MarketWatch | Refined Products

Monday, August 12, 2024

Market Commentary

Recap: The oil market traded higher on Friday as it continued to retrace its previous losses seen earlier in the week. The market posted its first weekly gain in five weeks, supported by tightening supplies following the sixth weekly drawdown in U.S. crude stocks and the underlying Middle East tensions. The market also remained supported by positive U.S. jobs data on Thursday showing unemployment benefits claims fell more than expected last week, easing recession concerns. Also, offering support was China's CPI, which increased more than expected. The crude market erased some of Thursday's gains as it opened lower and posted a low of $75.85 in overnight trading. However, the market bounced off its low and breached its previous high of $76.52 as it posted a high of $77.08 early in the afternoon. The market later traded in a sideways trading range during the remainder of the session. The September WTI contract settled up 65 cents at $76.84 and the October Brent contract settled up 50 cents at $79.66. The product markets ended the session lower, with the heating oil market settling down 1.81 cents at $2.3397 and the RB market settling down 89 points at $2.3903.

Technical Analysis: The crude market is still seen continuing to trade within its recent trading range from around $72.00-$79.00. The market will remain supported by concerns over the escalating conflict in the Middle East, with Israeli forces stepping up its airstrikes across the Gaza Strip in its battle with Hamas-led militants and the possibility of retaliatory strikes by Iran against Israel. The oil market is seen finding resistance at its high of $77.08, $77.29, $77.63, $78.88, $79.03 and $79.13. Support is seen at its low of $75.85, $74.60 followed by $72.58, $72.20 and $71.67.

Fundamental News: According to data, analysts and industry sources, global oil demand growth needs to accelerate in coming months or the market will struggle to absorb an increase in oil supply that OPEC+ is planning to make from October. Analysts said if the economy slows further, oil demand growth will likely slow with it, which will mean OPEC+ would either have to delay plans to produce more oil or accept lower prices for higher supply.

Amrita Sen, a co-founder of consultancy Energy Aspects, said market concerns about global growth may have been excessive this week as there is no evidence of an imminent U.S. recession. She said "Overall, we do not believe the global economy is on the verge of a sudden downshift." She added "We will likely get a few more rounds of macro meltdowns, but oil's own fundamentals are stable."

Baker Hughes reported that U.S. drillers added oil and natural gas rigs for the third time in four weeks. The oil and gas rig count increased by two to 588 in the week ending August 9th. The number of oil rigs increased by three on the week to 485, while the number of gas rigs fell by one to 97.

A survey by Platts found that OPEC+ crude oil production in July reached 41.03 million b/d, up 160,000 b/d from June levels, posting its largest monthly gain in almost a year. July's production is some 437,000 b/d above its target quota level. Iraq and Kazakhstan raised their output during the month despite their commitment to instituting deeper cuts, while Russia also remained well over its quota. July was the first month of compensation plans introduced by these three countries that had over produced in the first half of 2024. Iraq had pledged to cut an additional 70,000 b/d in July and Kazakhstan pledged to reduce production by 18,000 b/d. Russia's compensation plan was not slated to begin until October.

IIR Energy said U.S. oil refiners are expected to shut in about 662,000 bpd of capacity offline in the week ending August 9th, increasing available refining capacity by 5,000 bpd. Offline capacity is expected to fall to 308,000 bpd in the week ending August 16th and to 239,000 bpd in the week ending August 23rd.

Early Market Call - as of 8:10 AM EDT

WTI - Sep $77.62, up 78 cents

RBOB - Sep $2.41.70, up 2.67 cents

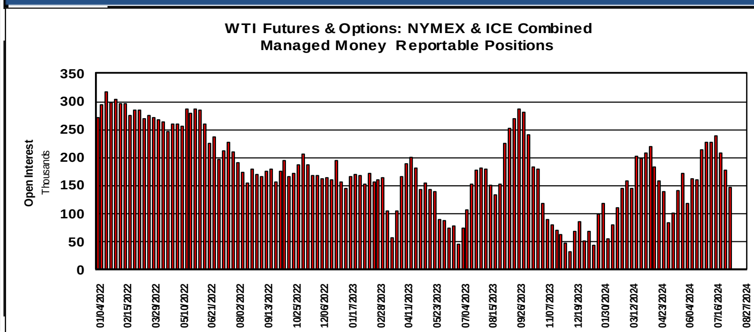
HO - Sep $2.3632, up 2.35 cents

All NYMEX | Prior Settlements

	ULSD (HO) Close	Prior Settle Change	Change In One Week
Sep-24	2.3397	-0.0181	0.0212
Oct-24	2.3609	-0.0167	0.0247
Nov-24	2.3719	-0.0150	0.0303
Dec-24	2.3750	-0.0127	0.0346
Jan-25	2.3799	-0.0122	0.0348
Feb-25	2.3772	-0.0114	0.0357
Mar-25	2.3646	-0.0106	0.0356
Apr-25	2.3468	-0.0097	0.0358
May-25	2.3350	-0.0090	0.0358
Jun-25	2.3269	-0.0084	0.0353
Jul-25	2.3316	-0.0074	0.0370
Aug-25	2.3377	-0.0068	0.0385
Sep-25	2.3445	-0.0064	0.0400
Oct-25	2.3501	-0.0060	0.0405
Nov-25	2.3500	-0.0054	0.0408
Dec-25	2.3447	-0.0046	0.0408
Jan-26	2.3421	-0.0045	0.0402
Sprague HeatCurve October 2024-April 2025			**$2.3710**

	Close	Change
Crude - WTI	$75.6100	$0.5700
Crude - Brent	$79.6600	$0.5000
Natural Gas	$2.1430	$0.0160
Gasoline	$2.3903	-$0.0089

Oct Brent-WTI Spread $4.06



Commitment of Traders Report for the Week Ending August 6, 2024