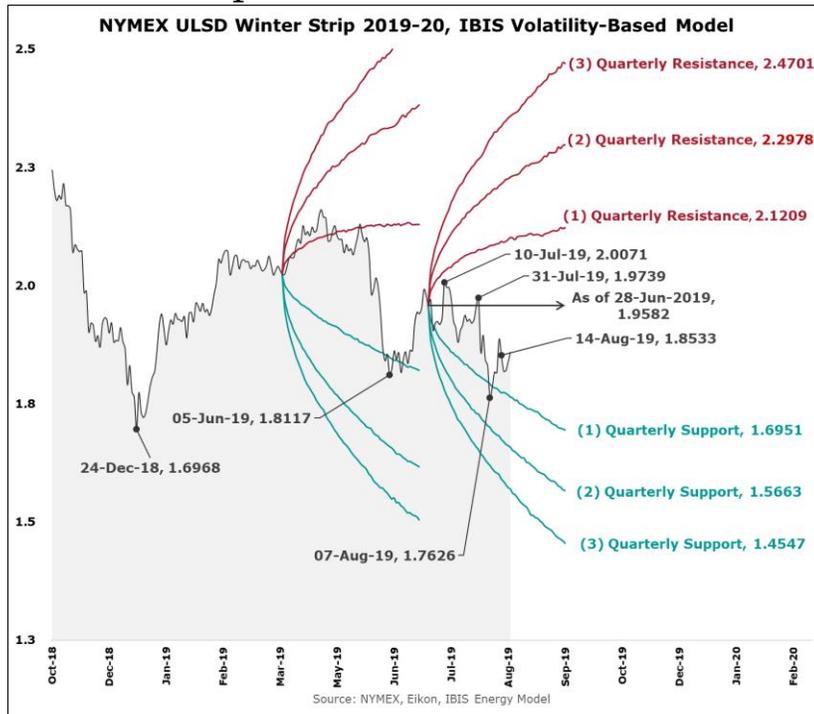




Market Recap



Contract	Month	High	Low	Close	Change ¹
NYMEX ULSD	Sep-19	1.8800	1.8499	1.8573	0.74%
NYMEX ULSD	Oct-19	1.8871	1.8565	1.8641	0.69%
NYMEX ULSD	Nov-19	1.8897	1.8597	1.8677	0.67%
NYMEX ULSD	Winter Strip ²	1.8854	1.8571	1.8641	0.58%
NYH HO ³	Spot			1.8198	1.22%

¹ 5-Day Change as of Aug 21 | ² Average (Nov-19, Dec-19, Jan-20, Feb-20, & Mar-20) | ³ Source Refinitiv Eikon HO-NYH

CSR Talking Points

After a decrease of approx. 25 cpg during the first week of August, the market has rebounded as the trade war between the U.S and China has taken a back seat to supply concerns. Two weeks ago, we identified a **must buy** opportunity. We are not as adamant about hedging this week, but still espouse the benefits of **prepay and cap programs as effective ways to protect against higher prices**. As supplies are limited, CSRs should highlight this opportunity and **stress the importance of locking in now**.

Actions to Take

The market seemed to have found a bottom at \$1.7626 and has since rallied approx. 10cpg. Two weeks ago, the NYMEX ULSD Winter strip moved below our first vol-cone based support level, and we encouraged hedging part of your exposure. **If you followed our advice, you locked-in favorable pricing**. We now recommend waiting for the next move lower before acting. **Contact** us to discuss how to utilize our volatility-cone price forecasting model to improve your overall hedging and trading results.

Balancing Both Sides

Technical Bias

Bullish

Two weeks ago, the ULSD Winter strip, breached the first support level of our volatility-based cones, which **provided a great opportunity to lock in heating oil at tremendous value**. The market has rallied since and is now trading just below our median forecast. **The prime hedging opportunity has passed, and we now advise a wait-and-see approach.**

Fundamental Bias

Neutral

PADD 1 distillate stocks fell by a heavy 269 Mbs to 47.0 MMbs. The year-over-year surplus plunged by 703 bps to 11.3% or 4.7 MMbs. Stocks in the immediate NYMEX market area (PADD 1B Mid-Atlantic) rose by a solid 448 Mbs to 26.6 MMbs. Despite the increase, inventories held below the first standard deviation of our time series model for a second straight week. **Contact** us to discuss how to use our IBIS seasonally-adjusted DOE inventory forecasting models.

Overall Market Bias

Neutral

The distillate markets have found support as the world's central bankers consider the prospect of monetary easing. It's a fool's errand to attempt to trade around the ever-changing direction of the trade dispute and monetary policy, therefore we take the more prudent approach to focus on the technical and fundamental indicators. While distillate inventories are well supplied, the market has rallied above the lower level of our first volatility-based cone and therefore doesn't offer a compelling reason to act.

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