



MarketWatch | Refined Products

Friday, April 17, 2020

Market Commentary

Recap: After trading higher early in the session, oil futures turned lower after OPEC cut its 2020 demand forecast by 6.9 million barrels per day. That reflects a contraction in demand of 12 million barrels a day in the current quarter, with April bearing the brunt with a 20 million barrel a day fall. This is in response to the COVID-19 pandemic, which has taken a huge bite out of global demand. Brent futures were up modestly for the session, while WTI finished flat to hold ground at their lowest in over 18 years. WTI for May delivery settled at \$19.87 a barrel, unchanged from Wednesday, which marked the lowest settlement for a front-month contract since Feb. 7, 2002. June Brent rose 13 cents, or 0.5%, to settle at \$27.82 a barrel. May RBOB fell by 2.1% to 70.51 cents a gallon and May heating oil added 3.6% to 94.63 cents a gallon.

Technical Analysis: Oil prices failed to hold onto early gains, as technical traders continue to grapple with the overpowering bearish fundamentals, which one cannot ignore. Our stance is the same, and that is for trading to remain volatile, while continuing to trade in a sideways pattern. With the May WTI contract soon to expire, we will turn our focus to the June contract. There is considerable support down at the \$20 level and should the June contract get down there, we would expect to see a bounce. To the upside, \$27 provides significant resistance. Breaks above this level should prompt a push toward \$30.

Fundamental News: US Energy Secretary, Dan Brouillette, said the deal reached by OPEC and its non-OPEC allies to cut production has worked to "stem the tide, stem the damage that was being done to the market," since the onset of the coronavirus pandemic and the Saudi Arabia-Russia oil price war. The secretary credited Trump with acting "aggressively" to pressure the Saudis and Russians to change course, adding that he can act even more aggressively if the situation calls for it.

In its monthly report, OPEC cut its 2020 forecast for world oil demand by 6.9 million bpd or 6.9% due to the coronavirus impact on the economy. It expects oil demand to fall by 12 million bpd in second quarter and added that downward risks remain for its oil demand forecast. OPEC reported that its oil output in March increased by 821,000 bpd to 28.61 million bpd. Saudi Arabia told OPEC it cut its oil production in March by 51,000 bpd to 9.733 million bpd. OPEC estimated that in 2020 non-OPEC oil supply is forecast to fall by 1.5 million bpd.

Interfax news agency reported that Russian oil output has been steady in April so far. OPEC and other leading oil producers led by Russia agreed over the weekend to reduce their production by a combined 9.7 million barrels per day in May-June to combat falling demand due to the spread of the coronavirus.

ConocoPhillips said it would cut gross production by 225,000 bpd, suspend its share repurchase program and further cut its capital spending to weather a fall in oil prices.

The Governors of Louisiana, Texas, Oklahoma, Utah and Wyoming said refiners in their states need hardship waivers to the Renewable Fuel Standard to weather the financial turmoil.

The EPA stated that the US generated 1.14 billion ethanol (D6) blending credits in March compared with 1.16 billion in February. The US also generated 371 million biodiesel (D4) blending credits in March compared with 315 million in February.

Chief US District Judge, Brian Morris, on Wednesday ruled against the U.S. Army Corps of Engineers' use of a permit that allows new energy pipelines to cross water bodies, in the latest setback to TC Energy Corp's plans to build the Keystone XL oil pipeline.

Early Market Call - as of 8:30 AM EDT

WTI - May \$25.21 -0.32
RBOB - May \$0.7063 +0.0003
HO - May \$0.9632 +0.0139

All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
May-20	0.9463	0.0325	0.0263
Jun-20	0.9727	0.0220	0.0405
Jul-20	1.0137	0.0163	0.0437
Aug-20	1.0565	0.0119	0.0415
Sep-20	1.0962	0.0082	0.0393
Oct-20	1.1303	0.0063	0.0361
Nov-20	1.1557	0.0050	0.0319
Dec-20	1.1744	0.0037	0.0291
Jan-21	1.1927	0.0029	0.0266
Feb-21	1.2076	0.0030	0.0238
Mar-21	1.2196	0.0038	0.0216
Apr-21	1.2262	0.0050	0.0204
May-21	1.2345	0.0061	0.0192
Jun-21	1.2455	0.0078	0.0171
Jul-21	1.2642	0.0087	0.0158
Aug-21	1.2817	0.0094	0.0145
Sep-21	1.2963	0.0096	0.0131

Sprague Heat Weighted Strip October-April 20/2021 \$1.1907

Other Front Month NYMEX	Close	Change
Crude - WTI	\$25.5300	-\$0.5100
Crude - Brent	\$27.8200	\$0.1300
Natural Gas	\$1.6860	\$0.0880
Gasoline	\$0.7051	-\$0.0153

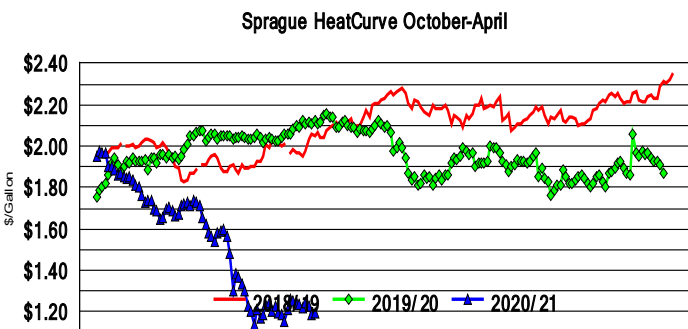
EIA Working Gas Storage Report

10-Apr-2003-Apr-20ChangeYear Ago

East	40038218223
Midwest	48747512250
Mountain	9592365
Pacific	2032030125
South Central	91287240557
Salt	28626521181
Nonsalt	62660719376
Total	2,0972,024731,221

Sprague HeatCurve October-April

ICE June Brent-WTI Spread



This market update is provided for information purposes only and is not intended as advice on 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.