

Crude Oil Futures Weekly Report

(Near Term: Bearish)

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Highlights:

Last week both global and domestic oil are in corrective trend and pared gains. EIA, IEA and OPEC have released monthly report and lowered down expectation towards crude oil's demand increase, estimating the drop to be 5.2m bpd, 6.91m bpd and 9.3m bpd respectively (5%-10% of total demand). Besides, they estimated that Q2's demand drops to be the sharpest, and IEA over 20%. Meanwhile the three institutions lowered US output. Following Saudi Aramco's price cut to Asia, Iraq, Kuwait and the UAE followed; while Saudi Arabia raised prices to the United States and lowered to Europe. Clearly, Saudi Arabia's strategy is still to retain the Asian market share while expanding on Europe. In addition, this week INE announced that from June 15, 2020, the futures crude oil storage fee standard will be temporarily adjusted to 0.4yuan bpd (previously 0.2 yuan bpd); and one-month storage cost from 6 yuan/barrel to 12 yuan/barrel. SC crude oil basis will be widened, plus the warehouse expansion, decreased oil tanker fee, will further suppress the high premium of SC crude oil. Overall, although oil-producing countries' cut production formed a bottom in the market, the sharp drop in demand and difficulty of turnback will continue to weigh on oil prices. In the short term, the production cut news has already priced in and no more bullish news remains. A second plunge in INE crude oil is not impossible.

I. Market Data

Futures Market	Contract	Open (RMB)	Close (RMB)	Settlement (RMB)	Change (RMB)	Change (%)	Trading volume (10,000 lots)	Open interests (10,000 lots)	Price chart
	SC Crude dominant		262.20	253.70	252.10	-13.10	-4.91	20.36	6.76
Futures Market	Contract	Open (USD)	Close (USD)	Settlement (USD)	Change (USD)	Change (%)	Trading volume	Open interests	Price chart
	WTI Crude dominant		26.42	25.14	25.03	-0.39	-1.53	63.57	53.29
Brent Crude dominant		32.31	31.71	31.58	3.89	13.98	19.81	41.38	
Key Indicators		2020/4/10	2020/4/3	Price chart			2020/4/17	2020/4/16	Price chart
	U.S. crude inventory (1,000 barrels)	503618	484370		Basis	SC1-2行	-4.00	-11.10	
	S. petroleum inventory (1,000 barrels)	262217	257303			WTI1-2行	-6.76	-5.66	
	S. distillate inventory (1,000 barrel)	129004	122724			Brent1-2行	-3.50	-3.73	
	U.S. Cushing inventory (1,000 barrels)	54965	49241			Brent-WTI	9.81	7.95	
	Operation rate of U.S. refinery	76	82			Brent-SC	-7.00	-8.34	
	U.S. crude oil output (1,000 bpd)	12300	12400			NYMEX RBOB裂解价差	7.08	4.08	
	S. crude oil export volume (1,000 bpd)	3436	2833			NYMEX取暖油裂解价差	15.13	14.21	
	U.S. active rig count	438	504			TCE柴油裂解价差	9.49	9.54	

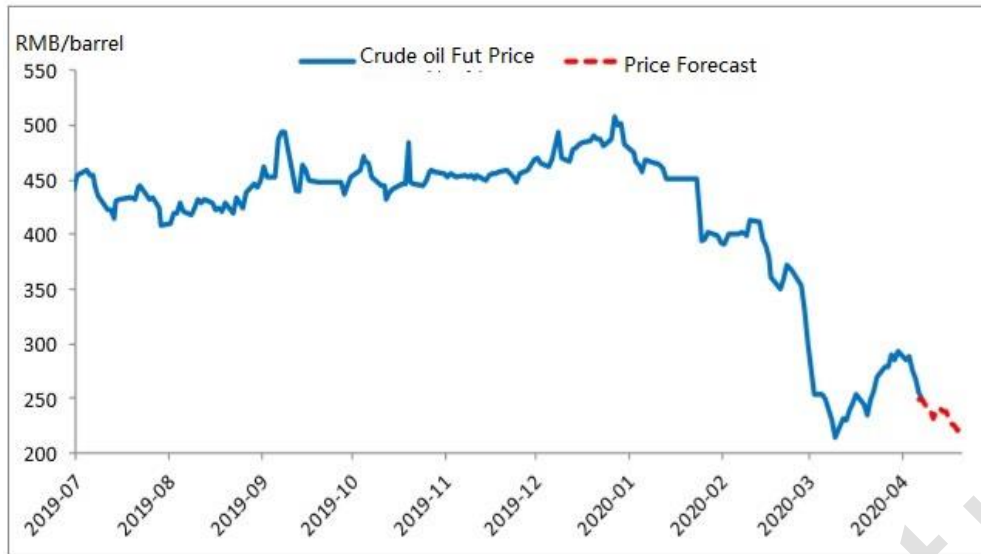


Chart: Crude oil futures price and forecast

Source: Wind, Research Institute of Founder CIFCO Futures

II. Fundamentals of Crude Oil Market

Last week both global and domestic oil are in corrective trend and pared gains. EIA, IEA and OPEC have released monthly report and lowered down expectation towards crude oil's demand increase, estimating the drop to be 5.2m bpd, 6.91m bpd and 9.3m bpd respectively (5%-10% of total demand). Besides, they estimated that Q2's demand drops to be the sharpest, and IEA over 20%. Meanwhile the three institutions lowered US output. Following Saudi Aramco's price cut to Asia, Iraq, Kuwait and the UAE followed; while Saudi Arabia raised prices to the United States and lowered to Europe. Clearly, Saudi Arabia's strategy is still to retain the Asian market share while expanding on Europe. In addition, this week INE announced that from June 15, 2020, the futures crude oil storage fee standard will be temporarily adjusted to 0.4yuan bpd (previously 0.2 yuan bpd); and one-month storage cost from 6 yuan/barrel to 12 yuan/barrel. SC crude oil basis will be widened, plus the warehouse expansion, decreased oil tanker fee, will further suppress the high premium of SC crude oil. Overall, although oil-producing countries' cut production formed a bottom in the market, the sharp drop in demand and difficulty of turnback will continue to weigh on oil prices. In the short term, the production cut news has already priced in and no more bullish news remains. A second plunge in INE crude oil is not impossible.

In terms of inventory, EIA inventory report showed that the U.S. crude oil inventory was 503,618k barrels by March 27th, up 19248k barrels compared with last week. U.S. petroleum inventory was 262,217k barrels, down 4914k barrels. U.S. distillate inventory was 129,004k barrels, down 6280k barrels.

Calendar spread of Europe and America crude oil is still in super contango. Brent and WTI c11-c12 reached above 10USD with the lowest reached -7USD. As of last Friday, WTI c11-c12 was 15 USD per barrel and Brent spread c11-c12 was 11 USD per barrel.

U.S. and Europe gasoline price went high, and diesel crack spread steadied. As of last Friday, the U.S. gasoline crack spread reduced to 7.08USD per barrel, diesel to 15.13USD per barrel. Europe diesel crack spread dropped to 9.49USD per barrel.

III. Market Data Chart

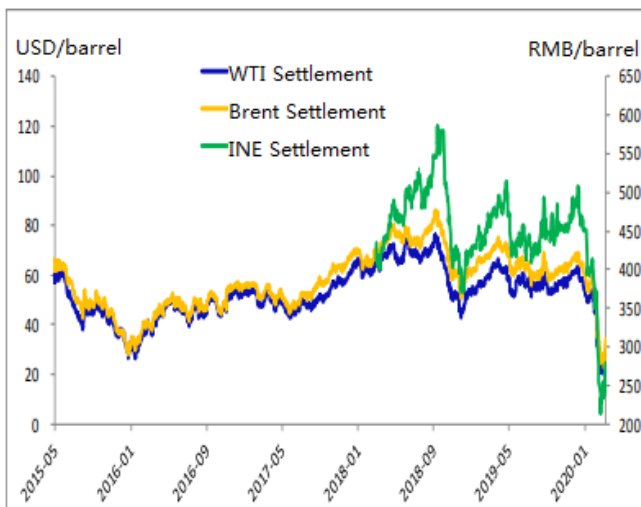


Chart I. Price trend of three benchmark crude

Source: Wind, Research Institute of Founder CIFCO Futures

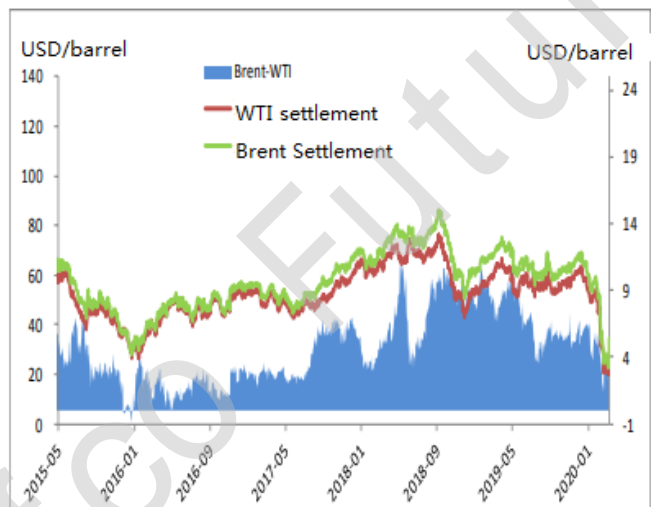


Chart II. Price trend and spread of WTI crude and Brent crude

Source: Wind, Research Institute of Founder CIFCO Futures

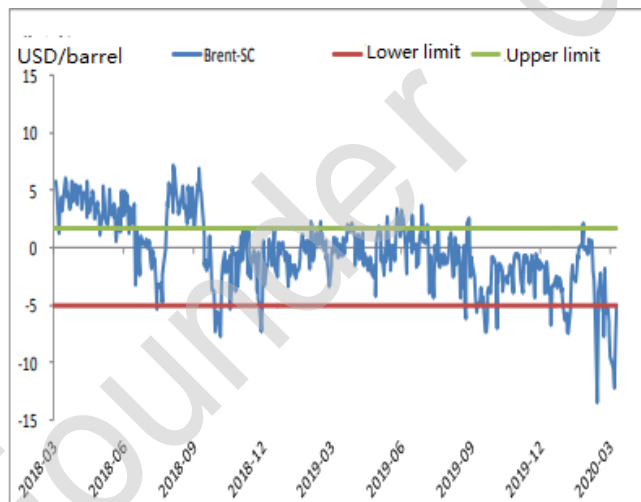


Chart III. Spread of Brent crude and SC crude

Source: Wind, Research Institute of Founder CIFCO Futures

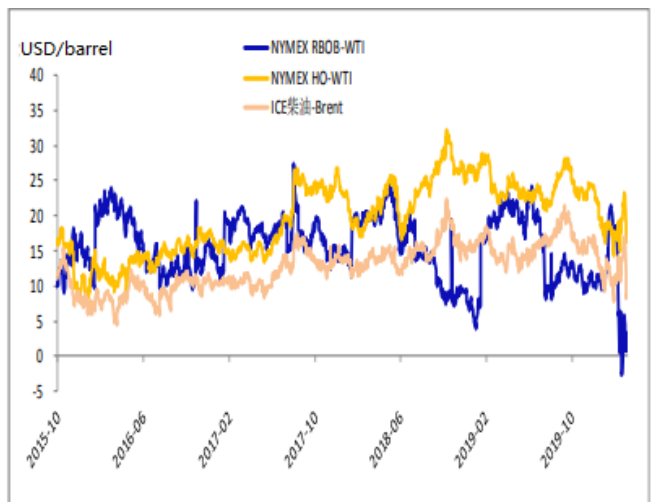


Chart IV. Crack spread of WTI and Brent

Source: Wind, Research Institute of Founder CIFCO Futures

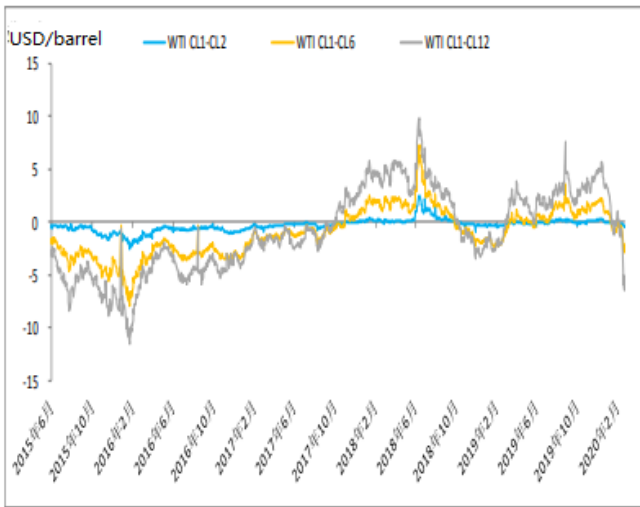


Chart V. Spread of WTI crude in different months

Source: Wind, Research Institute of Founder CIFCO Futures

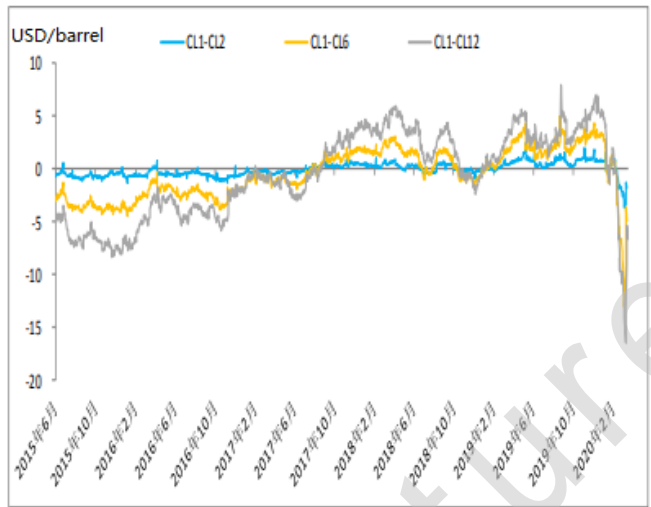


Chart VI. Spread of Brent crude in different months

Source: Wind, Research Institute of Founder CIFCO Futures

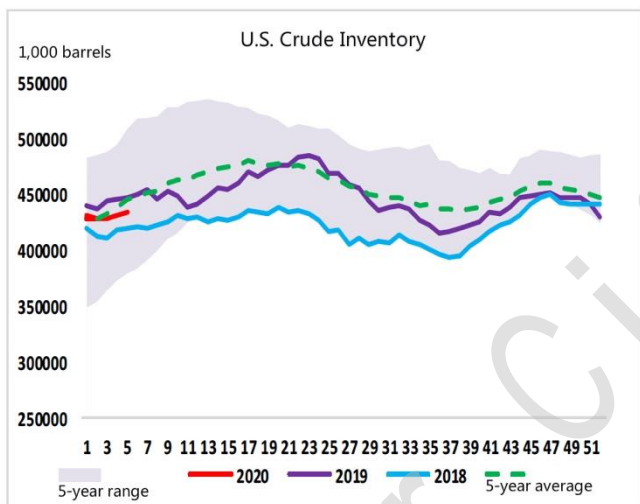


Chart VII. U.S. crude oil inventory

Source: Wind, Research Institute of Founder CIFCO Futures

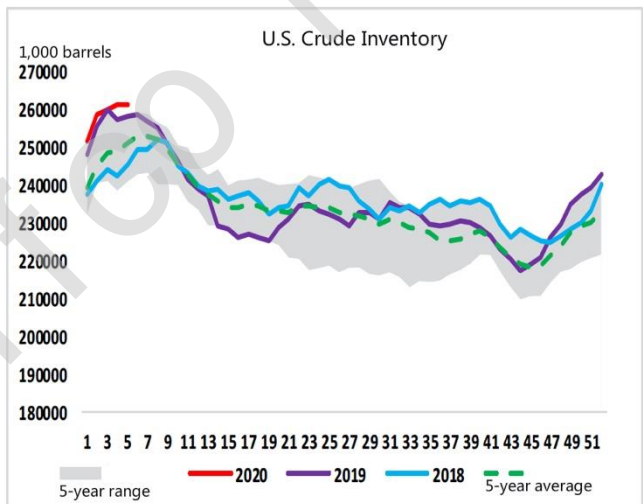


Chart VIII. U.S. petroleum inventory

Source: Wind, Research Institute of Founder CIFCO Futures

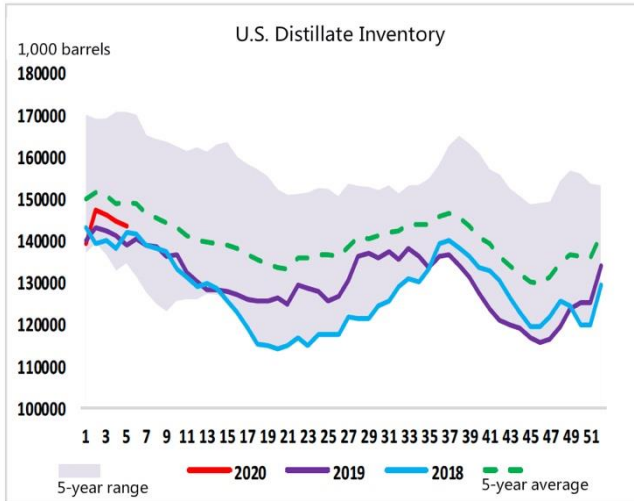


Chart IX. U.S. distillate inventory

Source: Wind, Research Institute of Founder CIFCO Futures

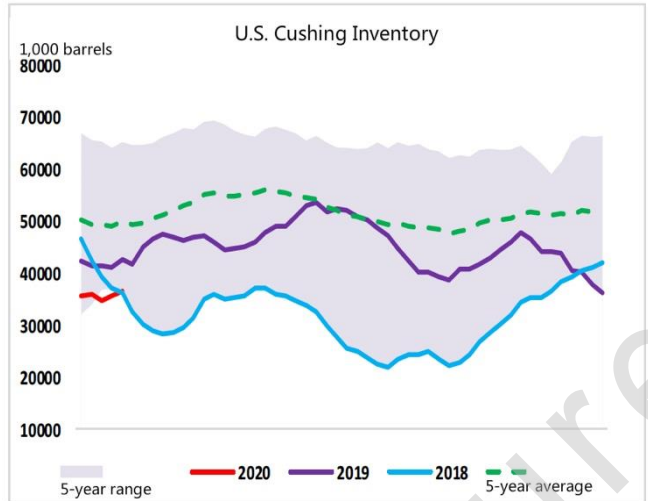


Chart X. U.S. crude oil inventory in Cushing

Source: Wind, Research Institute of Founder CIFCO Futures

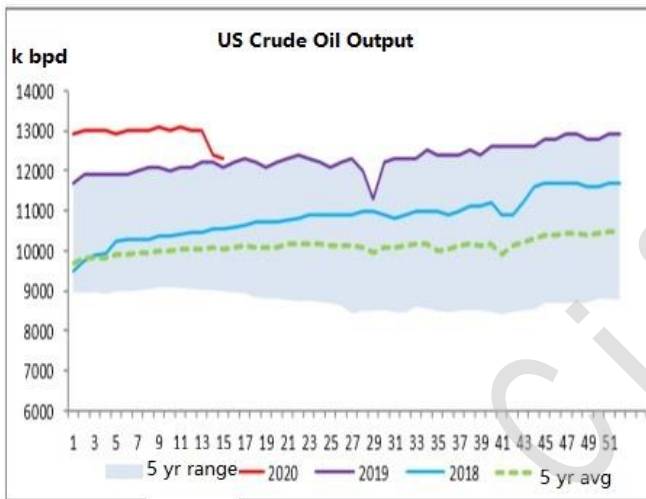


Chart XI. U.S. crude oil output

Source: Wind, Research Institute of Founder CIFCO Futures

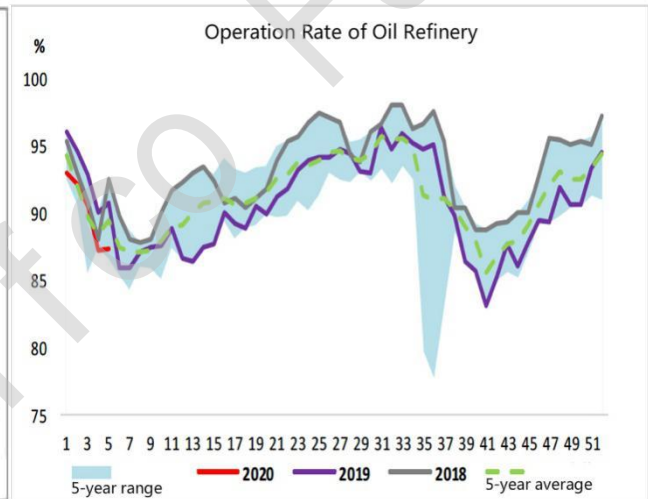


Chart XII. Operating rate of U.S. oil refineries

Source: Wind, Research Institute of Founder CIFCO Futures

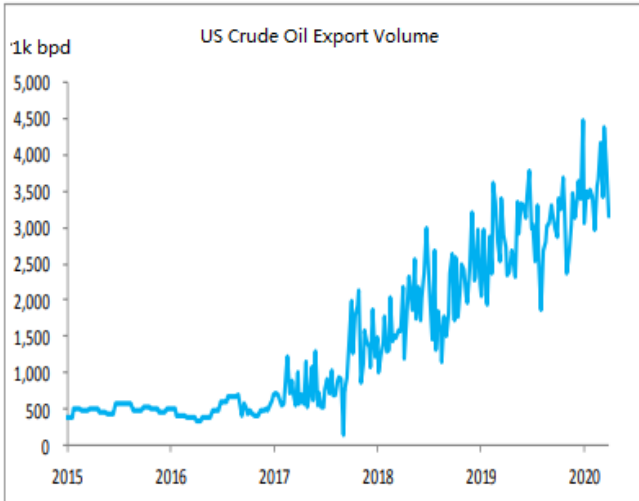


Chart XIII. U.S. crude oil export volume

Source: Wind, Research Institute of Founder CIFCO Futures

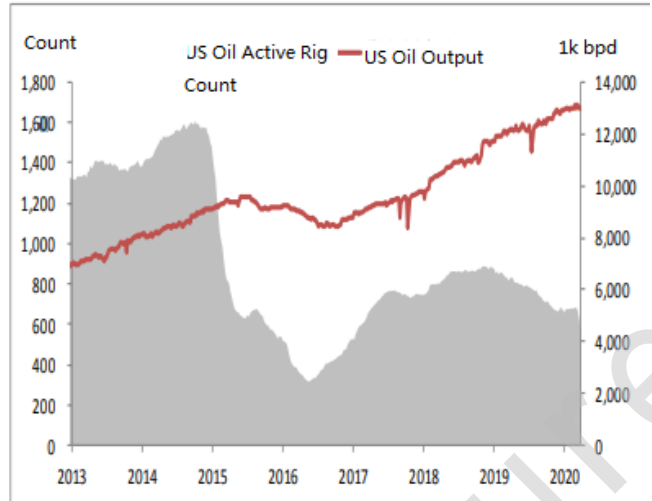


Chart XIV. U.S. oil active rig count

Source: Wind, Research Institute of Founder CIFCO Futures

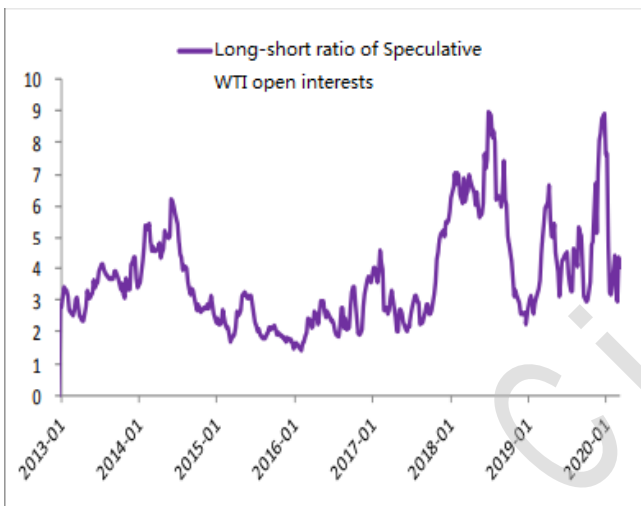


Chart XV. Long-short ratio of WTI position holding

Source: Wind, Research Institute of Founder CIFCO Futures

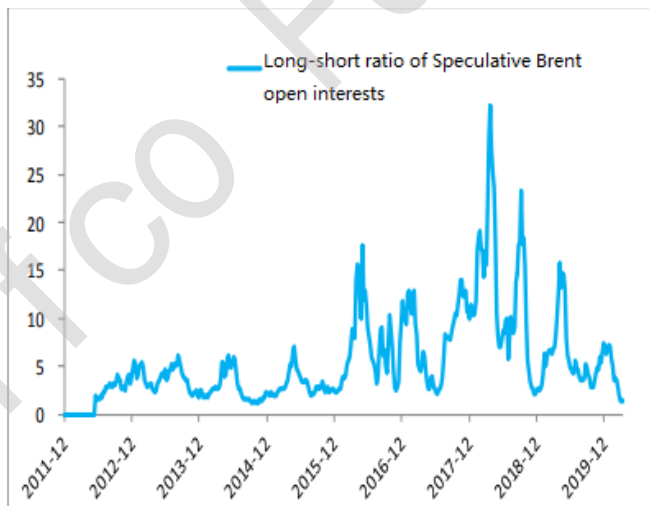


Chart XVI. Long-short ratio of Brent position holding

Source: Wind, Research Institute of Founder CIFCO Future

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