MarketWatch | Refined Products

Wednesday, February 5, 2025

Market Commentary

Recap: The oil market on Tuesday sold off sharply and ended the session lower as the U.S. tariffs on China took effect and China imposed retaliatory levies of its own, increasing fears of a trade war. The market was pressured as the trade tensions between the U.S. and China may lower demand for oil. China imposed levies of 15% on U.S. coal and LNG and 10% on crude oil after President Donald Trump's tariffs on China went into effect early Tuesday morning. This followed a pause for 30 days of the 25% tariffs the U.S. was set to impose on Canada and Mexico and a 10% tariff on energy imports from Canada starting on Tuesday. The crude market breached Monday's low of $72.05 and sold off more than 3.4% as it posted a low of $70.67 by mid-morning. The market later retraced more than 50% of its move from Monday's high of $75.18 to its low of $70.67 after an official said that U.S. President Donald Trump plans to restore his "maximum pressure" campaign on Iran, including sanctions and enforcement mechanisms on those violating existing sanctions. The oil market later settled in a sideways trading range ahead of the close. The March WTI contract settled down 46 cents at $72.70 while the April Brent contract settled up 24 cents at $76.20. The product markets ended the session in negative territory, with the heating oil market settling down 3.33 cents at $2.4298 and the RB market settling down 1.87 cents at $2.0990.

Technical Analysis: The crude market on Wednesday will likely continue to weigh the impact of the tariffs the U.S. and China imposed against each other. The market will await the release of the latest weekly oil inventory reports, which are expected to show builds in crude stocks of over 2 million barrels. The oil market is seen finding support at its low of $70.67, $70.43, $69.75, $69.06 and $68.94. Meanwhile, resistance is seen at its high of $73.35, $74.00, $75.03, $75.18, $75.21, $76.00 and $76.06.

Fundamental News: On Tuesday, China imposed retaliatory import duties of 15% on U.S. LNG and coal and 10% on crude oil as well as on farm equipment and some autos starting February 10th. China's move came after the Trump administration imposed an additional 10% tariff on all imports of Chinese goods into the United States. China's reaction raises the risk of further moves by the United States, and increases the trade tension between the world's two largest economies. The risk is that a series of tit-for-tat measures causes global economic growth to slow and inflation to rise as countries have to re-order supply chains and deal with increased disruptions to industries such as manufacturing and construction. However, the immediate impact of China's measures on imports of U.S. crude, LNG and coal is likely to be limited. According to commodity analysts Kpler, China imported 5.99 million barrels of crude from the United States in January. This is equivalent to about 193,000 barrels per day, which is less than 2% of China's total imports. China's LNG imports from the United States have also been modest in recent months, with January coming in at 190,000 metric tons, down from 220,000 tons in December. China's total LNG imports have been averaging around 6.5 million tons a month recently, meaning the U.S. is supplying in a range between 4% and 12% of the total. According to Kpler, China's imports of coal from the United States were 1.34 million tons in January. Official customs data showed China's total coal imports averaged 45.2 million tons per month in 2024, making the U.S. little more than a fringe supplier.

A U.S. official said U.S. President Donald Trump is expected to sign a presidential memorandum on Tuesday that restores his "maximum pressure" campaign on Iran and aims to deny Iran all paths to a nuclear weapon.

IIR Energy said U.S. oil refiners are expected to shut in about 1.33 million bpd of capacity in the week ending February 7th, cutting available refining capacity by 5,000 bpd.

Jim Teague, the CEO of Enterprise Products Partners, said Enterprise has not received enough customer interest to commercialize its Sea Port Oil Terminal (SPOT) crude export project. The CEO blamed regulatory delays and Russia's 2022 invasion of Ukraine, which rerouted oil flows, for the lack of interest in the project, adding that the company will continue to promote SPOT.

Early Market Call - as of 8:50 AM EDT

WTI - Mar $71.95, down 75 cents

RBOB - Mar $2.0719, down 2.71 cents

HO - Mar $2.4101, down 1.97 cents

All NYMEX | Prior Settlements

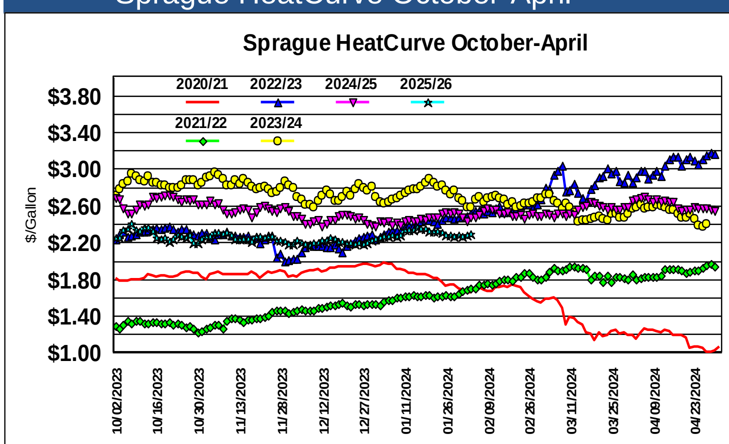
	ULSD (HO) Close	Prior Settle Change	Change In One Week
Mar-25	$2.4298	-$0.0333	$0.0433
Apr-25	$2.3794	-$0.0176	$0.0351
May-25	$2.3409	-$0.0100	$0.0256
Jun-25	$2.3155	-$0.0046	$0.0185
Jul-25	$2.3056	-$0.0009	$0.0138
Aug-25	$2.3007	$0.0009	$0.0125
Sep-25	$2.3022	$0.0018	$0.0146
Oct-25	$2.3035	$0.0032	$0.0162
Nov-25	$2.3010	$0.0053	$0.0172
Dec-25	$2.2957	$0.0075	$0.0178
Jan-26	$2.2952	$0.0087	$0.0177
Feb-26	$2.2888	$0.0094	$0.0176
Mar-26	$2.2756	$0.0097	$0.0177
Apr-26	$2.2555	$0.0099	$0.0162
May-26	$2.2424	$0.0103	$0.0156
Jun-26	$2.2319	$0.0107	$0.0149
Jul-26	$2.2301	$0.0107	$0.0147
Sprague HeatCurve October 2025-April 2026			**$2.2888**

		Close	Change
Crude - WTI	**Apr Brent-WTI Spread $3.86**	$72.3400	-$0.0500
Crude - Brent		$76.2000	$0.2400
Natural Gas		$3.2530	-$0.0990
Gasoline		$2.0990	-$0.0187

API Report for the Week Ending January 31, 2024

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Up 5.03 million barrels	Up 2 million barrels
Gasoline Stocks	Up 5.43 million barrels	Up 500,000 barrels
Distillate Stocks	Down 6.98 million barrels	Down 1.5 million barrels
Refinery Runs		Up 0.2% at 83.7%

Sprague HeatCurve October-April



8-14 Day Weather Forecast