ group to ensure the stability and predictability of global energy prices.

The Kremlin warned that the European Union's sanctions on Russian oil would hit the global energy market, but said Moscow could re-route exports to limit its own losses. It said Russia has already started re-routing supplies away from Europe following the imposition of sanctions.

Chevron Corp Chief Executive, Michael Wirth, said restricting fuel exports to guarantee U.S. supply and contain gasoline and diesel prices would be "unwise".

Early Market Call - as of 8:30 AM EDT
WTI - July $114.33, down 92 cents
RBOB - July $4.0655, down 61 points
HO - July $4.1433, unchanged

All NYMEX | Prior Settlements

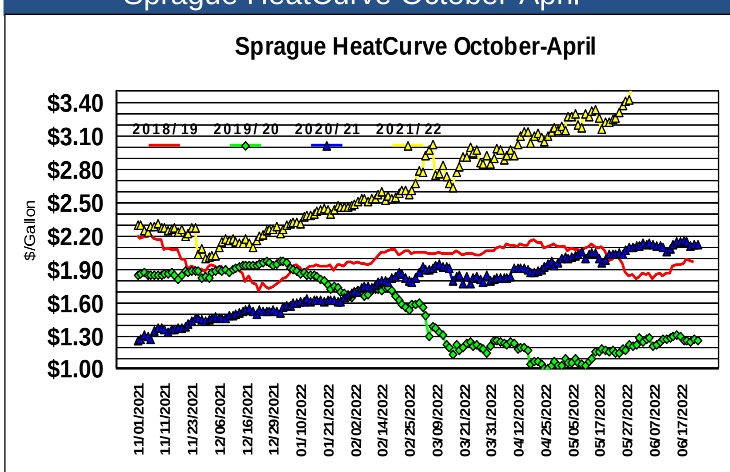
Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Jul-22	$4.1433	$0.2083	$0.3942
Aug-22	$4.0319	$0.1850	$0.3637
Sep-22	$3.9380	$0.1600	$0.2698
Oct-22	$3.8521	$0.1468	$0.3132
Nov-22	$3.7653	$0.1426	$0.2998
Dec-22	$3.6765	$0.1410	$0.2872
Jan-23	$3.5911	$0.1383	$0.2665
Feb-23	$3.4958	$0.1330	$0.2373
Mar-23	$3.3911	$0.1260	$0.2032
Apr-23	$3.2844	$0.1198	$0.1711
May-23	$3.1925	$0.1116	$0.1298
Jun-23	$3.1081	$0.0983	$0.0895
Jul-23	$3.0485	$0.0824	$0.0599
Aug-23	$2.9950	$0.0665	$0.0343
Sep-23	$2.9543	$0.0535	$0.0137
Oct-23	$2.9166	$0.0380	-$0.0078
Nov-23	$2.8894	$0.0340	-$0.0150
Sprague HeatCurve October 2022-April 2023			**$3.5691**

		Close	
Crude - WTI	**Aug Brent-WTI Spread $3.57**	$112.7200	$0.8100
Crude - Brent		$116.2900	$0.6900
Natural Gas		$8.6960	$0.5510
Gasoline		$4.0716	$0.1554

API Report for the Week Ending May 27, 2022

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Down 1.2 million barrels	Down 100,000 barrels
Gasoline Stocks	Down 256,000 barrels	Up 300,000 barrels
Distillate Stocks	Up 858,000 barrels	Up 1 million barrels
Refinery Runs		Up 0.4% at 93.6%

Sprague HeatCurve October-April



WTI Continuation

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