

Crude Oil Futures Weekly Report

(Near Term: Bearish)

SUI Xiaoying, Research Team of Founder CIFCO Futures

Market Review and Trading Advice:

Last week global and domestic crude oil oscillated downward. Oil producers' production cut is fully realized but crude oil demand's recovery is not quite satisfying as whole trend slowed down. U.S. and Brazil's increasing cases of COVID-19 also weighed on demand. As no fundamental support in the short term, release of bearish news market risk-off and triggered short term consolidation. As major oil consumer in the world, U.S. has shown no sign of improving from the pandemic, casting a gloomy mood on global economy. Global equities and commodities plunged and VIX surged. Furthermore, new cases in China also caused worries in China. Last week EIA inventory data shows that U.S. Oil inventory increased 5.72m bbl, hitting a new record. Import increase and export decline constitutes the major factors of inventory accumulation. Gasoline inventory increased 870k bbl, distillate increased 1.57m bbl. The week saw U.S. Crude oil production decreased 100k bpd to 11.1m bpd. As oil prices recovered from lows, in the future U.S. oil production decline will slow down. On the whole, risk of a second pandemic explosion exists globally and many countries are still seeing uptrends. Market risk-off would reappear, and recent trend weighed on price and short-term correction continues.

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	277.00	266.00	270.50	-19.00	-6.67	19.45	2.99	
Futures Market	Contract	Open (USD)	Close (USD)	Settlement (USD)	Change (USD)	Change (%)	Trading volume	Open interests	Price chart
	WTI Crude dominant	36.26	36.56	36.26	0.22	0.61	40.04	17.63	
Brent Crude dominant	37.88	39.04	38.73	0.49	1.27	23.79	32.26		
Key Indicators		2020/6/5	2020/5/29	Price chart			2020/6/12	2020/6/11	Price chart
	U.S. crude inventory (1,000 barrels)	538065	532345		Basis	SC1-2	-14.20	-14.10	
U.S. petroleum inventory (1,000 barrels)	258661	257795		WTI1-2		-0.25	-0.23		
U.S. distillate inventory (1,000 barrels)	173829	174261		Brent1-2		-0.25	-0.33		
U.S. Cushing inventory (1,000 barrels)	49444	51723		Brent-WTI		2.47	2.21		
Operation rate of U.S. refinery	72	71		Brent-SC		0.58	-1.73		
U.S. crude oil output (1,000 bpd)	11100	11200		NYMEX RBOB crack spread		10.96	10.65		
U.S. crude oil export volume (1,000 bpd)	2794	3176		NYMEX-Heating oil crack spread		10.00	9.36		
U.S. active rig count	199	206		ICE-Diesel crack spread		5.86	6.79		

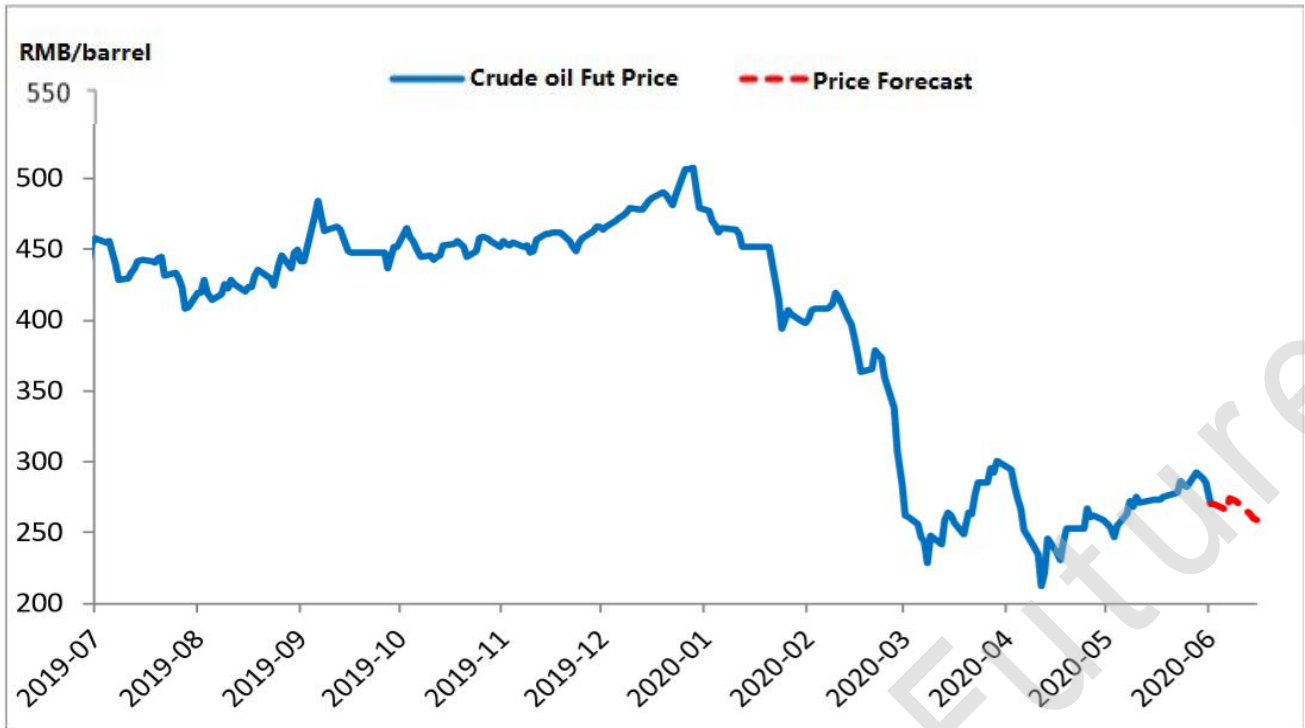


Chart: Crude oil futures price and forecast

Source: Wind, Research Team of Founder CIFCO Futures

II. Fundamentals of Crude Oil Market

Last week global and domestic crude oil oscillated downward. Oil producers’ production cut is fully realized but crude oil demand’s recovery is not quite satisfying as whole trend slowed down. U.S. and Brazil’s increasing cases of COVID-19 also weighed on demand. As no fundamental support in the short term, release of bearish news market risk-off and triggered short term consolidation. As major oil consumer in the world, U.S. has shown no sign of improving from the pandemic, casting a gloomy mood on global economy. Global equities and commodities plunged and VIX surged. Furthermore, new cases in China also caused worries in China.

In terms of inventory, EIA inventory report showed that the U.S. crude oil inventory was 538,065k barrels by May 15th, up 5720k barrels compared with last week. U.S. petroleum inventory was 258,661k barrels, up 886 k barrels. U.S. distillate inventory was 175,829k barrels, up 1568k barrels.

Calendar spread of Brent and WTI contracted, and WTI maintains slight contango. As of last Friday, WTI c11-c12 was -0.25 USD per barrel and Brent spread c11-c12 was -0.25 USD per barrel.

U.S. crack spread went weak and Europe went strong. As of last Friday, the U.S. gasoline crack spread reduced to 10.96USD per barrel, diesel to 10USD per barrel. Europe diesel crack spread dropped to 5.86USD per barrel.

III. Market Data Chart

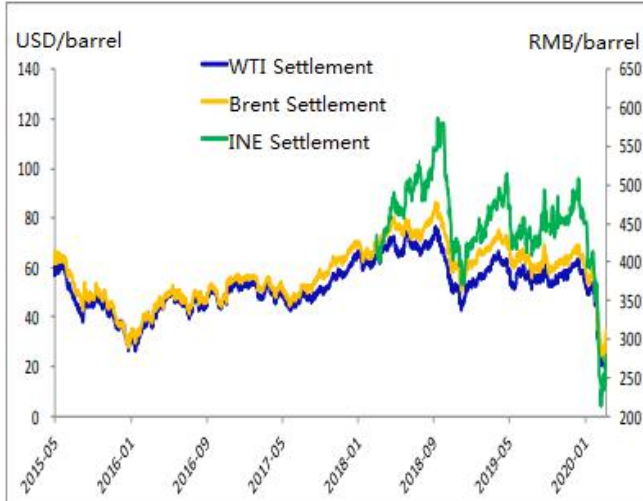


Chart I. Price trend of three benchmark crude

Source: Wind, Research Team of Founder CIFCO Futures

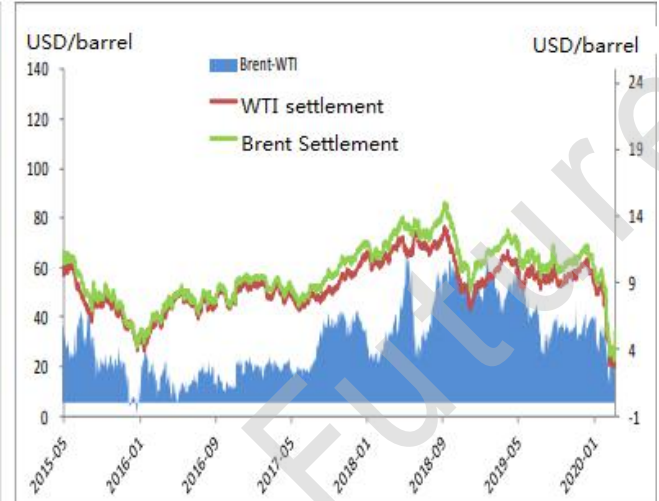


Chart II. Price trend and spread of WTI crude and Brent crude

Source: Wind, Research Team of Founder CIFCO Futures

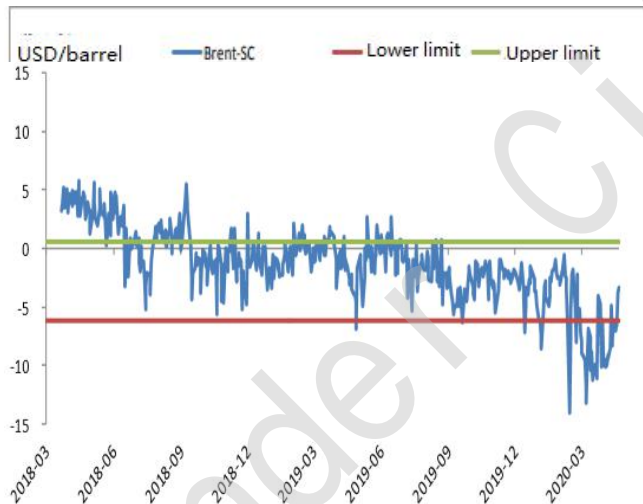


Chart III. Spread of Brent crude and SC crude

Source: Wind, Research Team of Founder CIFCO Futures

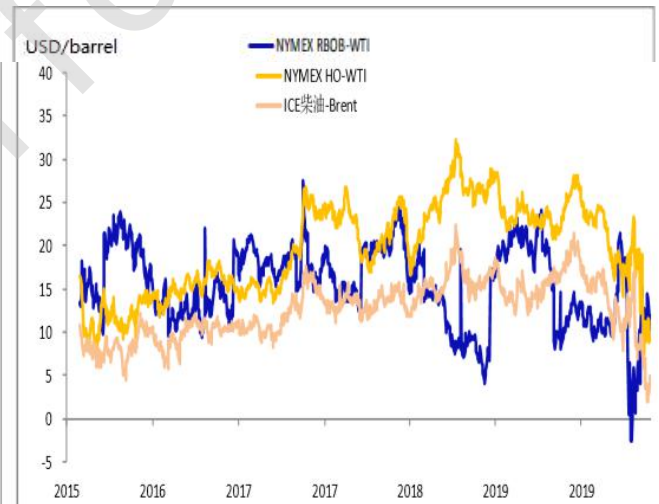


Chart IV. Crack spread of WTI and Brent

Source: Wind, Research Team of Founder CIFCO Futures

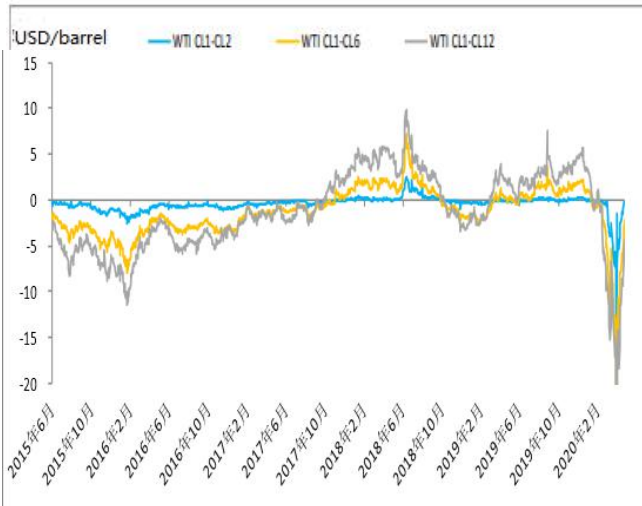


Chart V. Spread of WTI crude in different months

Source: Wind, Research Team of Founder CIFCO Futures

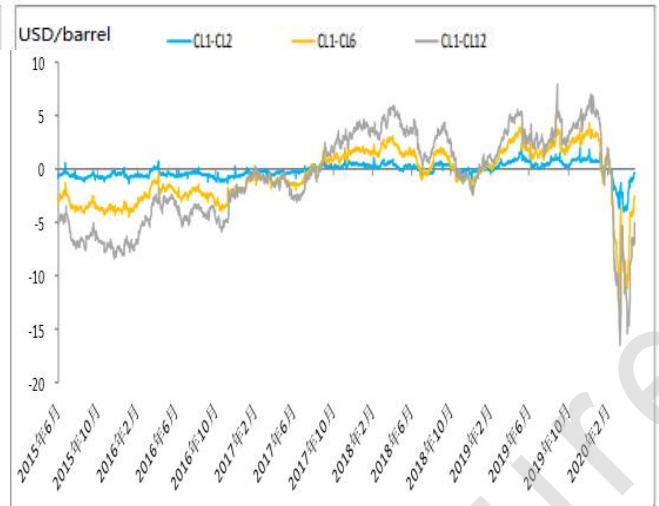


Chart VI. Spread of Brent crude in different months

Source: Wind, Research Team of Founder CIFCO Futures

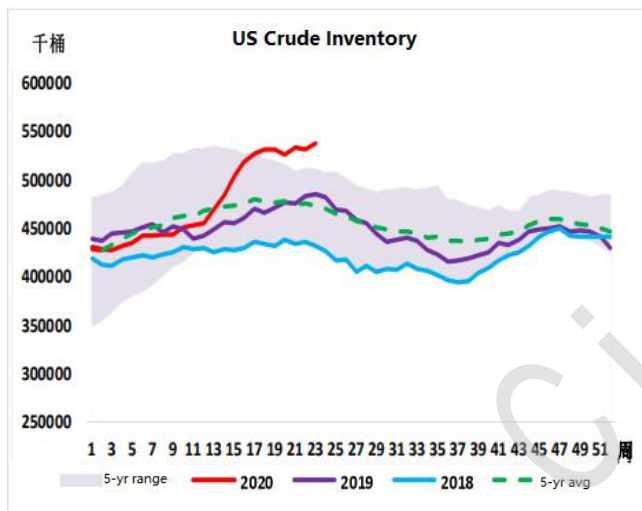


Chart VII. U.S. crude oil inventory

Source: Wind, Research Team of Founder CIFCO Futures

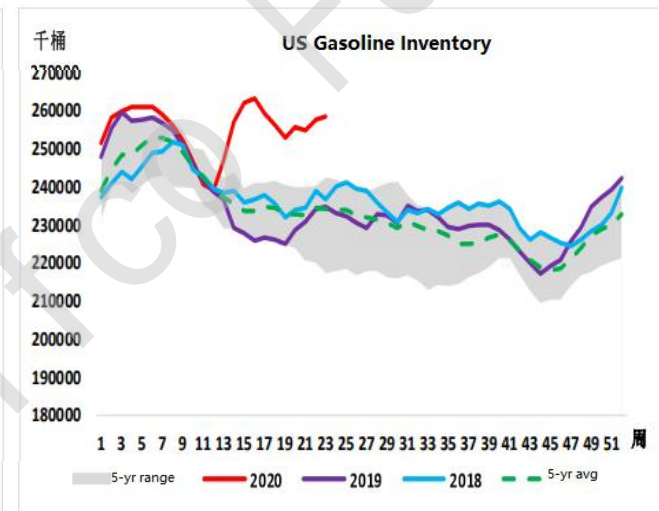


Chart VIII. U.S. petroleum inventory

Source: Wind, Research Team of Founder CIFCO Futures

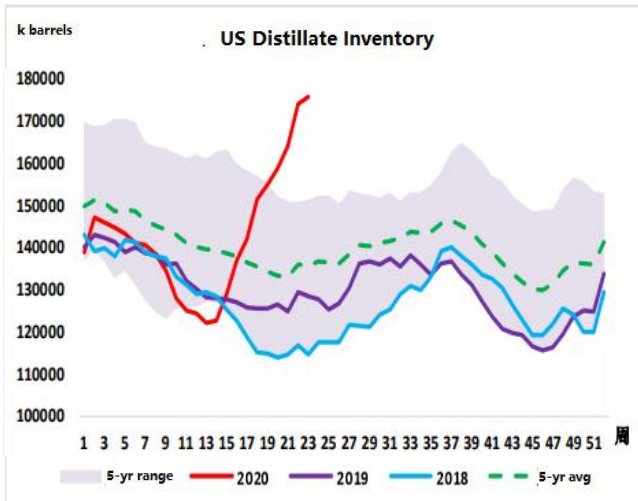


Chart IX. U.S. distillate inventory

Source: Wind, Research Team of Founder CIFCO Futures

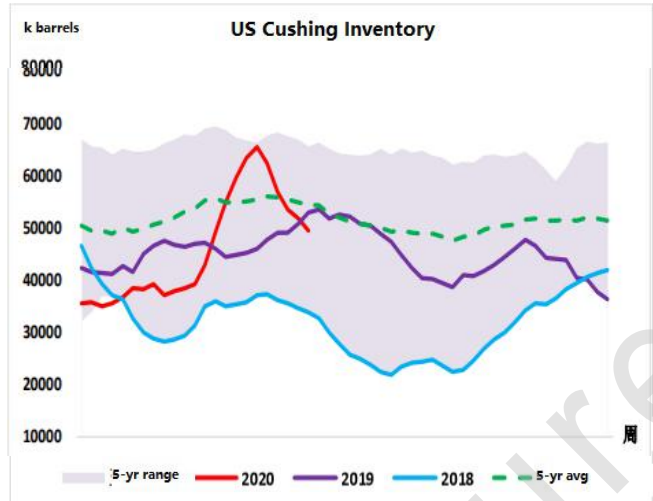


Chart X. U.S. crude oil inventory in Cushing

Source: Wind, Research Team of Founder CIFCO Futures

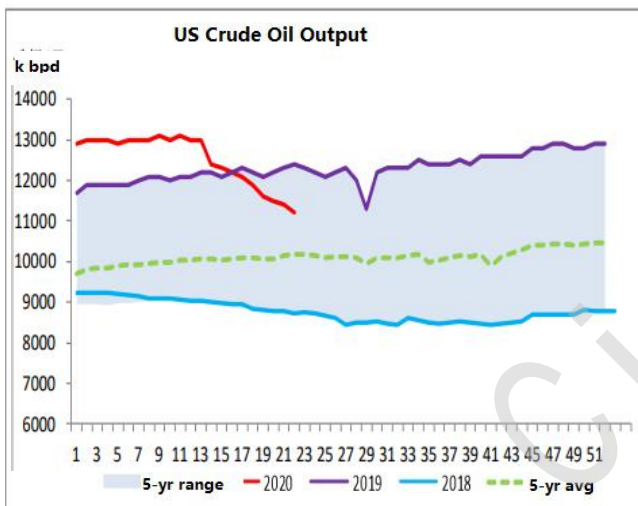


Chart XI. U.S. crude oil output

Source: Wind, Research Team of Founder CIFCO Futures

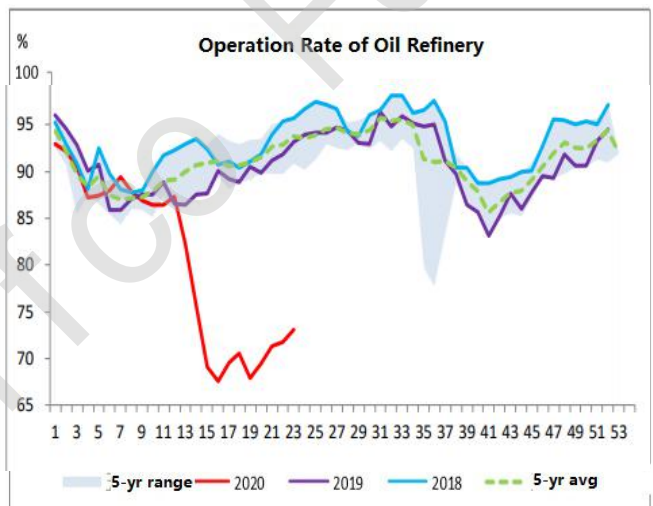


Chart XII. Operating rate of U.S. oil refineries

Source: Wind, Research Team of Founder CIFCO Futures

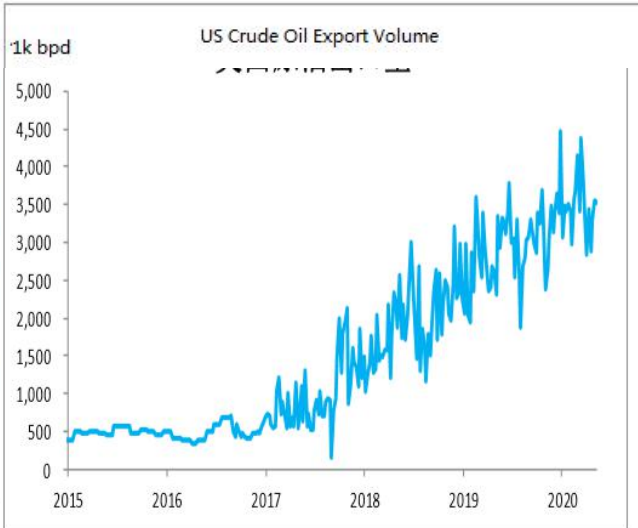


Chart XIII. U.S. crude oil export volume

Source: Wind, Research Team of Founder CIFCO Futures

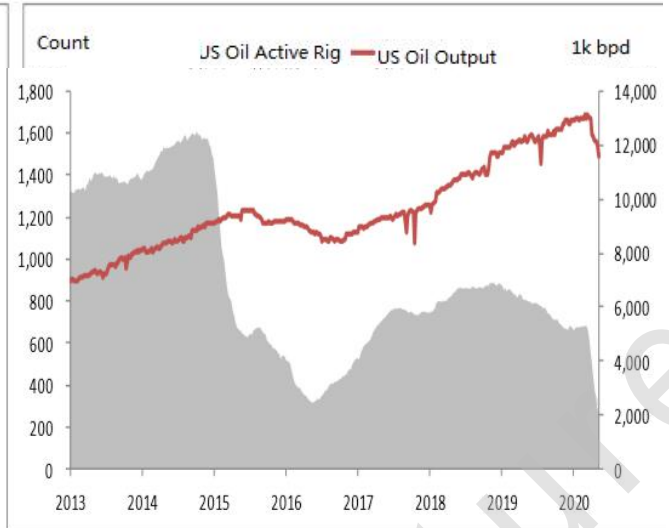


Chart XIV. U.S. oil active rig count

Source: Wind, Research Team of Founder CIFCO Futures

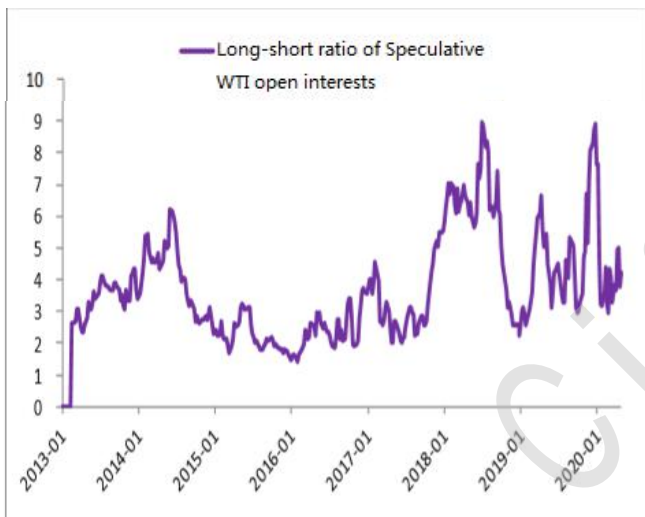


Chart XV. Long-short ratio of WTI position holding

Source: Wind, Research Team of Founder CIFCO Futures

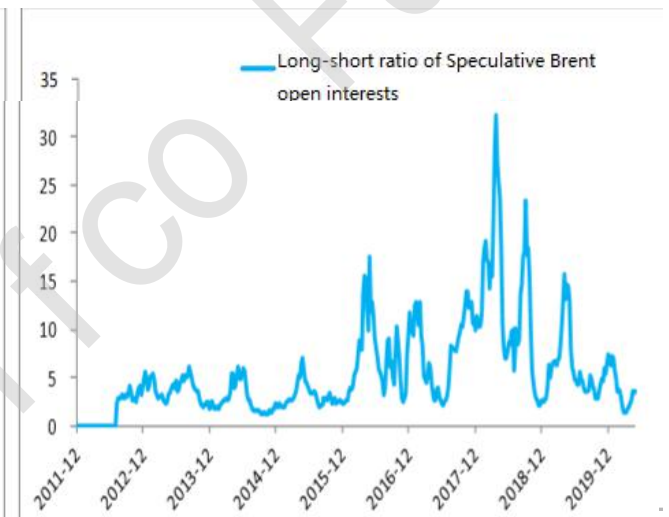


Chart XVI. Long-short ratio of Brent position holding

Source: Wind, Research Team of Founder CIFCO Future

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