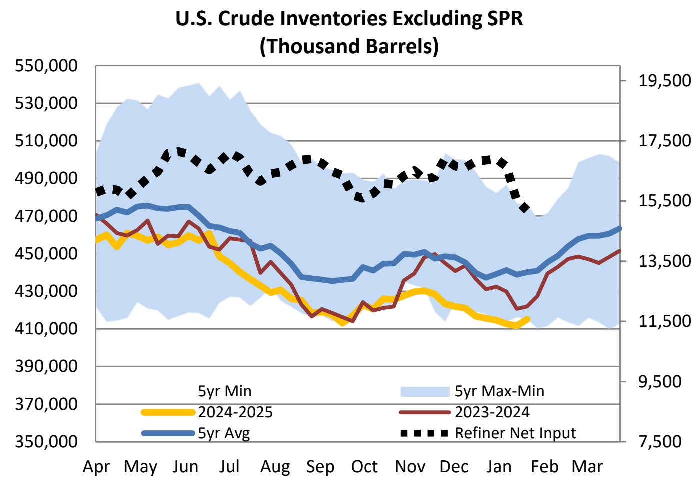
Hedge Solutions

Petroleum Status Report

Inventory Snapshot

	Est.	API	EIA	vs. 1yr	vs. 5yr
Crude	+2.25	+2.86	+3.46	-1.6%	-5.8%
Distillates	-2.49	-3.75	-4.99	-5.2%	-7.8%
Gasoline	+1.07	+1.89	+2.96	-2.1%	-1.0%
Propane	-4.40	-	-7.89	+5.8%	+8.2%
Cushing, OK	-	-0.14	+0.33	-25.3%	-42.1%
Ref. Util.	-0.70	-	-2.40	+0.7%	-2.8%



Crude Oil

	1/24/2025	w/w	y/y
Stocks (mb)	415.13	+3.46	-6.79
Cushing, OK	20.98	+0.33	-7.11
Days Supply (days)	27.33	+0.81	-1.08
Production (mb/d)	13.24	-0.24	+0.24
Imports (exc. SPR, mb/d)	6.45	-0.30	+0.84
Refinery Runs (mb/d)	15.19	-0.33	+0.34
Refinery Utilization (%)	83.50	-2.40	+0.60
Exports	3.69	-0.83	-0.21

The weekly EIA inventory report released today was unsupportive for crude oil and gasoline but bullish for both distillates and propane. The agency reported larger than predicted builds in both crude oil and gasoline stockpiles, but sharper than predicted draws from distillate and propane/propylene inventories. As of this writing, the diesel crack was widening with ULSD up by 0.4% while WTI futures had lost 0.8%. RBOB futures were down by 0.3%.

Crude stocks saw a larger than predicted, seasonal build of 3.46mb as exports and refinery runs fell, even as production and imports slowed as well. The increase left US stocks at 415.13mb, which is 1.6% lower than last year, 5.8% weaker than normal, and near the bottom of the five-year range for the reporting week. Cushing, OK stocks also rose last week, but by just 0.33mb to hit 20.98mb. Inventories at the hub are 25.3% weaker than last year and 42.1% below normal. With the recent sell-off, the backwardation in the NYMEX WTI futures forward curve has narrowed. The spread between the front month and the 12th month out has fallen from as high as $9.58/bbl on January 15 to $6.23/bbl as of this writing. However, this is still well above the sub-$2/bbl we saw back in December before the rally. A backwardated market structure provides economic headwinds for storage. Cushing, OK inventories also tend to be positively correlated with the Brent-WTI spread, as they represent a localized glut. This spread has been trending slightly higher this month but remains relatively narrow at under $4/bbl.

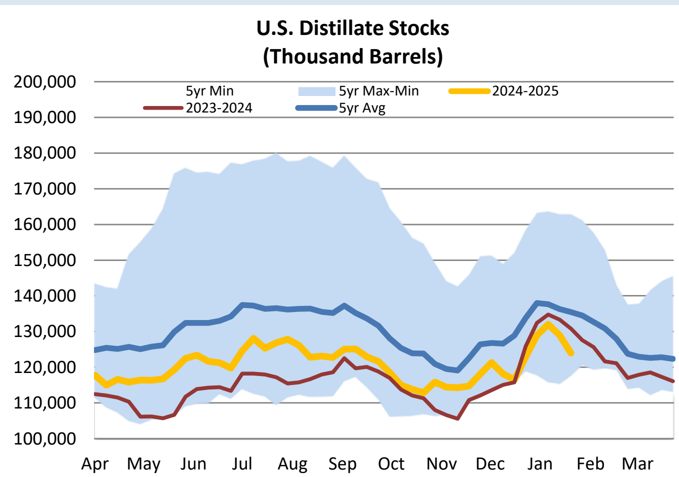
Exports were the largest weekly mover, dropping by 0.83 to 3.69mb/d, which is 0.21mb/d lower than last year at this time. Imports also fell, but by a lesser 0.30mb/d to average 6.45mb/d, which is 0.84mb/d higher than last year. Refinery runs saw a similar decline of 0.33mb/d, averaging 15.19mb/d, as utilization fell more sharply than predicted. Still, runs are right by the five-year average for this time of year and up by 0.34mb/d compared to last year. Perhaps impacted by cold temperatures, US oil production fell by 0.24 to 13.24mb/d last week, further away from the recent record highs.

Distillates

	1/24/2025	w/w	y/y
Stocks (mb)	123.95	-4.99	-6.84
East Coast	32.25	-2.56	-0.37
New England	5.37	-0.09	+0.60
Mid-Atlantic	15.45	-0.96	-0.36
Production (mb/d)	4.74	+0.03	+0.35
Imports (mb/d)	0.18	-0.11	+0.04
Product Supplied (mb/d)	4.51	+0.40	+0.75
Exports (mb/d)	1.13	-0.20	-0.00

Ultra-Low Sulfur Diesel

	1/24/2025	w/w	y/y
Stocks (mb)	116.17	-4.82	-5.96
East Coast	31.18	-2.50	-0.18
Production (mb/d)	4.59	+0.06	+0.42
Imports (mb/d)	0.18	-0.11	+0.05
Product Supplied (mb/d)	5.46	+0.22	+0.77

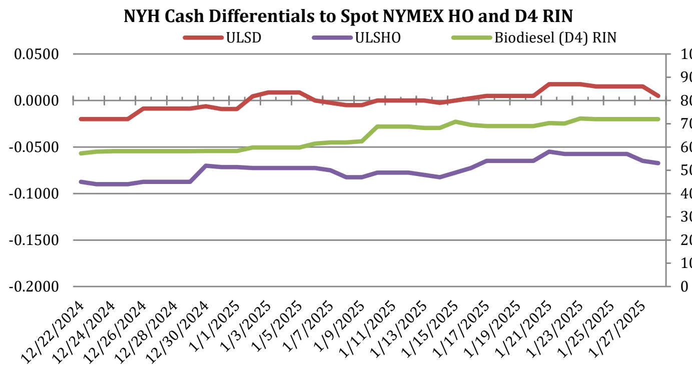


Gasoline

	1/24/2025	w/w	y/y
Stocks (mb)	248.86	+2.96	-5.28
East Coast	62.10	+1.80	-0.75
Production (mb/d)	9.19	-0.04	-0.09
Imports (exc. SPR, mb/d)	0.63	+0.29	+0.23
Product Supplied (mb/d)	8.30	+0.22	+0.16
Exports (mb/d)	0.76	-0.23	-0.27

Propane

	1/24/2025	w/w	y/y
Stocks (mb)	66.25	-7.89	+3.65
Fractionated	38.88	-7.34	
Production (mb/d)	2.51	-0.10	+0.08
Imports (exc. SPR, mb/d)	0.18	-0.03	+0.03
Product Supplied (mb/d)	1.98	+0.40	+0.05
Exports (mb/d)	1.83	+0.07	+0.43



Distillate inventories saw a larger than predicted but seasonal draw of just under 5mb last week, widening the deficits to last year and to the five-year average to 5.2% and 7.8%, respectively. Implied demand was the main culprit, jumping 0.40mb/d higher to average 4.51mb/d amid frigid temperatures. This is 0.75mb/d higher than last year during the same week and far in excess of the norm for the week at 4.11mb/d. Below-normal temperatures are expected in New England over the next 10 days, according to the latest GFS outlooks. The East Coast saw a 2.56mb draw last week, cutting regional inventories down to 32.25mb. This is only 1.1% shy of last year's levels but is also 19.8% below normal. We have seen some increases in cash market differentials lately, although New York Harbor differentials appear to be coming off in recent days (see chart above).

Gasoline stocks saw a seasonal build of 2.96mb on reduced net exports. Exports fell by 0.23mb/d and imports rose by 0.29mb/d. Offsetting part of this was a 0.22mb/d increase in demand and a 0.04mb/d downtick in production. US inventories are now 2.1% lower than last year and 1.0% weaker than normal with just a couple of weeks or so left in the building season. East Coast stocks rose by 1.80mb to 62.10mb last week, which is 1.2% lower than last year and 3.8% below normal. US and East Coast stocks tend to turn back south in February as refineries gear up to produce summer grade gasoline and perform maintenance operations.

We saw a much larger than predicted draw from propane/propylene stocks with a surge in demand amid cold temperatures. Implied demand shot up by 25.4% or 0.40mb/d to average 1.98mb/d, consistent with the weather, and a 6.0% (0.09mb/d) increase in net exports (to 1.65mb/d) placed additional pressure on inventories. A 3.8% (0.1mb/d) drop in production to 2.51mb/d did not help either. Gulf Coast stocks dropped 3.81mb lower to 41.49mb, but are still 9.1% stronger than normal. Midwestern inventories, by contrast, are 3.5% weaker than normal after a 3.17mb drop to 16.16mb. East Coast stocks are 30.8% below normal, at 4.50mb. As with last week, fractionated and ready for sale propane inventories saw a sharper decline than did propane/propylene levels, dropping by 15.9% compared to 10.6%. The US propane/propylene surplus over the five-year average has been cut to just 1.9%. Selkirk, NY rack differentials ticked even higher for today, to an average of 62.58c/g.