



MarketWatch | Refined Products

Friday, August 2, 2024

Market Commentary

All NYMEX | Prior Settlements

Recap: The oil market gave up its early gains on Thursday as it weighed OPEC+'s decision to keep its output policy unchanged, as expected, against the threat of a wider Middle East conflict, which helped support the market early in the session. The crude market traded higher on the news that Iran is meeting with regional representatives to discuss a retaliation strike against Israel. The September WTI contract continued on its upward trend and posted a high of \$78.88 in overnight trading. However, the market's gains were limited and erased its earlier gains as OPEC+ decided to keep its oil output policy unchanged, including a plan to start unwinding some of the output cuts starting in October. The market sold off to a low of \$76.24 ahead of the close as it retraced almost 62% of its recent move higher from a low of \$74.59 to its early high of \$78.88. The September WTI contract settled down \$1.60 at \$76.31 and the September Brent contract settled down \$1.32 at \$79.52. The product markets ended the session lower, with the heating oil market settling down 3.19 cents at \$2.4064 and the RB market settling down 4.45 cents at \$2.3980.

Technical Analysis: The crude market will continue to trade within its recent trading range. The market will remain supported by the latest escalation in tension in the Middle East. However, its gains are seen limited as long as there is no impact on supplies. The oil market is seen finding support at \$76.56, \$76.24-\$76.23, \$75.18 and \$74.59. Resistance is seen at \$77.25, \$77.50, \$78.44, \$78.88 and \$79.13.

Fundamental News: Russian Deputy Prime Minister, Alexander Novak, said that the current level of oil prices is comfortable for the Russian budget. He added that the oil market supply and demand remains in balance.

Bloomberg reported that more than 300,000 Brent call option contracts traded on Wednesday, amid increased tensions in the Middle East. The volume was dominated by large call spreads, including \$87 and \$90 spreads for October, as well as \$110 and \$130 spreads for November.

On Thursday, a meeting of top OPEC+ ministers has kept oil output policy unchanged including a plan to start unwinding some output cuts from October and repeated that the increase could be paused or reversed, if needed. The current policy, as agreed in June, calls for some OPEC+ members to gradually phase out output cuts of 2.2 million bpd over the course of a year from October 2024 to September 2025. OPEC+ said the members making those cuts "reiterated that the gradual phase-out of the voluntary reduction of oil production could be paused or reversed, depending on prevailing market conditions." Thursday's meeting also noted assurances from Iraq, Kazakhstan and Russia to achieve full conformity with pledged output cuts. Those countries had earlier delivered plans to compensate for past overproduction. An OPEC+ source said the chair of the meeting was insisting that members show commitment to the compensation plan. The Joint Ministerial Monitoring Committee will hold its next meeting on October 2nd.

S&P Global Commodities at Sea estimates diesel shipments from the Middle East to Europe averaged 310,000 b/d in July, the lowest level since October, as the economic incentive for shipping diesel from the Arb Gulf to NW Europe was basically negative. Meanwhile, U.S. diesel exports to Europe in July reached a record high as the diesel arbitrage from the U.S. to Northwest Europe has been positive since November.

Early Market Call - as of 8:10 AM EDT
 WTI - Sep \$74.80, down \$1.51
 RBOB - Sep \$2.3647, down 3.44 cents
 HO - Sep \$2.3664, down 4.1 cents

	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Sep-24	2.4064	-0.0319	-0.0817
Oct-24	2.4228	-0.0313	-0.0767
Nov-24	2.4259	-0.0322	-0.0742
Dec-24	2.4225	-0.0322	-0.0693
Jan-25	2.4253	-0.0324	-0.0677
Feb-25	2.4208	-0.0327	-0.0666
Mar-25	2.4074	-0.0321	-0.0651
Apr-25	2.3883	-0.0315	-0.0630
May-25	2.3757	-0.0306	-0.0603
Jun-25	2.3669	-0.0297	-0.0577
Jul-25	2.3690	-0.0291	-0.0553
Aug-25	2.3725	-0.0286	-0.0533
Sep-25	2.3765	-0.0282	-0.0515
Oct-25	2.3804	-0.0276	-0.0493
Nov-25	2.3788	-0.0272	-0.0475
Dec-25	2.3725	-0.0269	-0.0460
Jan-26	2.3688	-0.0274	-0.0456

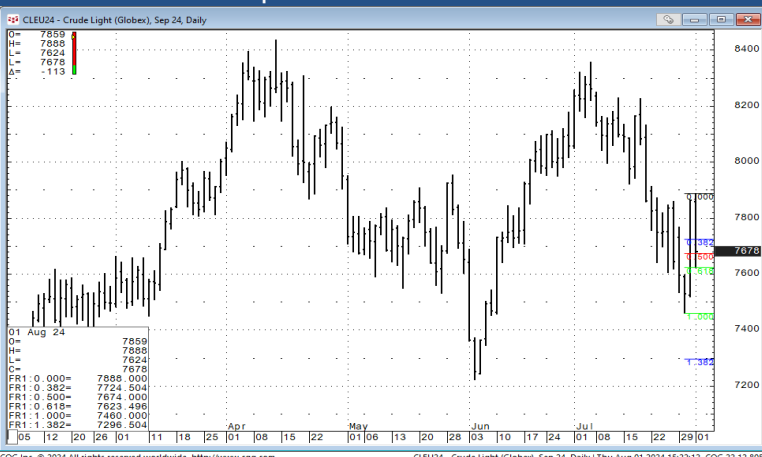
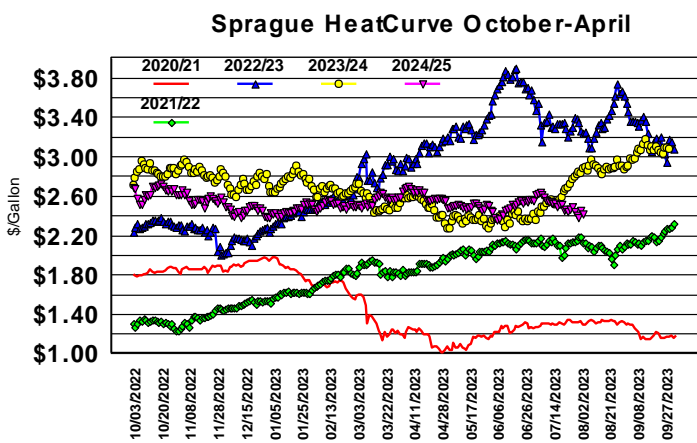
Sprague HeatCurve October 2024-April 2025			\$2.4179
		Close	Change
Crude - WTI	Oct Brent- WTI Spread \$4.12	\$75.4000	-\$1.4400
Crude - Brent		\$79.5200	-\$1.3200
Natural Gas		\$1.9680	-\$0.0680
Gasoline		\$2.3980	-\$0.0445

EIA Working Gas Storage Report

	26-Jul-24	19-Jul-24	Change	26-Jul-23
East	711	697	14	677
Midwest	842	827	15	770
Mountain	253	251	2	190
Pacific	286	289	-3	231
South Central	1157	1167	-10	1,128
Salt	307	313	-6	301
Nonsalt	851	854	-3	828
Total	3249	3231	18	2,997

Sprague HeatCurve October-April

September WTI



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