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Crude Oil Futures Weekly Report

(Near Term: Bullish)

SUI Xiaoying, Research Team of Founder CIFCO Futures

Market Review and Trading Advice:

WTI and Brent oil edged up last week and INE sc remained volatile at low level. Meanwhile, the fall in oil shipment and the increase of active storage capacity have caused spread to consolidate. Last Wednesday, the three energy giants released monthly report and all agreed that this year's oil demand will decrease around 8-10m bpd, sharpest in April and narrow in May; and the next half of 2020 may expect a gradual and slow recovery. Some spot merchants responded that due to the limited sales of pre-hoarding resources at a low price, current procurement is not much needed. Currently oil producers have begun production cut, and Saudi and UAE promised to conduct extra cut, which will slash the export. EIA inventory report showed good and U.S. oil inventory have declined 750k barrels, petrol to 3.51m barrel, distillate to 3.51m barrels. Cushing decreased 3m barrels, but refineries operation rate lowered to 67.9%. U.S. reduced 300k to 11.6m bpd. In addition, WTI 06 contract is close to delivery date and the public fears that it may put on the same show as 05 contract. But we hold that it may not fall below zero as the funds transfer and fundamental sides improved. Long positions in short term is recommended, but the slow recovery in demand pose a limit on further surge.

I. Market Data

Futures Market	Contract	Open (RMB)	Close (RMB)	Settlement (RMB)	Change (RMB)	Change (%)	Trading volume (10k lots)	Open interests (10k lots)	Price chart
	Contract	Open (USD)	Close (USD)	Settlement (USD)	Change (USD)	Change (%)	Trading volume	Open interests	Price chart
	SC Crude dominant	245.30	259.50	254.80	12.50	5.06	26.38	6.54	
	WTI Crude dominant	28.02	29.78	29.52	1.90	6.81	41.97	31.01	
	Brent Crude dominant	31.52	32.74	32.50	1.61	5.17	21.13	31.83	
Key Indicators		2020/5/8	2020/5/1	Price chart	Basis		2020/5/15	2020/5/14	Price chart
	U.S. crude inventory (1k bbl)	531476	532221			SC1-2	-16.30	-16.10	
	U.S. petroleum inventory (1k bbl)	252894	256407			WTI1-2	-0.09	-0.32	
	U.S. distillate inventory (1k bbl)	155001	151490			Brent1-2	-0.30	-0.51	
	U.S. Cushing inventory (1k bbl)	62444	65446			Brent-WTI	2.98	3.25	
	Operation rate of U.S. refinery	71	70			Brent-SC	-3.44	-3.78	
	U.S. crude oil output (1k bpd)	11600	11900			NYMEX RBOB crack spread	11.80	11.47	
	U.S. crude oil export volume (1k bpd)	3525	3546			MEX-Heating oil crack spread	9.14	9.70	
	U.S. active rig count	258	292			ICE-Diesel crack spread	4.76	4.78	

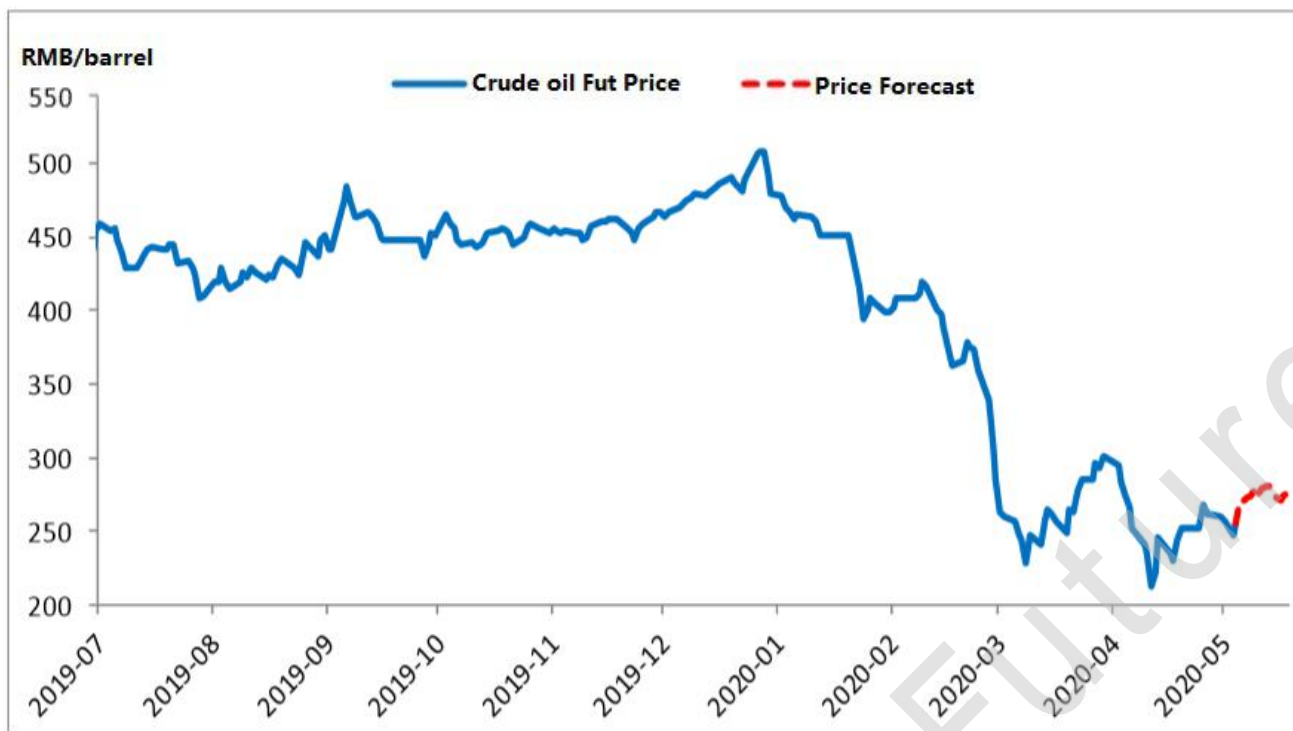


Chart: Crude oil futures price and forecast

Source: Wind, Research Team of Founder CIFCO Futures

II. Fundamentals of Crude Oil Market

Last Wednesday, the three energy giants released monthly report and all agreed that this year's oil demand will decrease around 8-10m bpd, sharpest in April and narrow in May; and the next half of 2020 may expect a gradual and slow recovery. Currently oil producers have begun production cut, and Saudi and UAE promised to conduct extra cut, which will slash the export. Some spot merchants responded that due to the limited sales of pre-hoarding resources at a low price, current procurement is not much needed.

In terms of inventory, EIA inventory report showed that the U.S. crude oil inventory was 531,476k barrels by May 8th, up 8991k barrels compared with last week. U.S. petroleum inventory was 252,894k barrels, down -745k barrels. U.S. distillate inventory was 155,001k barrels, up 3511k barrels.

Calendar spread of Brent and WTI contracted, and near month approached 0. As of last Friday, WTI c11-c12 was -0.09 USD per barrel and Brent spread c11-c12 was -0.3 USD per barrel.

U.S. and Europe petrol price fell back. As of last Friday, the U.S. gasoline crack spread reduced to 11.80USD per barrel, diesel to 9.14USD per barrel. Europe diesel crack spread dropped to 4.76USD per barrel.

III. Market Data Chart

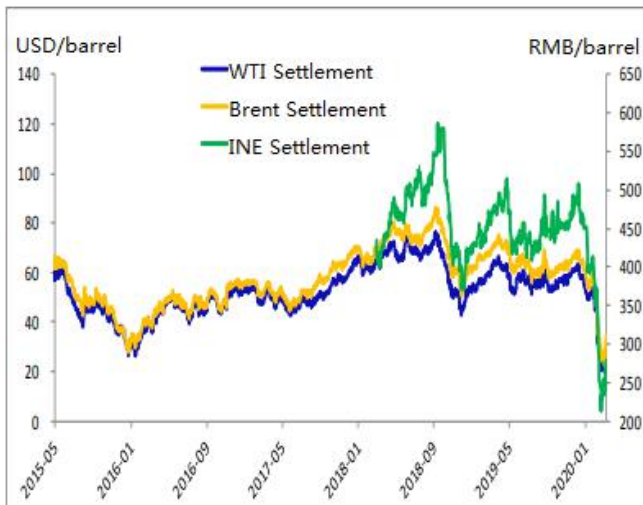


Chart I. Price trend of three benchmark crude

Source: Wind, Research Team of Founder CIFCO Futures

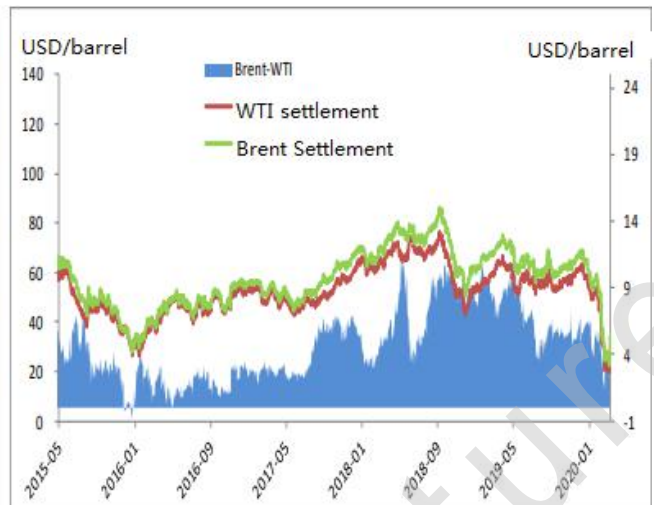


Chart II. Price trend and spread of WTI crude and Brent crude

Source: Wind, Research Team of Founder CIFCO Futures

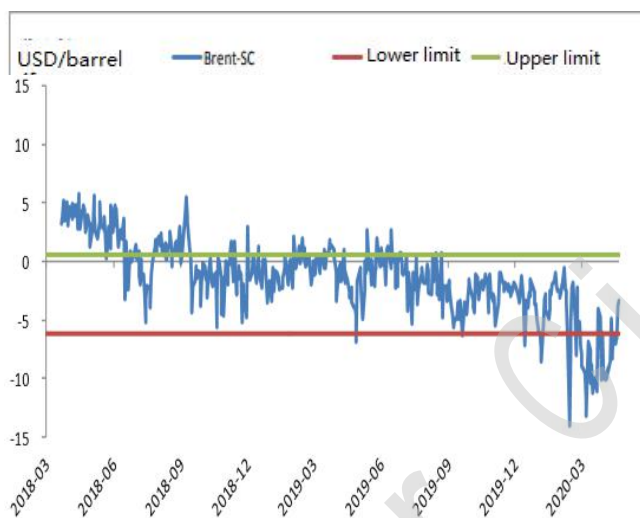


Chart III. Spread of Brent crude and SC crude

Source: Wind, Research Team of Founder CIFCO Futures

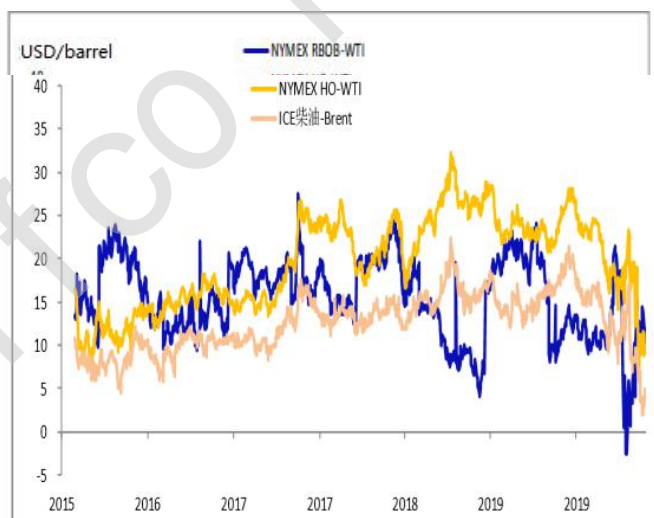


Chart IV. Crack spread of WTI and Brent

Source: Wind, Research Team of Founder CIFCO Futures

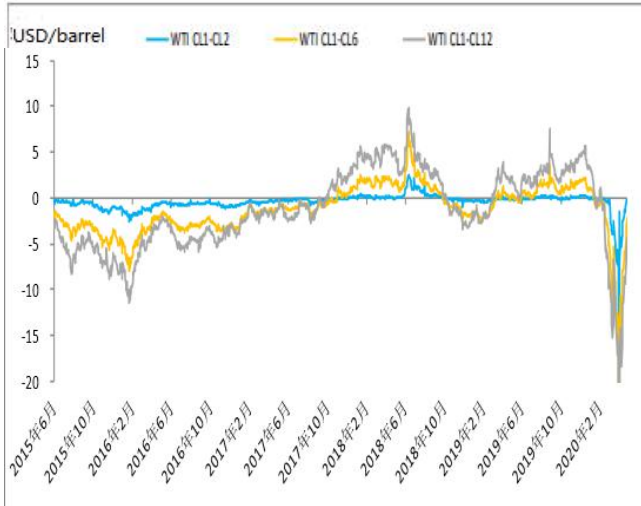


Chart V. Spread of WTI crude in different months
Source: Wind, Research Team of Founder CIFCO Futures

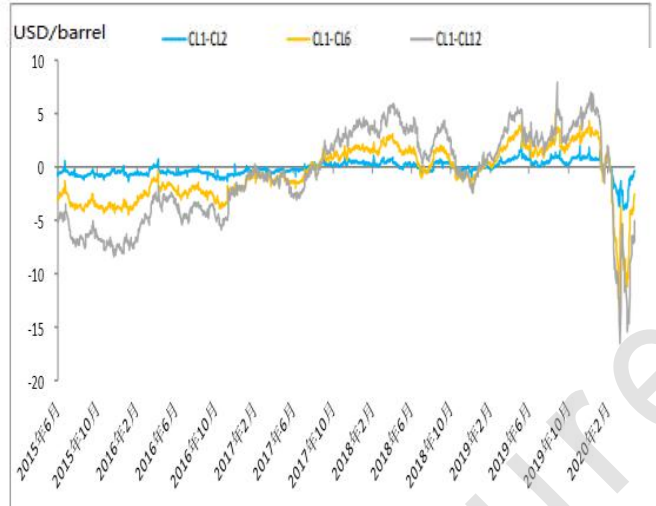


Chart VI. Spread of Brent crude in different months
Source: Wind, Research Team of Founder CIFCO Futures

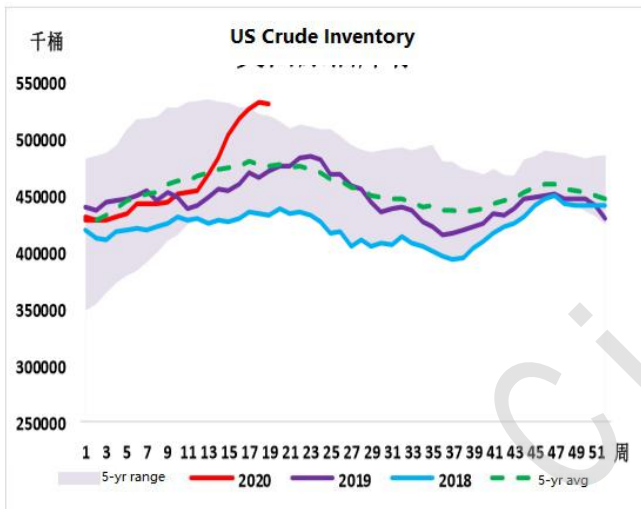


Chart VII. U.S. crude oil inventory
Source: Wind, Research Team of Founder CIFCO Futures

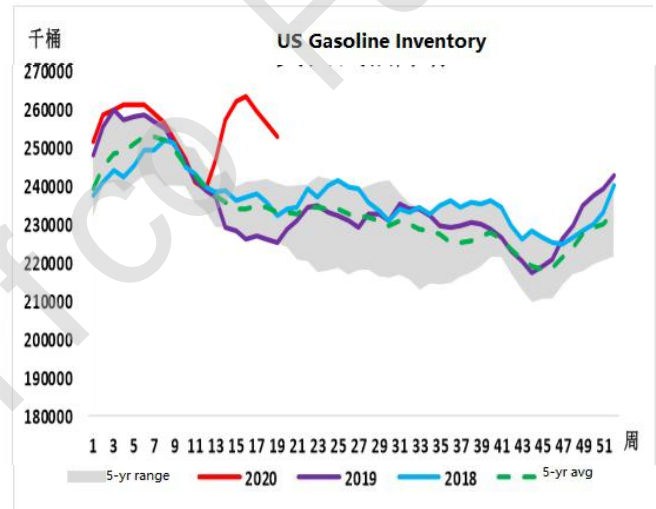


Chart VIII. U.S. petroleum inventory
Source: Wind, Research Team of Founder CIFCO Futures

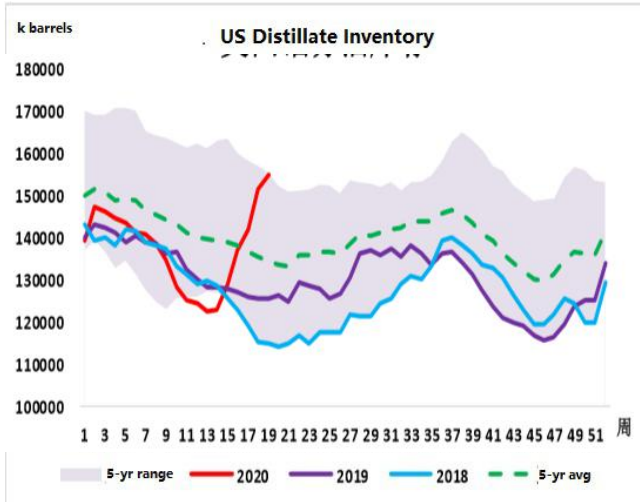


Chart IX. U.S. distillate inventory

Source: Wind, Research Team of Founder CIFCO Futures

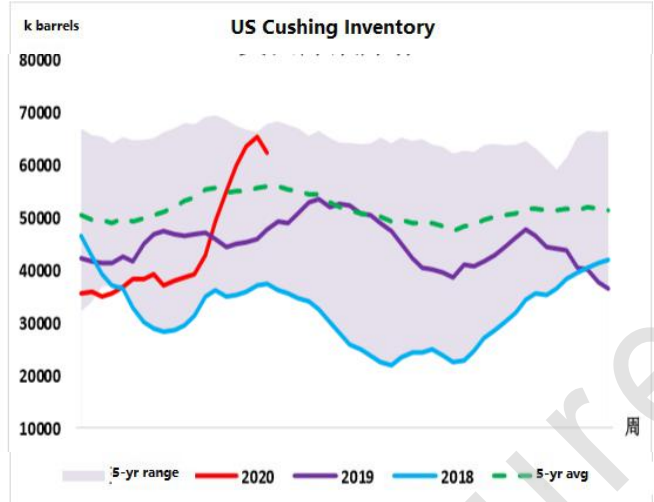


Chart X. U.S. crude oil inventory in Cushing

Source: Wind, Research Team of Founder CIFCO Futures

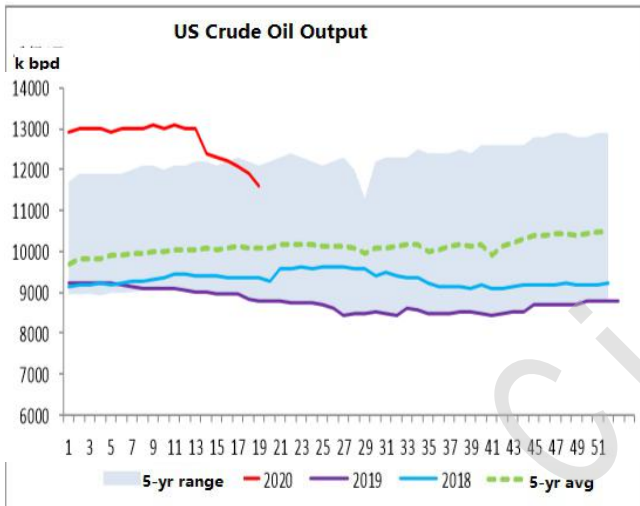


Chart XI. U.S. crude oil output

Source: Wind, Research Team of Founder CIFCO Futures

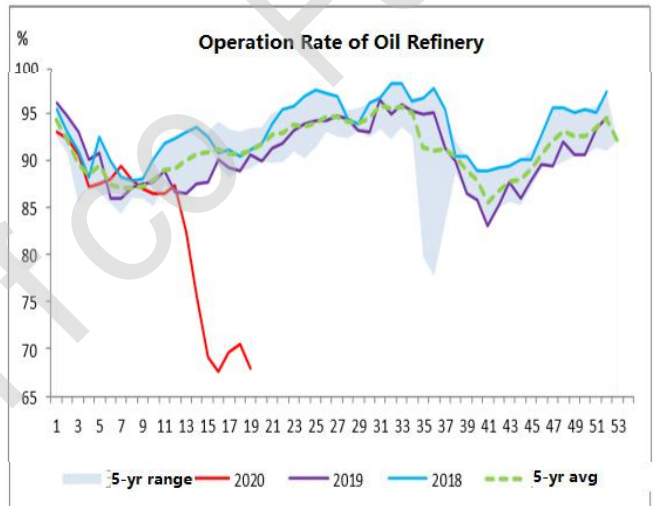


Chart XII. Operating rate of U.S. oil refineries

Source: Wind, Research Team of Founder CIFCO Futures

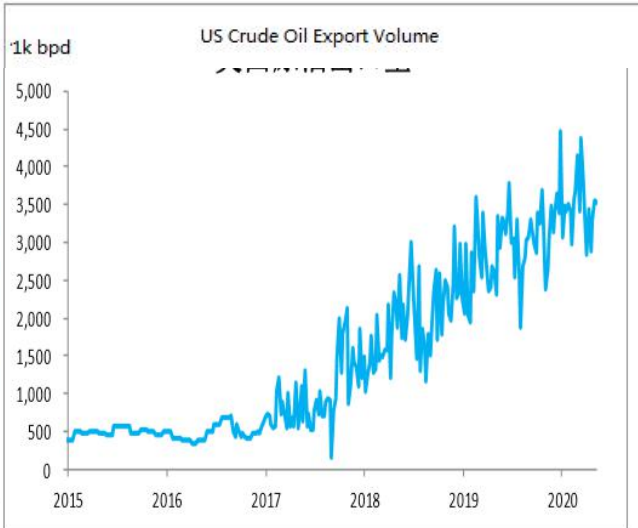


Chart XIII. U.S. crude oil export volume

Source: Wind, Research Team of Founder CIFCO Futures

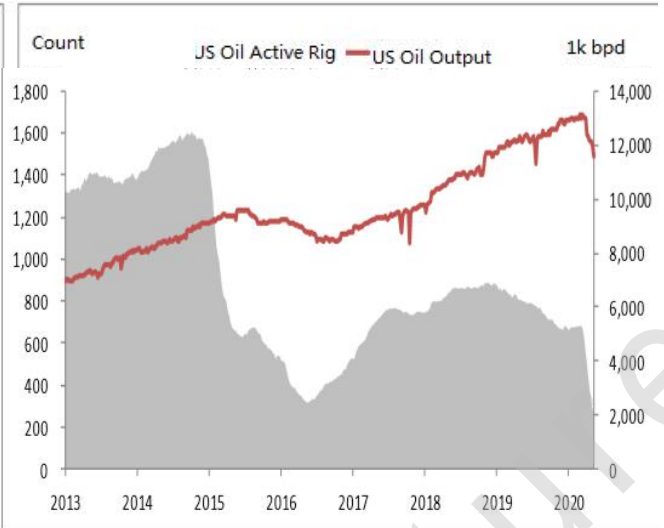


Chart XIV. U.S. oil active rig count

Source: Wind, Research Team of Founder CIFCO Futures

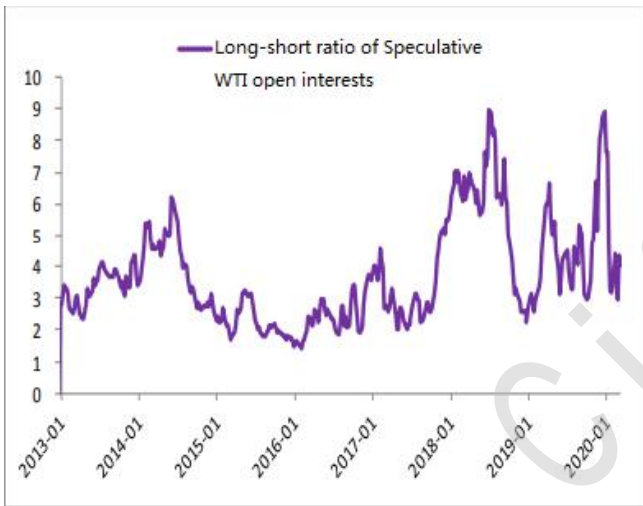


Chart XV. Long-short ratio of WTI position holding

Source: Wind, Research Team of Founder CIFCO Futures

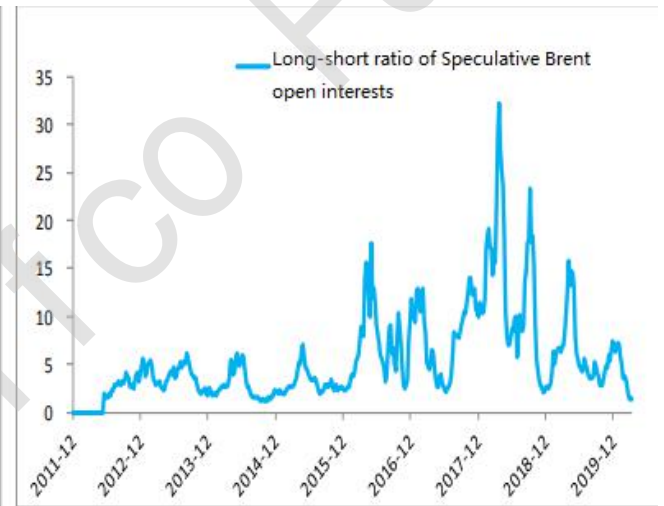


Chart XVI. Long-short ratio of Brent position holding

Source: Wind, Research Team of Founder CIFCO Future

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