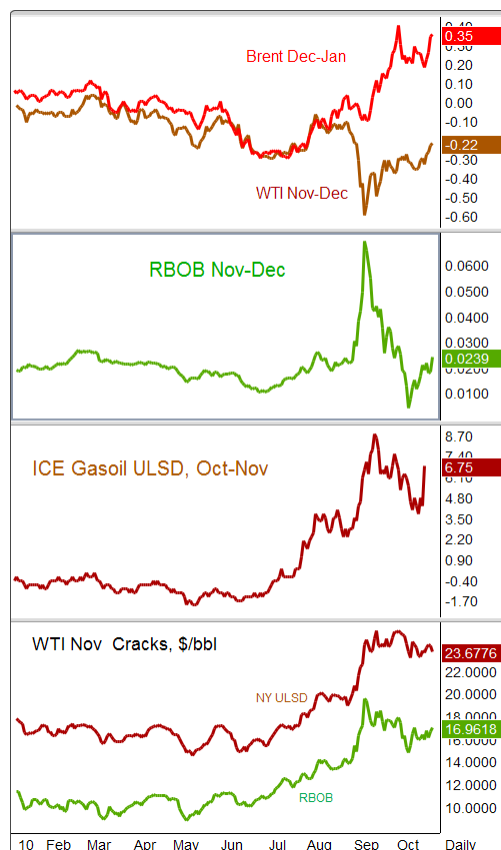


# PETROMATRIX

## DAILY MARKET REPORT

19-OCT-17

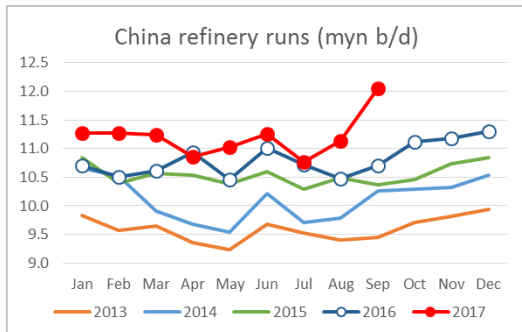
		Latest c.o.b.	Daily Change	Daily Change %
WTI (\$/bbl)	Nov	52.04	0.16	0.31%
Brent (\$/bbl)	Dec	58.15	0.27	0.47%
RBOB (\$/gal)	Nov	1.6429	0.0128	0.79%
NY ULSD (\$/gal)	Nov	1.8028	-0.0070	-0.39%
Natgas US (\$/mmbtu)	Nov	2.8540	-0.1080	-3.65%
Heat Crack vs WTI (\$/bbl)	Nov	23.68	-0.45	
RBOB Crack vs WTI (\$/bbl)	Nov	16.96	0.38	
321 Crack vs WTI (\$/bbl)	Nov	19.20	0.10	
Heat Crack vs Brent (\$/bbl)	Dec	17.61	-0.49	
RBOB Crack vs Brent (\$/bbl)	Dec	9.85	0.01	
321 Crack vs Brent (\$/bbl)	Dec	12.43	-0.16	
Brent vs WTI (\$/bbl)	Dec	5.89	0.12	
WTI Timespread (\$/bbl)	Nov/Dec	-0.22	0.01	
Brent Timespread (\$/bbl)	Dec/Jan	0.35	0.01	
RB Timespread (cts/gal)	Nov/Dec	2.39	0.61	
NY ULSD Timespread (cts/gal)	Nov/Dec	-0.09	-0.17	
ICE Gasoil Timespread (\$/MT)	Nov/Dec	5.50	-1.25	
Gold		1,283.00	-3.20	-0.25%
GSCI		2,345.58	0.53	0.02%
S&P 500		2,561.26	1.90	0.07%
Amex Oil Index		1,217.72	-4.08	-0.33%
Dollar Index		93.36	-0.12	-0.13%
VIX		10.07	-0.24	-2.33%



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## CHINA - SEPTEMBER

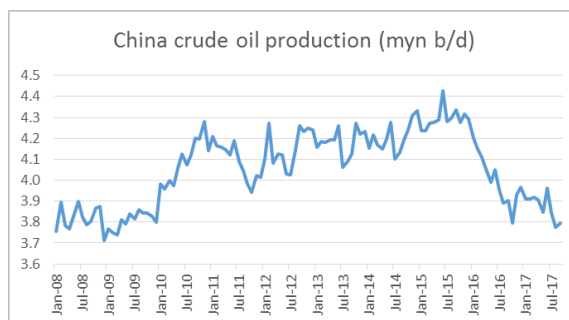
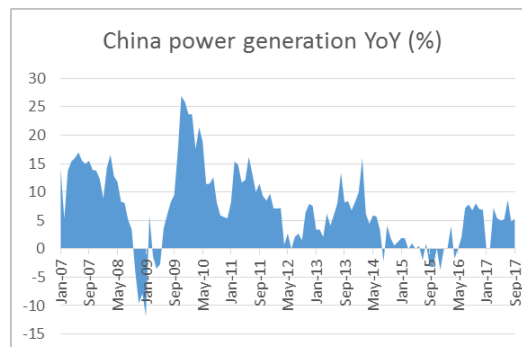
China's 3Q GDP growth is at +6.8%, as expected and as per official guidelines. Electric output growth is at +5.3% in September and averages +6.2% for the third quarter compared to a year ago. That part of the data confirms the previous healthy readings of the manufacturing PMIs and of the trade balances.



Refinery runs in September surge to 12.1 myn b/d, which is an increase of +1.0 myn b/d versus August and +1.4 myn b/d compared to a year ago. China's refinery runs in September increased by exactly as much as US refinery runs dropped due to hurricane Harvey. For the global balances this is fine for September but going forward, the current growth of refinery runs in China is

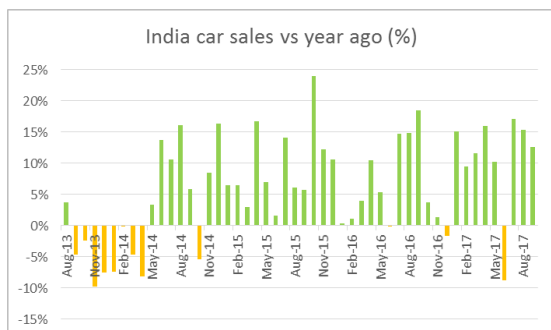
as large as total world oil demand growth and this will not leave a lot of room for refinery runs in the rest of the world. The continuation of such high refinery runs in China is therefore a bearish flag for forward refinery margins as there is not a demand growth of +1.4 myn b/d in China.

Crude oil production was stable (+20 kb/d) and -109 kb/d lower than a year ago.



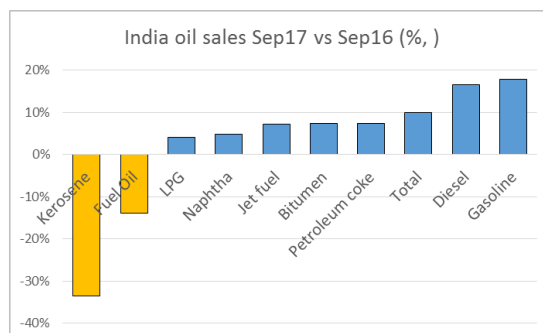
## INDIA OIL DEMAND - SEPTEMBER

Sales of oil product in India during September were a strong +9.9% versus a year ago. Diesel was +4.9% higher y/y and gasoline increased by +17.9%. Sales of burning kerosene continue to fall (-33.5%) due to replacement by LPG (+4.1%). While the difference versus a year ago is strong we have to keep in mind that there is a base effect in the y/y reading due to very strong sales in August and poor sales in September of last year (due to price changes). For the



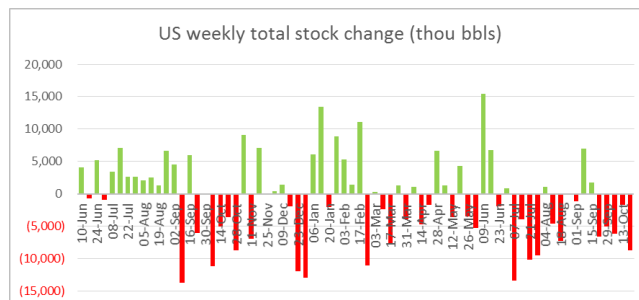
average of the third quarter, total oil demand in India is therefore only +1.7% higher.

Car sales growth remains however strong and shows an y/y increase of +12.6% in September, for a 3Q average of +15% y/y growth



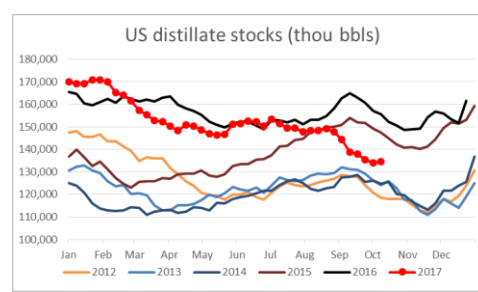
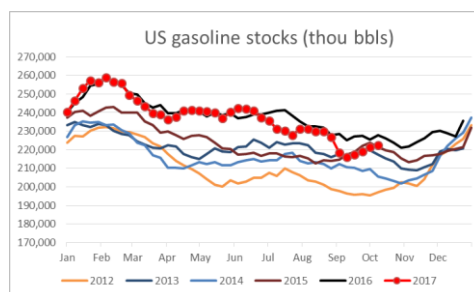
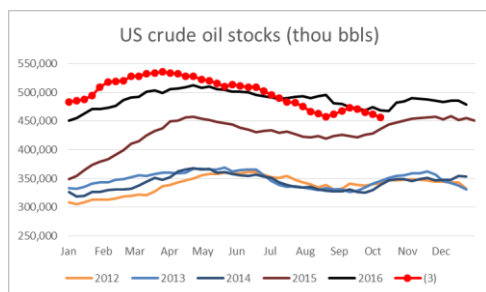
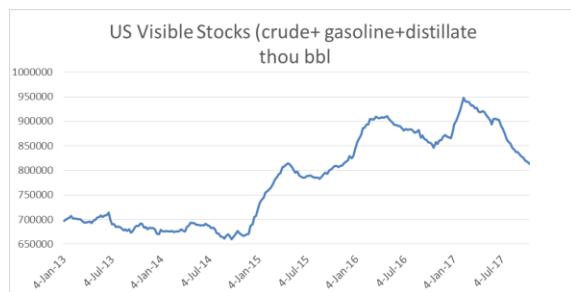
## DOE-WEEKLY US STATISTICS

Total US stocks had a strong stock draw of -8.7 myn bbls which is -56.3 myn bbls less than a year ago. Crude oil stocks dropped -5.7 myn bbls, gasoline gained +0.9 myn bbls and distillate +0.5 myn bbls. The visible stocks



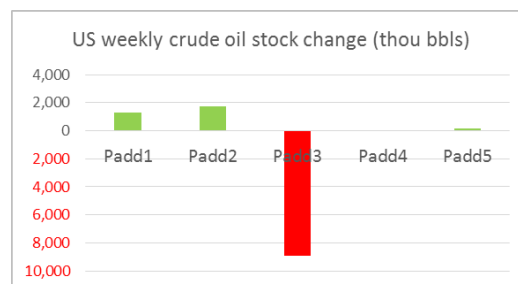
visible stocks

(crude/gasoline/distillate) are therefore -4.3 myn bbls lower on the week and -39.1 myn bbls below last year. Resid lost -1.2 myn bbls, propane stocks were close to unchanged (-0.1 myn bbls) and Other Oil lost -1.5 myn bbls.



## CRUDE OIL

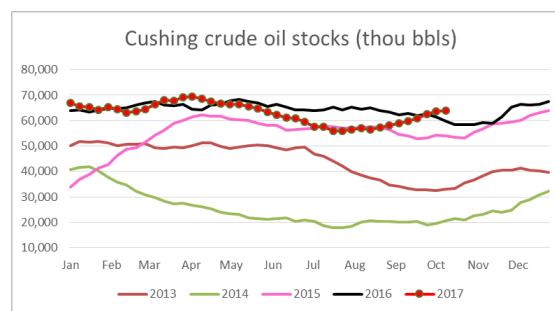
Crude oil had a large stock draw in Padd3 of -8.9 myn bbls while Padd1 increased by +1.3 myn bbls and Padd2 by +1.7 myn bbls.



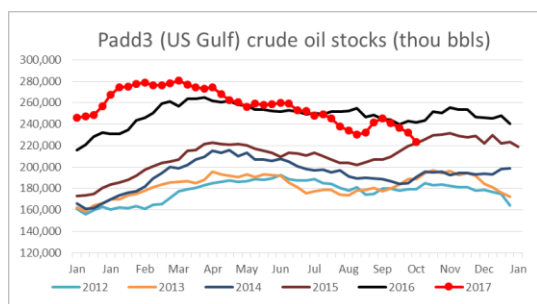
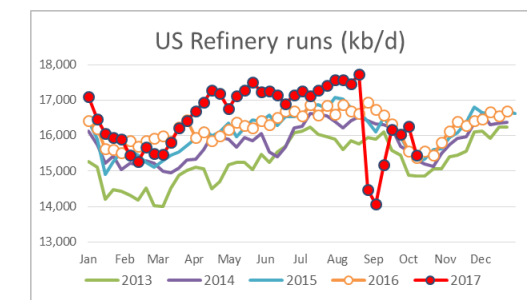
A large stock draw in Padd3 was expected due to the platforms that shut in front of Nate but the DOE also reports

a drop of -441 myn b/d in refinery runs for that region. Crude oil production dropped -1'074 kb/d but that includes not only the impact of Nate but also a readjustment of the DOE weekly versus the DOE monthly. Since April, the DOE weekly production number

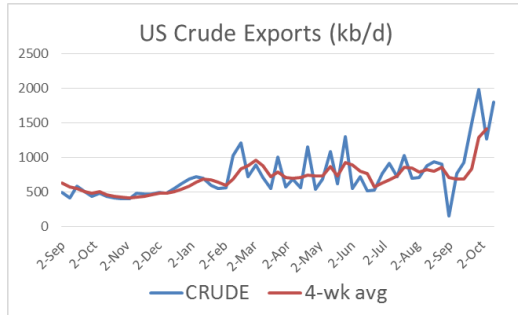
has been above the DOE monthly estimate and in July the difference reached 180 kb/d (weekly over monthly).



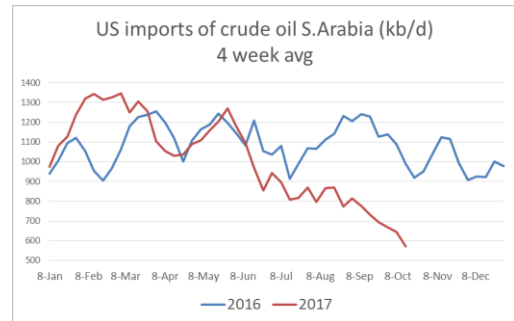
Crude oil stocks in Cushing were close to unchanged (+0.2 myn bbls) but they increased their y/y surplus to +4.3 myn bbls. Crude oil stocks in Padd3 fall to -18.2 myn bbls versus a year ago and are back to the levels of 2015.



Saudi Arabia continues to deliver in terms of its commitment to lower US supplies, the imports from that origin falling to 465 kb/d during the week and the four week average at only 572 kb/d, which is -418 kb/d versus a year ago. Imports from Venezuela were also very low (255 kb/d).



Crude oil exports also contributed to low net imports. Crude exports jumped to 1.8 myn b/d, for a 4 week average of 1.4 myn b/d.

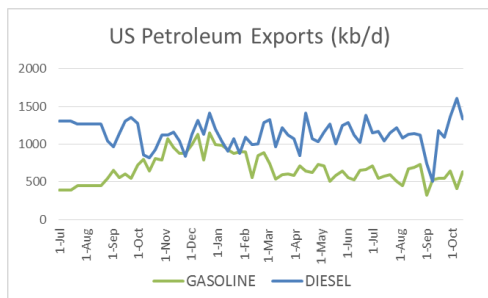


OPEC is not only losing market share in North America due to shale oil, at those level of US crude oil exports it is now starting to lose market share to North American crude in the rest of the world too. Global crude oil markets have not yet adapted to the

realities of the US exporting near 2 myn b/d. With the hedging capacity that US companies have, crude oil above 60 \$/bbl and the current Brent-WTI spread is going to develop into a new phase of the North American crude oil revolution, with a much greater impact on international flows and therefore an even greater challenge for OPEC nations.

## GASOLINE & DISTILLATE

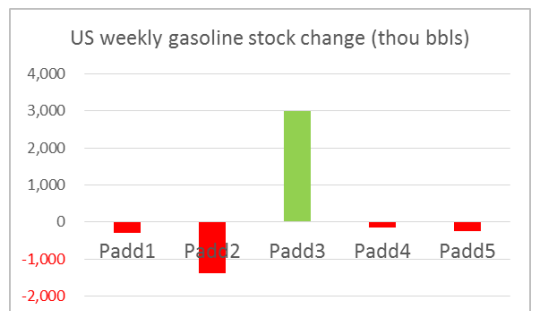
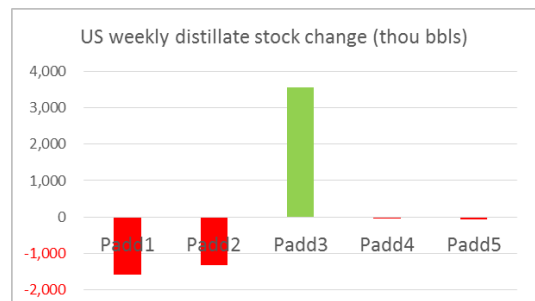
Distillate had a first build in seven weeks. Both Padd1 and Padd2 were down by about -1.4 myn bbls but Padd3 had a large build of +3.6 myn bbls, despite a drop in refinery runs and exports that stay at a strong level (1.3 myn b/d). Stocks in Padd1 are at a very large deficit of -20.3 myn bbls compared



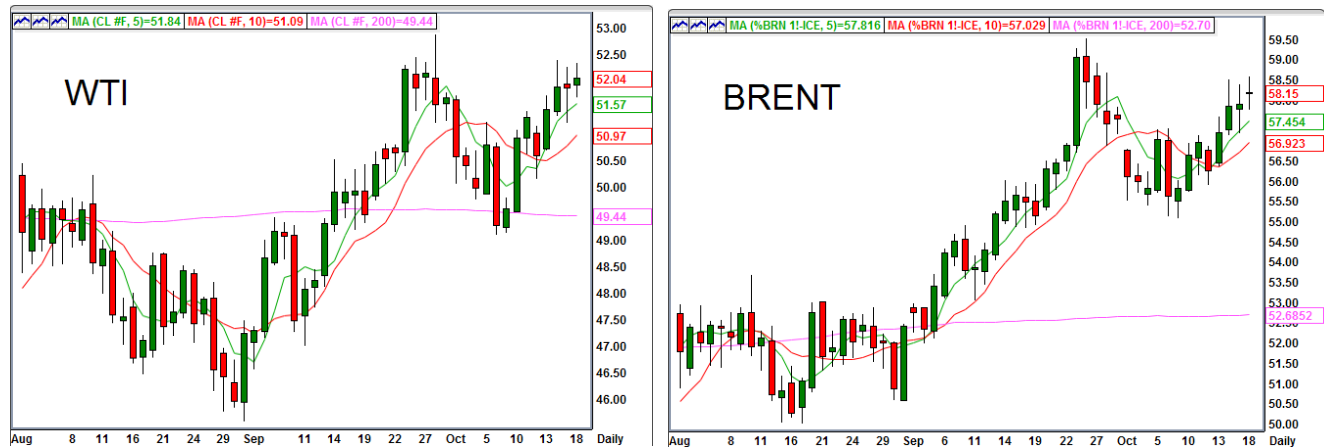
to a year ago and for the same week at the lowest level since 2014.

Gasoline builds for a fourth consecutive week, with the build also concentrated in Padd3 (+2.9 myn bbls) while Padd1 (-0.3 myn bbls) and Padd2 (-1.4 myn bbls) had some stock draws.

Implied oil demand for all products dropped -574 kb/d compared to the previous week and is also a same -574 kb/d compared to the same week last year.



Overall, a stock draw was expected due to Nate and this one was on the low side of expectations. The drop in refinery runs was larger than expected and confidence was shaken by the drop of implied demand.



We have read so many articles this week about the return of a geopolitical premium in the market but the price reality is that so far this has been one of the quietest trading week of the year. The advance higher so far this week has been made in the first 30 minutes of the US Sunday session, which moved higher by about +0.50 \$/bbl and the rest of the week has done nothing, staying in a very narrow trading range with support at the Sunday opening gap and resistance at the high of January for Brent, and at 52.30 \$/bbl for WTI.



Despite supposedly great fears about 500 kb/d of oil flows from Kurdistan and a large draw in the DOE weekly report, prices have been frozen for most of this week, with concentrated support and resistance action. The week so far has been interesting in terms of news headlines but boring in terms of trading trends.

We had marked the high of January (58.37 \$/bbl) as a strong resistance for Brent and this was verified once again yesterday. Brent did manage to print a high above it (58.54 \$/bbl) but could not hold it and went back below 58.37 \$/bbl for the close. WTI stayed most of the day below 52.30 \$/bbl, about the same resistance than on Tuesday. The weekly DOE statistics did not matter, crude oil just continued the same trading action that it had on Monday and Tuesday. Crude oil managed to print higher highs and higher lows but by a small amount on the higher highs and we cannot be too excited about a Doji that follows another Doji. The risk of a double-top in crude oil is still there.

This lack of reactivity in crude oil prices so far this week makes it hard to call the next move as both resistance and support have shown a strong hand. Our main lesson learned from this week is that if you want the market to move your way you better be active in the Sunday starting blocks.

# PETROMATRIX

Given the lack of life in flat price, we continue to copy/paste the same lines:

In Brent we keep the first resistance at 58.37 \$/bbl (high of January, an important level on a daily close and weekly close basis) followed by 59.00 \$/bbl and the double-test of 59.49 \$/bbl before the news creator of 60.00 \$/bbl. First support at 57.80 \$/bbl followed by 57.20 \$/bbl.

In WTI we trace a first resistance at 52.30 \$/bbl followed by 52.86 \$/bbl (high of September) and 53.00 \$/bbl. First support at 51.70 \$/bbl followed by 51.20 \$/bbl.

Other main news headlines yesterday/overnight:

- Oil trading company CEOs 2018 oil price forecasts game at Oil & Money London conference: Glencore at 60 \$/bbl, Gunvor at 60 \$/bbl, Trafigura north of 60 \$/bbl and Vitol taking the outlier risk at 45 \$/bbl.
- Patrick Pouyanne (CEO Total) sees US producer “hedging like mad”
- OPEC could delay decision to roll cuts forward if prices strong, otherwise most likely is extension to end-2018 (Reuters’ OPEC sources)
- Mexico’s Salina Cruz refinery (about 250 kb/d) restart delayed, Minatitlan refinery (about 100 kb/d) entering maintenance until December.