



MarketWatch | Refined Products

Wednesday, January 15, 2020

Market Commentary

Recap: Oil prices climbed on Tuesday after five days of declines as the United States and China prepared to sign a preliminary trade deal and as Middle East tensions eased. Additionally, oil also found technical support after WTI fell to a more than five-week low of \$57.72 before bouncing off the 200-day moving average. At this point in time, fundamentals are mostly bearish due to oversupply concerns, especially given the huge build in stockpiles reported in the refined products for the week ended Jan. 3. Tensions between the U.S. and Iran have eased, though the "threat of more geopolitical unrest still exists and is likely to keep a floor under the market, preventing a decisive breakdown in the near term. WTI for February delivery rose 15 cents, or 0.3%, to settle at \$58.23 a barrel, while March Brent added 29 cents, or about 0.5%, to \$64.49 a barrel. February RBOB fell 0.2% to \$1.6544 a gallon, while February heating oil rose about 0.7% at \$1.9103 a gallon.

Technical Analysis: February WTI bounced up and down on Tuesday, as this spot contract continues to hold above the 200-day moving average, which is currently set at \$57.57. With a settlement below the ascending trend line, we would look for continued downside movement. Support is set by the aforementioned 200-day moving average and below that at \$56.20. To the upside, resistance is set at \$58.69 and above that at \$59.11, the current 10-day moving average.

Fundamental News: The EIA reported in its Short Term Energy Outlook that it expects global oil supply will increase by 1.6 million bpd in 2020 and global oil consumption will increase by 1.3 million bpd, contributing to global oil inventories rising at a pace of 300,000 bpd. World petroleum demand in 2020 is forecast to increase by 1.34 million bpd to 102.11 million bpd and by 1.38 million bpd in 2021 to 103.49 million bpd. OPEC's production is expected to fall by 600,000 bpd to 29.19 million bpd in 2020 but increase by 90,000 bpd to 29.28 million bpd in 2021. Meanwhile, total US petroleum demand in 2020 is expected to increase by 160,000 bpd to 20.64 million bpd and increase by 70,000 bpd to 20.71 million bpd in 2021. US gasoline demand is expected to increase by 10,000 bpd to 9.29 million bpd in 2020 but fall by 60,000 bpd to 9.23 million bpd in 2021. Distillate demand in 2020 increased by 50,000 bpd to 4.11 million bpd and is expected to remain unchanged at 4.11 million bpd in 2021. US crude oil production in 2020 is expected to increase by 1.06 million bpd to 13.3 million bpd and increase by 410,000 bpd to 13.71 million bpd in 2021. The EIA forecast that Brent crude oil spot prices will average \$65/barrel in 2020 and \$68/barrel in 2021, compared with an average of \$64/barrel in 2019. EIA expects WTI prices will average \$5.50/barrel lower than Brent prices through 2020 and 2021. US gasoline retail prices averaged \$2.60/gallon in 2019 and is expected to average \$2.63/gallon in both 2020 and 2021.

Russia's TASS news agency reported that OPEC and its allies may decide to postpone an upcoming policy meeting from March to June. OPEC+ may extend its existing oil output cut deal until June if the March meeting is postponed.

Saudi Arabia's Energy Minister, Prince Abdulaziz bin Salman, said the country's crude oil production will remain at 9.744 million bpd in January and February, in line with its promise to produce 400,000 bpd below its official OPEC+ quota during the first quarter. He said Saudi Arabia would have a spare capacity of 2.256 million bpd.

According to analysts and Trump administration officials, US officials are working to get Chinese independent refiners to stop importing about 200,000 bpd of crude oil and condensate from Iran, in violation of US sanctions.

Early Market Call - as of 8:10 AM EDT

WTI - Feb \$58.25 up .02

RBOB - Feb \$1.6586 up 0.0036

HO - Feb \$1.9096 down 0.0005

All NYMEX | Prior Settlements

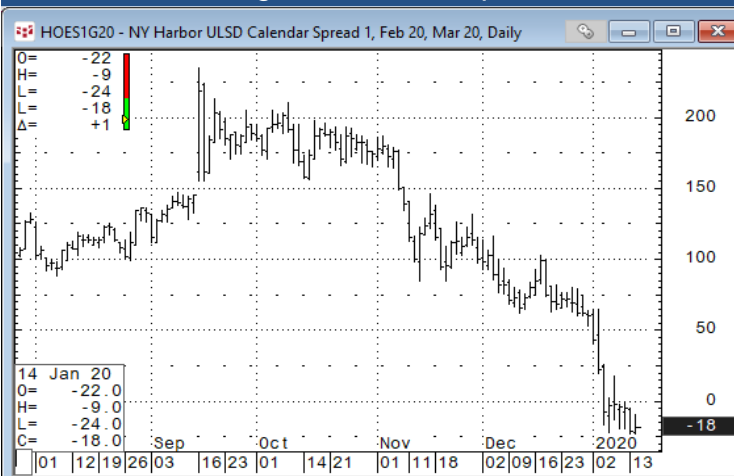
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-20	1.9103	0.0123	0.1204
Mar-20	1.9120	0.0121	0.1204
Apr-20	1.9048	0.0109	0.1185
May-20	1.8971	0.0101	0.1158
Jun-20	1.8904	0.0095	0.1125
Jul-20	1.8871	0.0090	0.1102
Aug-20	1.8849	0.0085	0.1072
Sep-20	1.8837	0.0080	0.1047
Oct-20	1.8820	0.0075	0.1029
Nov-20	1.8801	0.0070	0.1015
Dec-20	1.8779	0.0067	0.0999
Jan-21	1.8762	0.0066	0.0980
Feb-21	1.8700	0.0063	0.0953
Mar-21	1.8583	0.0052	0.0912
Apr-21	1.8390	0.0044	0.0871
May-21	1.8267	0.0034	0.0824
Jun-21	1.8190	0.0026	0.0795

Other Front Month NYMEX		Close	Change
Crude - WTI	Mar Brent-	\$58.2600	\$0.1800
Crude - Brent	WTI Spread	\$64.4900	\$0.2900
Natural Gas	\$6.23	\$2.1870	\$0.0050
Gasoline		\$1.6544	-\$0.0029

API Report for the Week Ending January 10, 2019

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Up 1.1 million barrels	Up 500,000 barrels
Cushing, OK Crude Stocks	Down 69,000 barrels	
Gasoline Stocks	Up 3.2 million barrels	Up 3.3 million barrels
Distillate Stocks	Up 6.8 million barrels	Up 1.3 million barrels
Refinery Runs	Down 125,000 b/d	Up 0.3% at 93.3%

Heating Oil Feb-Mar Spread



RBOB Feb-Mar Spread

