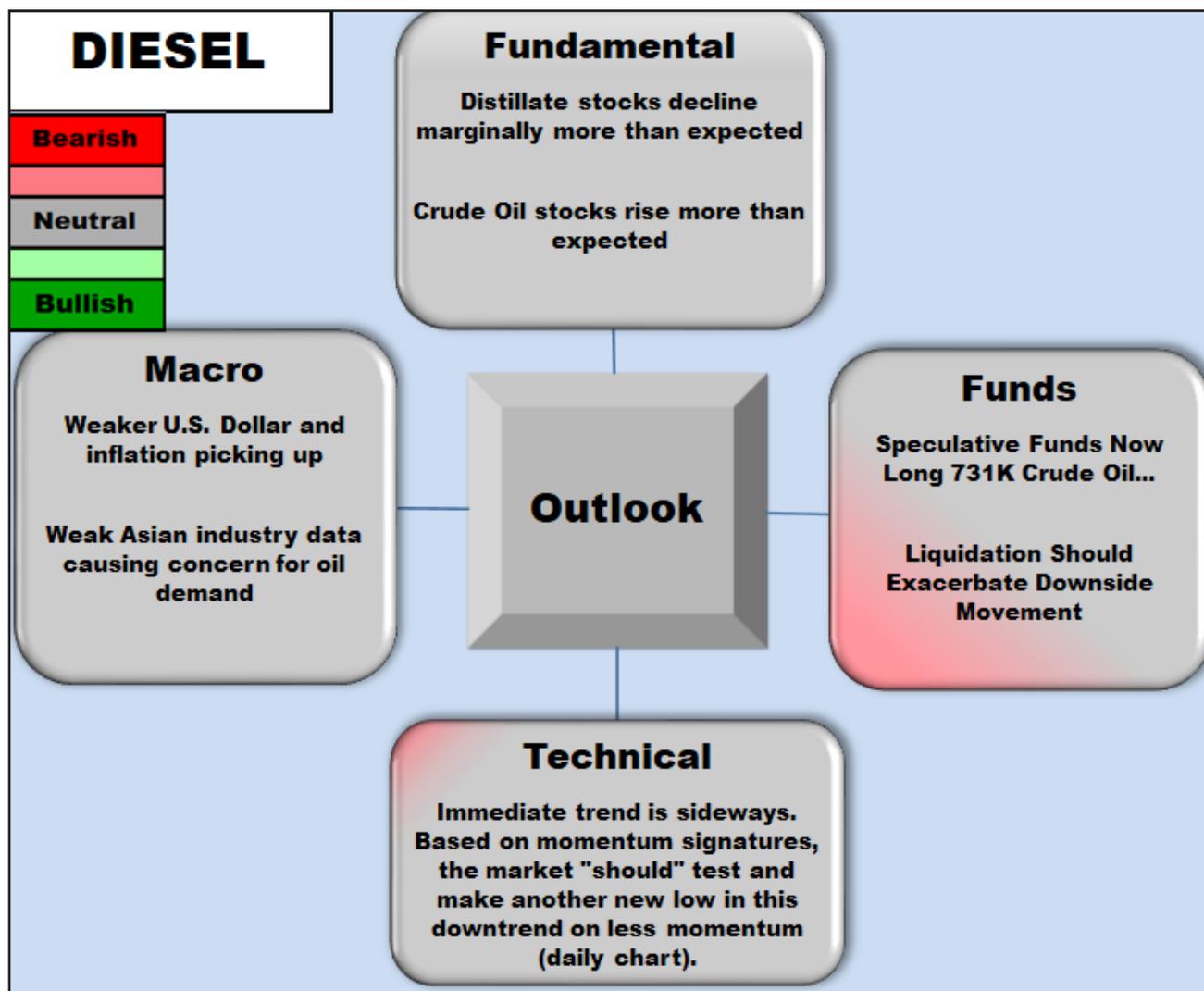


# Trilateral Heating Oil-Diesel Update

March 1, 2018



This letter is solely for informational purposes. Information coined herein is believed to be complete, accurate, and expressed in good faith. It is not guaranteed. This material is not deemed a prospectus or solicitation for the purchase or sale of any Futures or Options contracts. No specific trading recommendation will be provided. At no time may a reader be justified in inferring that any such advice is intended. Past trading results do not guarantee future profits, nor do they guarantee that losses will not occur. All trading decisions remain the responsibility of the individual making those decisions. Principals, employees, and/or clients of Trilateral Inc. may have positions in the investments mentioned herein, either in accord or discord with market analysis shown.

## Ultra Low Sulfur Diesel



- Distillate Stocks Decline Marginally More Than Expected
- Production Down 6.0% Y/Y
- National Average Diesel Prices Down 2c To \$3.01/gal

[Read detailed recap](#)

## Crude Oil



- Crude Oil Stocks Rise More Than Expected
- Weak Asian Industry Data Causing Concern For Oil Demand
- Head Of OPEC To Meet With U.S. Shale Executives
- Oklahoma Is Tightening Its Rules On Fracking
- Venezuelan Election (April 22) Should Be Watched

# Market Recap

## Heating Oil

- The Energy Information Administration reported a smaller-than-expected draw in distillate stockpiles during the week-ended Feb. 23. Distillate fuel inventories fell 960,000 bbl last week to 138.0 million bbl, 26.2 million bbl lower than a year ago but remaining in middle of the average range for this time of year. Stocks were expected to fall 1.75 million bbl. Distillate fuel production continued lower, down 20,000 bpd to 4.469 million bpd on the week, 6.0% lower than the same week last year. EIA reports distillate fuel imports fell 36,000 bpd to average 207,000 bpd. Over the last four weeks, distillate fuel product supplied averaged over 4.0 million bpd, up nearly 1% from a year ago.
- The U.S. average diesel fuel price dropped 2 cents to \$3.01 per gallon on February 26, 2018, 43 cents higher than a year ago. East Coast prices fell nearly three cents to \$3.06 per gallon, Midwest and Gulf Coast prices fell over two cents to \$2.95 per gallon and \$2.80 per gallon, respectively, Rocky Mountain prices fell nearly two cents to \$2.94 per gallon, and West Coast prices dipped slightly, remaining virtually unchanged at \$3.40 per gallon.

[See Heating Oil Charts](#)

## Crude Oil

- The Energy Information Administration reported builds in crude oil and gasoline supplies during the week-ended Feb. 23. EIA reported commercial crude oil stockpiles rose 3.0 million bbl to 423.5 million bbl last week, 96.7 million bbl or nearly 19% below inventory held a year ago. Supply is in the lower half of the average range for this time of year. Those surveyed by DTN called for a 3.75 million bbl build last week. At the key Cushing supply depot in Oklahoma, which serves as the delivery location for the New York Mercantile Exchange West Texas Intermediate futures contract, crude supply dropped for a 10th straight week, falling 1.218 million bbl to 28.785 million bbl. Stocks are at the lowest level since the week-ended Dec. 12, 2014 when inventory was 27.825 million bbl. U.S. crude oil refinery inputs rose 49,000 bpd during the week-ended Feb. 23 to average about 15.9 million bpd. Refineries operated at 87.8% of their operable capacity, down from 88.1% the prior week. Data shows U.S. crude oil imports averaged 7.3 million bpd last week, up 261,000 bpd from the previous week, and over the last four weeks averaged about 7.5 million bpd, down 8.1% from the comparable period a year ago.
- (Reuters) Weak Chinese and Japanese industrial data triggered concerns of an economic slow-down that could lower oil demand, and as an industry data report showed an increase in U.S. crude stockpiles amid soaring output.
- (Bloomberg) The head of OPEC plans to dine with U.S. shale company executives on Monday in Houston, the second consecutive year that the secretary general has met with some of the cartel's top rivals. "One of the lessons learned from this oil-price cycle is that as producers we are all in the same boat," Mohammad Barkindo said in an interview Tuesday.
- (Bloomberg) Oklahoma is tightening its rules for fracking after studying a new cluster of earthquakes in one of the hottest U.S. regions for drilling. The Oklahoma Corporation Commission announced that all explorers within certain areas must use equipment known as a seismic array, which detects movement underground. The regulators also lowered the quake threshold for pausing work from 3.0 magnitude to 2.5, a level where humans can feel the earth move.
- (Bloomberg) OPEC watchers should mark their calendars for April 22, when the likelihood of a disputed election in Venezuela could provoke further U.S. sanctions on the Latin American nation's rapidly declining oil industry. International observers are already warning the ballot could be rigged to allow President Nicolas Maduro to stay in power. There's a 70% probability the U.S. will impose oil sanctions on the country this year, most likely related to the vote, according to Rapidan Energy Group, Washington-based consultancy. That would accelerate the slump in Venezuela's production — already suffering the effects of years of dwindling investments and mismanagement — just as tightening global supplies have lifted crude prices above \$60/bbl.

# Heating Oil-Ultra Low Sulfur Diesel

**April Heating Oil Future** (Close 1.9096)

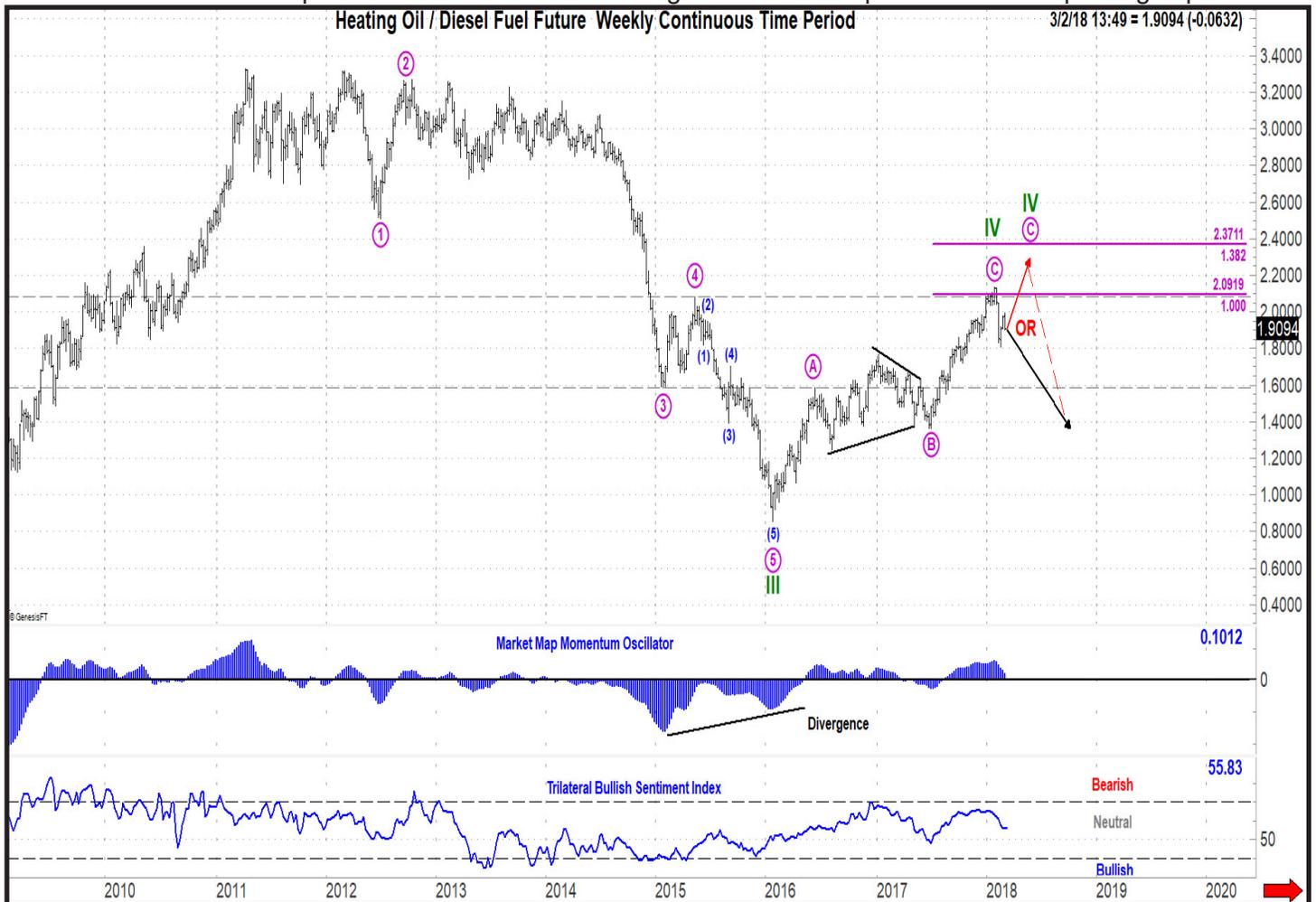
**Support:** 1.8541, 1.8097, 1.7438, 1.7235, 1.6930.

**Trend:** Short-term: Down

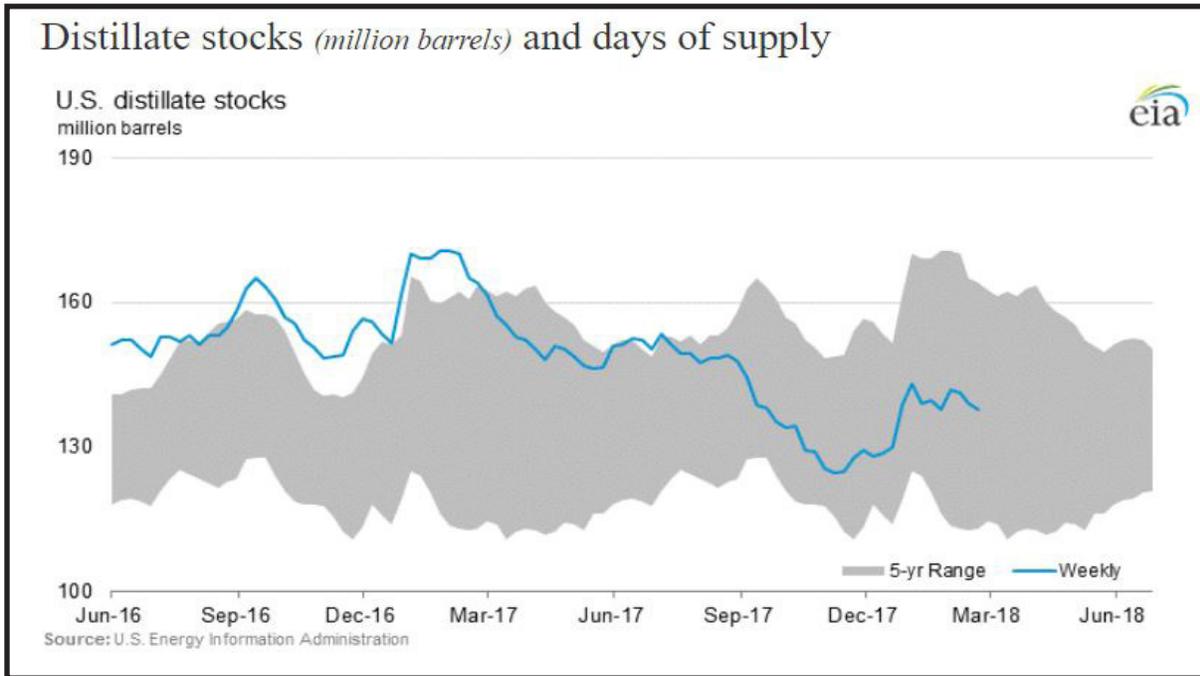
**Resistance:** 1.9967, 2.0880, 2.1098.

**Long-term:** Up

**TECHNICAL PERSPECTIVE:** It's still premature to call for a "TOP" in ULSD/heating oil. Prices have quickly retraced nearly 1/2 of the January decline. If a "TOP" is forming we would label the January decline as wave 1, the February rally, to date, wave 2 and Wednesday's decline as the beginning of wave 3. This wave count would gain addition credence with a trade below the February low at 1.8097. If prices trade below 1.8097 this would leave a 3-wave corrective retracement in place. This would bolster the argument for an important market top being in place.



# U.S. Distillate Stocks



# Heating Oil 12-Month Strip

