



MarketWatch | Refined Products

Wednesday, November 14, 2018

Market Commentary

Recap: The oil markets continued to be in an unrelenting downward spiral for the 12th consecutive trading session Tuesday, as speculative traders continued flee this market. The U.S. oil markets saw two bursts of selling, the first came around 10 AM EST as the downward trend lines providing support in both heating oil and WTI for the past month were breached. This appeared to set off a wave selling that drove crude prices down over a \$1.50 per barrel and heating oil futures lower by over 3 cents per gallon in just 30 minutes. December WTI crude volume during this burst was over 103,000 lots traded, more than double the normal traded volume for this time period. While the markets attempted to stabilize through midday, they took another major step lower as the mid-morning's lows were breached and a fresh round of selling was triggered that continued on after the closing/settlement period. As a result, by the end of the day, the December WTI contract did not find support until it reached the lows recorded back on February 9th at 54.93 and approached the 62% retracement of the bullish move from June 2017 through October 2018. While all the energy contracts traded lower after the settlement period, WTI settled down 7.1% on the day, or off \$4.24 per barrel, with heating oil off 9.31 cents at \$2.0625 and December RBOB at 1.5427 down 9.4 cents per gallon.

Technical indicators are reflecting a severely oversold market. The 9-day slow stochastics %K and %D stood tonight at 10.39 and 10.49 respectively, with the 14 day RSI basis settlement at 13.68, with the 9 day RSI at a measly 6.62 and the 3 day RSI at a microscopic 0.13. (yes that number is correct) All this leads us to look at this time as possibly an attractive time to sell some deep out of the money puts given the jump in IV's today. The January WTI \$45.00 put, which yesterday was trading between 3-5 cents today, saw panic buying that sent it jumping up to as high as 57 cents today after the close, and it still was settled at 42 cents. Even the January \$40 put, which traded late this afternoon at 17 cents, was settled at 13 cents.

Fundamental News: OPEC released their latest monthly oil market report Tuesday. Citing secondary sources, the cartel said its October oil output rose by 127,000 b/d from September to stand at 32.9 million b/d. The cartel estimates that oil inventories in the OECD rose by 5.5 million barrels during September and stood at 25.3 million barrels below the 5 year seasonal average. The report also forecasts demand for OPEC oil falling even faster than previously expected in 2019 as a slowing global economy reduces demand growth and non-OPEC production increases. OPEC is now looking for demand next year to increase by 1.29 million b/d, some 70,000 b/d less than forecast last month. If the cartel keeps its current production quota in place it sees global inventories increasing by 1.67 million b/d during the first quarter next year, 1.3 million b/d in the second quarter and stock builds of 1.07 million b/d and 1.42 million b/d respectively in the final two quarters of 2019.

The EIA on Tuesday released its monthly drilling report and it forecasts U.S. crude oil output from the seven major shale basins should hit a record of 7.94 million b/d in December, up 113,000 b/d from expected November production rates. Permian production is expected to increase by 63,000 b/d and reach 3.7 million b/d in December.

Venezuela's oil minister said Sunday that Venezuela's oil production has stabilized around 1.5 million b/d and he expects production to reach 1.6 million b/d by the end of November. He said the government is still targeting a 1 million b/d increase in output levels. The revised target date for this increase in production has now shifted back to the middle of 2019. S&P Global Platts estimated Venezuelan production was only 1.18 million b/d in October, down 650,000 b/d from a year ago.

Early Market Call - as of 9:10 AM EDT

WTI - Dec \$56.52, up 83 cents
 RBOB - Dec \$1.5594, up 1.7 cents
 HO - Dec \$2.1082, up 4.58 cents

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Dec-18	\$2.0625	-\$0.0931	-\$0.1258
Jan-19	\$2.0561	-\$0.0932	-\$0.1238
Feb-19	\$2.0498	-\$0.0927	-\$0.1217
Mar-19	\$2.0435	-\$0.0926	-\$0.1190
Apr-19	\$2.0293	-\$0.0928	-\$0.1202
May-19	\$2.0241	-\$0.0926	-\$0.1201
Jun-19	\$2.0234	-\$0.0922	-\$0.1191
Jul-19	\$2.0304	-\$0.0918	-\$0.1182
Aug-19	\$2.0391	-\$0.0915	-\$0.1170
Sep-19	\$2.0496	-\$0.0911	-\$0.1154
Oct-19	\$2.0592	-\$0.0908	-\$0.1139
Nov-19	\$2.0676	-\$0.0908	-\$0.1126
Dec-19	\$2.0736	-\$0.0906	-\$0.1125
Jan-20	\$2.0766	-\$0.0896	-\$0.1127
Feb-20	\$2.0733	-\$0.0893	-\$0.1130
Mar-20	\$2.0669	-\$0.0888	-\$0.1122
Apr-18	\$2.0574	-\$0.0878	-\$0.1109

Other Front Month NYMEX		Close	Change
Crude - WTI	Jan Brent-	\$55.8400	-\$4.2400
Crude - Brent	WTI Spread	\$65.4700	-\$4.6500
Natural Gas	\$9.63	\$4.1010	\$0.3130
Gasoline		\$1.5427	-\$0.0940

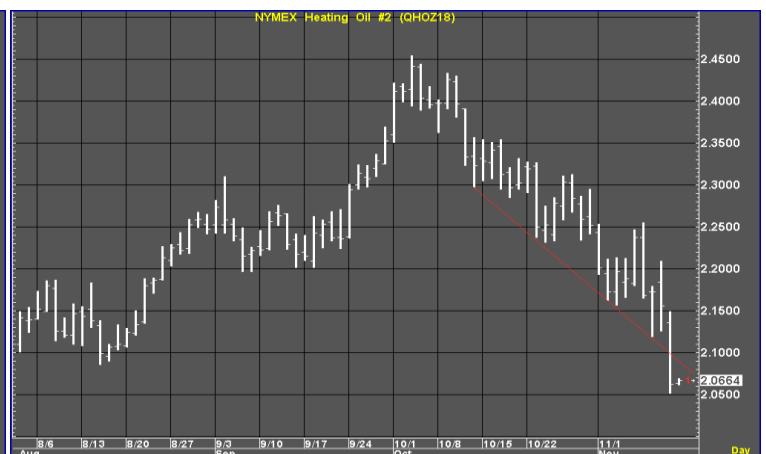
Expectations for API/EIA Weekly Ending November 16, 2018

Mkt Expectations	
Crude Oil Stocks(exl SPR)	Up 2.3 million barrels
Cushing, OK Crude Stocks	Up 2.5 million barrels
Gasoline Stocks	Down 2.7 million barrels
Distillate Stocks	Down 900,000 barrels
Refinery Runs	Up 0.8%

NYMEX December WTI



NYMEX December Heating Oil



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