MarketWatch | Refined Products

Tuesday, April 21, 2020

Market Commentary

Recap: The expiring May WTI contract reached historical levels on Monday, plunging deep into negative territory, as the economic crisis, sparked by the coronavirus pandemic, continued to eat away at demand. With storage space near depletion, and nowhere to store excess supplies, traders scrambled to exit long positions before being forced to take delivery. May WTI traded as low as negative $40.32 a barrel before paring losses to settle at $37.63 a barrel, down $55.90, or 306%. The one-day drop would be the largest on record going back to 1983, while a finish near its current level would be far below the previous all-time low for a front-month contract at $10.42 a barrel set on March 31, 1983, according to Dow Jones Market Data. The June contract which is the most actively traded, ended down $4.60, or 18.3%, at $20.43 a barrel. Meanwhile, Brent crude for June delivery finished down $2.51, or 8.94%, at $25.57 a barrel, after falling 10.8% last week. Brent is more seaborne than WTI, which is often moved via pipelines, is somewhat less constrained by immediate storage worries. May RBOB lost 4.24 cents, or 6%, to end at 66.83 cents a gallon, while June heating oil shed 6.85 cents, or 7.2%, to close at 88.78 cents a gallon.

Technical Analysis: While the world is still awash in oil, and nowhere to go, and demand seemingly at a standstill, needless to say, this market is destined for more room to the downside. June settled above key support at $20.00 level, making this our first downside objective for this soon to be spot contract. Below this level, additional support is seen at $19.27 and $17.50. Should we get a break below this level, $10.00 could be within reach. This is the level the May contract bounced around for a bit before nosediving for the remainder of the session. To the upside, resistance is set at $25.00, $27.50 and $30.00.

Fundamental News: The Joint Organizations Data Initiative reported that Saudi Arabia's crude oil output in February increased by 36,000 bpd on the month to 9.784 million bpd. The country's oil exports in February fell to 7.278 million bpd from 7.294 million bpd in January. Saudi Arabia's crude stocks fell by 682,000 barrels to 153.286 million barrels in February. The country's domestic refinery crude throughput increased by 10,000 bpd to 2.212 million bpd.

A Wall Street Journal reporter tweeted that Saudi Arabia is considering applying oil cuts as soon as possible rather than in May.

Officials in Saudi Arabia have forecast global supply cuts from oil producers could total nearly 20 million bpd, but that includes voluntary cuts from nations, including the United States and Canada, which cannot simply turn on or off production in the way most OPEC nations can.

Russia's Energy Ministry told domestic oil producers to reduce oil output by about 20% from their average February levels, which would bring Russia in line with its commitment under a global deal. Under the agreement, Russia has to cut its oil production by 2.5 million bpd from May and using the reference level of 11 million bpd. So far this month, oil and gas condensate production in Russia stood at 11.27 million bpd, down from 11.29 million bpd on average last month.

Genscape reported that crude oil held in Cushing, Oklahoma in the week ending Friday, April 17th increased by 5,066,510 barrels and by 485,477 barrels from Tuesday, April 14th to 61,152,191 barrels.
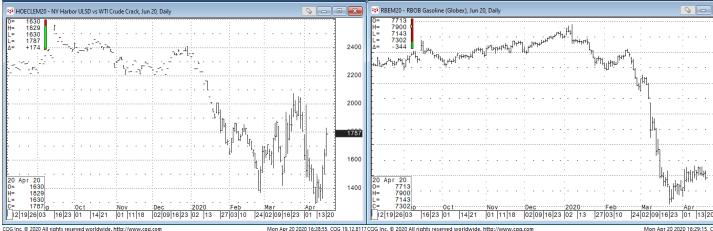
IIR Energy reported that US oil refiners are expected to shut in about 4.4 million bpd of capacity offline in the week ending April 24th, increasing available refining capacity by 21,000 bpd from the previous week. Offline capacity is expected to fall to 3.8 million bpd in the week ending May 1st.

Early Market Call - as of 8:35 AM EDT
WTI - May $-4.70, up $32.93
RBOB - May $.5698, down 9.85 cents
HO - May $.7974, down 9.31 cents

All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
May-20	0.8878	-0.0685	0.1068
Jun-20	0.9152	-0.0648	0.1205
Jul-20	0.9611	-0.0601	0.1189
Aug-20	1.0108	-0.0529	0.1105
Sep-20	1.0566	-0.0468	0.1028
Oct-20	1.0967	-0.0406	0.0949
Nov-20	1.1285	-0.0341	0.0863
Dec-20	1.1519	-0.0289	0.0803
Jan-21	1.1726	-0.0254	0.0766
Feb-21	1.1885	-0.0232	0.0737
Mar-21	1.2012	-0.0217	0.0715
Apr-21	1.2084	-0.0212	0.0707
May-21	1.2176	-0.0207	0.0694
Jun-21	1.2294	-0.0203	0.0678
Jul-21	1.2485	-0.0199	0.0667
Aug-21	1.2667	-0.0193	0.0652
Sep-21	1.2812	-0.0194	0.0642

Sprague Heat Weighted Strip October -April 20/2021		$1.1690
Other Front Month NYMEX	**Close**	**Change**
Crude - WTI	$20.4300	-$3.9000
Crude - Brent	$25.5700	-$2.5100
Natural Gas	$1.9240	$0.1710
Gasoline	$0.6683	-$0.0424

June Brent-WTI Spread $5.14

ICE June Brent-WTI Spread

June Heating Oil Crack Spread

June RBOB Crack Spread