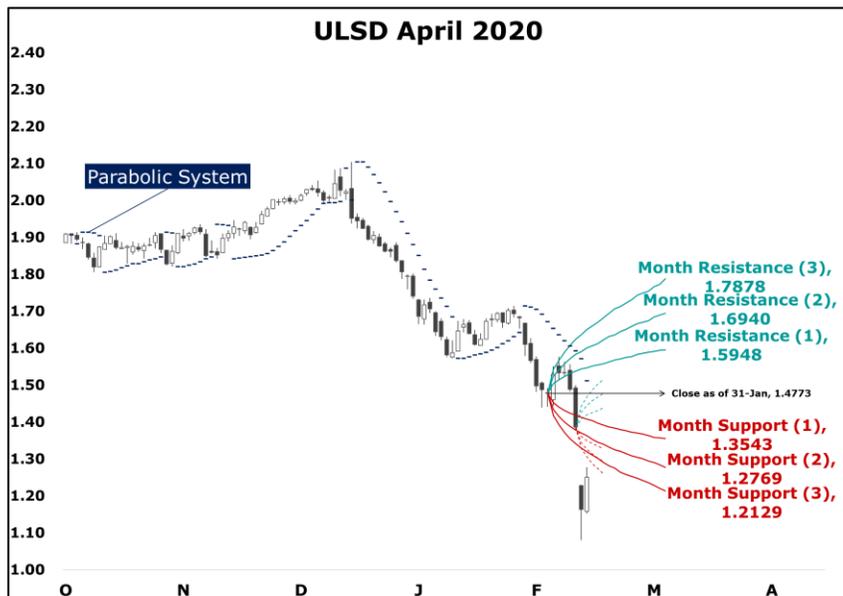




Market Recap



Contract	Month	High	Low	Close	Change ¹
NYMEX ULSD	Apr-19	1.2297	1.0799	1.1629	-23.93%
NYMEX ULSD	May-19	1.2600	1.0779	1.1644	-23.51%
NYMEX ULSD	Jun-20	1.3200	1.0852	1.1721	-22.95%
NYH ULSD ³	Spot			1.1815	-24.06%

¹ 5-Day Change as of Feb 9 | ³ Source Refinitiv Eikon ULSD-NYH

CSR Talking Points

What a difference a weekend makes! The market concluded Monday's session with the biggest oil-price collapse since 1991. OPEC and Russia could not come to consensus on further production cuts over the weekend, which triggered Saudi Arabia to threaten an INCREASE in production at time when global demand has significantly decreased due to the effects of the coronavirus. There is already a surplus of 3.6 million barrels per day, so an increase in supply from one of the largest producers would have a devastating effect on prices which was reflected in the historic crash.

Actions To Take

Proceed with caution. Distillates are experiencing extreme volatility along with the rest of the oil markets. This precipitous price decline is a black swan and an event that had such a small likelihood of occurring that it's difficult to forecast or plan for. As illustrated to the left on our SVBC price range forecasting model, the market has breached all three of our monthly support levels. **We advise starting to build a long position/buying hedges here.** [Contact us](#) to devise the most effective trading strategy to navigate this incredible market volatility.

Balancing Both Sides

Quantitative Bias

Bearish

As far as today goes for April ULSD, a drop below 1.1476 alerts to weakness towards our 1.1104 second support point. Below here, we look for support at our 1.0788 third level of support. Then again, strength above 1.1775 opens the door to our 1.2161 second level of resistance. Through here, we will look for resistance to hold at 1.2561.

Fundamental Bias

Neutral

The EIA reported last week that total No2 Oil stocks plunged by 4.0 MMbs to 134.5 MMbs. The year-over-year disposition switched from a slight 0.07% (93 Mb) surplus to a 1.1% (1.5 MMb) deficit. ULSD stocks in the PADD 1B NYMEX market area plummeted last week by an abnormally large 1.3 MMbs to 20.6 MMbs. However, the year-over-year deficit actually narrowed by 89 bps to 10.5% or 2.4 MMbs.

Overall Market Bias

Bearish

Just days after prices seemed to be buoyed by news coming out of the OPEC meeting in Vienna, additional news would spur the largest one-day crash since 1991. Russia's rejection of OPEC's proposed additional production cuts spurred market decline of historic proportions. All oil markets were in full panic mode, as margin calls and lack of liquidity only exacerbated the historic sell off. With ample supplies of diesel in inventory, the threat of a Saudi price war was a crushing blow to the market. [Contact us](#) to devise the most effective trading strategy.

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