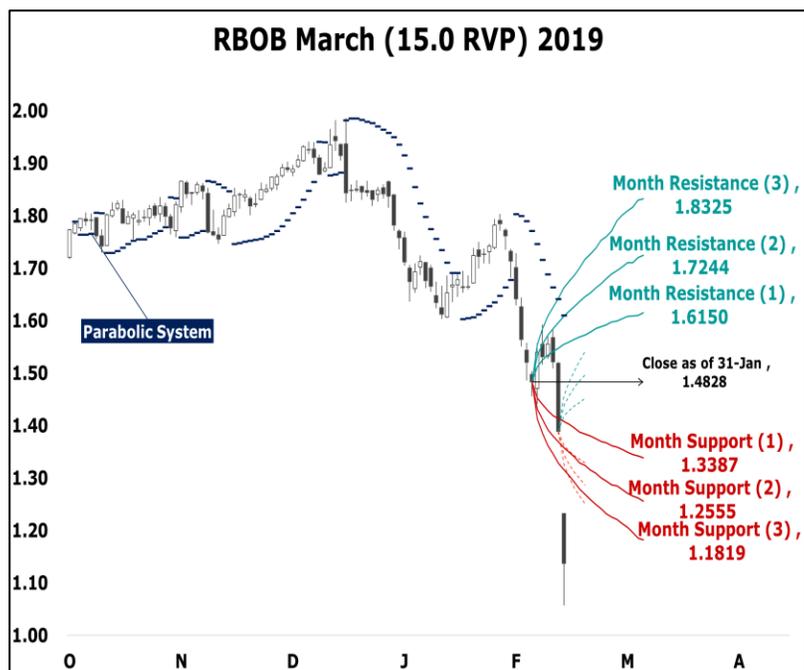




## Market Recap



Contract	Month	High	Low	Close	Change <sup>1</sup>
NYMEX RBOB	Apr-20	1.2324	1.0574	1.1369	-26.16%
NYMEX RBOB	May-20	1.2569	1.0570	1.1369	-25.69%
NYMEX RBOB	Jun-20	1.3401	1.0584	1.1357	-25.30%
NYH Rbob	Spot			1.0660	-26.61%

<sup>1</sup> 5-Day Change as of Mar 9 | <sup>3</sup> Source Refinitiv Eikon ULSD-NYH

## Talking Points

Monday Feb 9<sup>th</sup> was a day for the record books! 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

Trade with caution. While extreme volatility creates opportunity, we advise taking a very metered approach to executing in this type of market. At some point gasoline will be a screaming buy, but as the old adage goes; "Don't try to catch a falling knife". As the next few days unfold, there will be more rhetoric coming out of OPEC and Russia, and additional panic regarding the effects of the coronavirus. We don't advise outright buying at these levels yet. **Consider using futures and options to finance a hedge and or establish a position.** [Contact us](#) to discuss how an options hedging program will improve your overall trading results.

## Balancing Both Sides

### Quantitative Bias

Bearish

As far as today goes for April RBOB, a drop below 1.1257 alerts to weakness towards our 1.0865 second support point. Below here, we look for support at our 1.0506 third level of support. Then again, strength above 1.1567 opens the door to our 1.1987 second level of resistance. Through here, we will look for resistance to hold at 1.2385.

### Fundamental Bias

Bearish

Total gasoline stocks plunged last week by 4.3 MMbs to 252.1 and the year-over-year surplus ticked decreased 1.3 MMbs. After hitting back-to-back record highs five weeks ago, gasoline stocks have fallen by 9.2 MMbs. This drawdown is seasonal function of clearing out off-spec winter grade gasoline.

### Overall Market Bias

Bearish

Volatility has a strangle hold on this market. As if the demand destruction from the coronavirus wasn't enough, 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 gasoline in inventory, and with the backdrop of coronavirus demand destruction, the threat of a Saudi price war was a crushing blow to the market.

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