MarketWatch | Refined Products

Tuesday, February 4, 2025

Market Commentary

Recap: The oil market ended the session higher following a volatile trading session driven by President Donald Trump's tariffs on imports from Canada, Mexico and China. The crude market gapped higher in overnight trading from $73.84 to $74.14 after President Donald Trump on Saturday announced that the U.S. would impose a 25% tariff on Canada, Mexico and 10% tariff on China starting on Tuesday. The market rallied $2.65 as it posted a high of $75.18 on the opening. The market erased some of its sharp gains and held some support at $73.50 as the market digested the news and its potential impact to crude supply, as Canadian and Mexico crude oil account for about 25% of the oil U.S. refiners process into fuels such as gasoline and heating oil. The market breached its support and erased most of its gains as it posted a low of $72.05 after the Trump administration said the U.S. would pause tariffs planned for Mexico for a month, while negotiations continue between the two countries. In a seesaw manner, the market bounced off its low and settled in a sideways trading range from about $72.30 to $73.20 ahead of the close. The March WTI contract ended the session up 63 cents at $73.16 while the April Brent contract settled up 29 cents at $75.96. The product markets ended the session in mixed territory, with the heating oil market settling down 2.14 cents at $2.4631 and the RB market settling up 8.12 cents at $2.1177.

Technical Analysis: The crude market will remain headline driven, with the tariffs against Canada and China expected to take effect on Tuesday morning. The market is seen finding support at its low of $72.05, $71.94, $71.31, $70.43 and $69.75. Meanwhile, resistance is seen at its high of $75.18, $75.66, $76.00, $76.45, $76.54 and $77.86.

Fundamental News: U.S. President Donald Trump will pause new tariffs on Mexico for one month after Mexico agreed to reinforce its northern border with 10,000 National Guard members to stem the flow of illegal drugs, particularly fentanyl. Mexico's President Claudia Sheinbaum said the agreement also includes a U.S. commitment to act to prevent trafficking of high-powered weapons to Mexico. The two leaders spoke by phone on Monday, just hours before U.S. tariffs on Mexico, China and Canada were set to take effect. President Trump said the two counties will use the month-long pause to engage in further negotiations. Separately, the New York Times cited a senior Canadian government as saying that Canada is not optimistic it can get the same kind of one-month reprieve from U.S. tariffs that was granted to Mexico. On Saturday, President Donald Trump announced tariffs on Mexico, Canada and China, outlined in three executive orders, that are due to take effect on at 12:01 a.m. ET on Tuesday. President Trump vowed to keep them in place until what he described as a national emergency over fentanyl, a deadly opioid, and illegal immigration to the United States ends. He imposed only a 10% duty on energy products from Canada, while energy imports from Mexico will be charged the full 25%.

On Monday, OPEC+ agreed to stick to its policy of gradually increasing oil output from April.

Analysts said U.S. President Donald Trump's trade tariffs on Canadian and Mexican oil imports will offer European and Asian refineries a competitive advantage against their U.S. rivals. Industry sources said the tariffs on the two biggest sources of U.S. crude imports will increase costs for the heavier crude grades U.S. refineries need for optimum production, cutting their profitability and potentially forcing production cuts. That provides refiners in other markets an opportunity to make up the difference. Randy Hurburun, head of refining at Energy Aspects, said Asian refiners could get the competitive advantage because they have the equipment to run heavy crudes and are also in the midst of raising their run rates. EIA data showed Canadian and Mexican crude accounted for around 28% of U.S. refiners' crude intake in 2023, with inland refineries in the Midwest especially reliant on Canadian barrels. Analysts said U.S. refiners' ability to run more light WTI crude in place of Canadian and Mexican oil will be limited because of their different qualities.

Early Market Call - as of 8:45 AM EDT

WTI - Mar $71.11, down $2.05

RBOB - Mar $2.0526, down 6.51 cents

HO - Mar $2.3915, down 7.19 cents

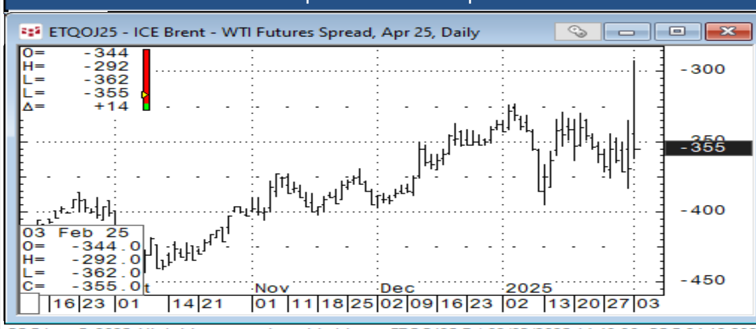
All NYMEX | Prior Settlements

	ULSD (HO) Close	Prior Settle Change	Change In One Week
Mar-25	2.4631	0.0658	0.0732
Apr-25	2.3970	0.0464	0.0520
May-25	2.3509	0.0330	0.0353
Jun-25	2.3201	0.0255	0.0217
Jul-25	2.3065	0.0202	0.0136
Aug-25	2.2998	0.0180	0.0108
Sep-25	2.3004	0.0183	0.0122
Oct-25	2.3003	0.0183	0.0125
Nov-25	2.2957	0.0178	0.0112
Dec-25	2.2882	0.0168	0.0098
Jan-26	2.2865	0.0159	0.0090
Feb-26	2.2794	0.0151	0.0079
Mar-26	2.2659	0.0146	0.0074
Apr-26	2.2456	0.0133	0.0055
May-26	2.2321	0.0127	0.0046
Jun-26	2.2212	0.0118	0.0031
Jul-26	2.2194	0.0115	0.0028

Sprague HeatCurve October 2025-April 2026 $2.2807

		Close	Change
Crude - WTI	Apr Brent-WTI Spread $3.57	$72.3900	$0.4100
Crude - Brent		$75.9600	$0.2900
Natural Gas		$3.3520	$0.3080
Gasoline		$2.1177	$0.0812

ICE April Brent-WTI Spread



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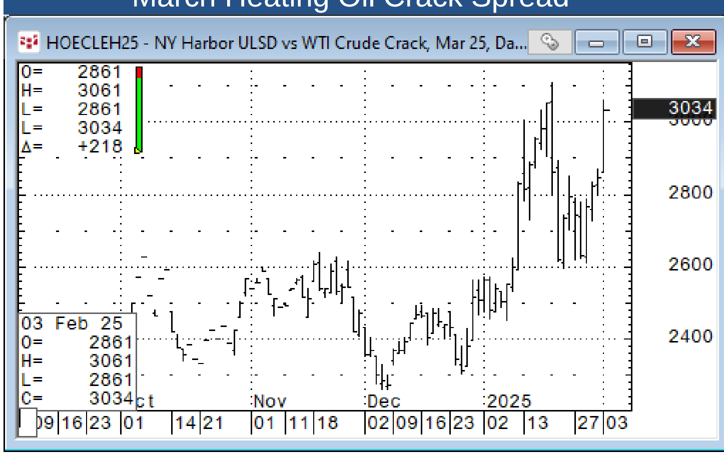
March Heating Oil Crack Spread



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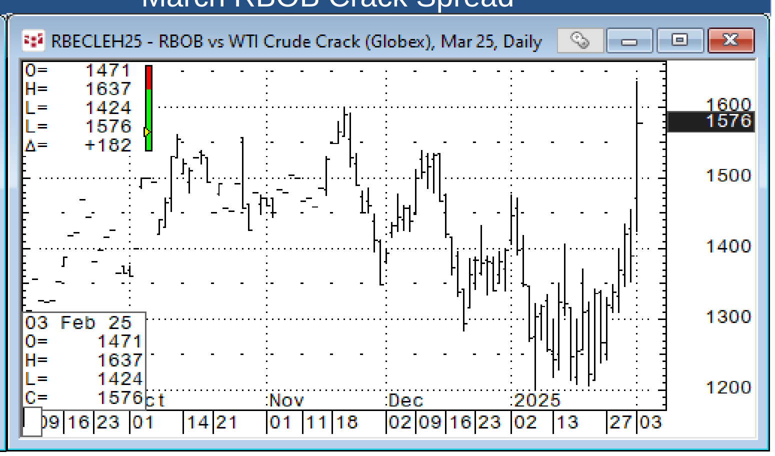
March RBOB Crack Spread



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