

## That's What People Say...

One thing I refuse to do is believe the hype.

Oh woe is the fool that follows the fear. See, Shakespeare has nothing on me. Neither do all the headlines that cannot stop listening to the idea that the US is awash in gasoline. Yes, it's another week of listening to me playing the part of Chicken Little. I'm not actually saying things in gasoline are all that bad, but they are far from that great too. This is the part where most of the oil analyst community give me the Ted Cruz treatment. I don't care, I know better and I feel that the teeming millions should as well. Week in and week out we're just hit with a barrage of fluff about how we have so much gasoline that it's going to weigh down oil prices and we're headed back to \$20 WTI. Calm down and please return to your seats.

Let's just start with why we have so much gasoline; demand is off the charts. I don't mean on a weekly basis, I mean that since April we're averaging 9.6M b/d. If we just took the last 6 weeks, that number is up to 9.75M b/d. To put this in context, during 2008 when gasoline prices were well over \$3/gallon, the highest 4 week avg was 9.45M b/d. Surprisingly enough, it was during the last week of July in 2008 that Summer gasoline hit its peak of supply (217M). Of course crude oil was getting ready to set a record high of \$147/bbl at that time too. The issue with anything and everything oil that was priced so high was all about the tight supply of crude oil. The refining system in the US was doing all it could to meet the high call of demand, but back then it was pretty damn expensive to run refineries at 15.2M b/d through Summer. Oh, hold on there I think we just found a pretty rare Pokemon: Refineroar. It's an oil type and it's also psychic.

Let's throw some balls at this thing and see if we can catch this elusive creature. OK, it's a little more complicated than that, but let's give it a shot. First off we're only producing this much because of all that demand. What we are producing though is setting some serious records. The net production of gasoline has tied a record six weeks in a row over 10M b/d (2014). We're slightly behind the 2014 pace of 10.26M b/d when you compare it to the 10.15M b/d these past 6 weeks. Another highlight here is that in 2014 during May and June when we were producing as much, we were only able to push refineries to 16.1M b/d in crude runs. We started in May here and into July and that runs number is a ginormous 16.5M b/d. Bottom line is that for all the bitching that refiners are doing about low gasoline margins, they can't stop making gasoline. Take it a step beyond this and we're calling on imports to bring in more. So far this Summer (April-YTD) we're taking in 842K b/d of gasoline imports, back in the summer of 2014 (Apr-Sept) we took in 200K b/d less at 641K b/d. Here's the problem with saying that gasoline is in oversupply. One would think that the good folks that buy and sell gasoline would be smart enough to stop buying and producing if there were an issue here. That of course brings us back to where we started and that's the fact that demand is cracked out more than Lindsay Lohan in her prime. It's not going away because the struggle is real...demand is who we are.

### That's Hot

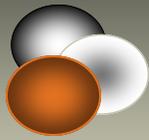
- Gasoline demand ("How can you get a taxi and tell a man where you are going if he don't speak no U-S of A?")
- RNC (if you're bored with oil, there's this)
- Michelle Obama (wait, did she just plagiarize Missy Elliot)



*Good is no great, but it's better than bad*

### That's Not

- Russia (sometimes it takes a village...it will only take them a pipeline)
- Venezuela (real people losing real lives)
- Third Eye Blind (you're a rock band, get over it)



# Oil Outlooks and Opinions

Thursday, July 21, 2016

Oil Outlooks and Opinions llc  
[www.oiloutlooks.com](http://www.oiloutlooks.com)

Volume 7; Issue 2555

Crude:

Where does the time go? It's hard to believe that we're already moving along to the **CLU6** contract. It's even harder to imagine we're that much further along in the spreads in CL too. Just as soon as we think we're ready to find the high side of the CL contract, here comes the seasonal play once again. We'll concentrate on what's at hand and look for resistance at 4630, 4745 and 4833. The support numbers fall in at 4528, 4460 and 4372. The front spread moves up to **CLU6/CLV6** and they start with resistance at -44, -25 and -02. Support comes back to -63, -80 and -105. We'll move higher post stats.

Gasoline:

OK laziness has been set aside and I'm moving ahead with the RBQ16 contract. We can start with resistance here at 13978, 14155 and 14363. Support looks below to 13705, 13568 and 13370. The front spread moves to RBQ6/RBU6. Resistance at -88, -24 and +30. Support to -130, -200 and -270. The RBU6/CLU6 gets resistance at 1276, 1338. Support falls to 1214, 1165.

Distillate:

The calendar keeps us moving and we are focused on the HOQ16 contract. We'll get resistance here at 14065, 14266 and 14440. Support looks back to 13878, 13566 and 13380. The front spread bumps up to HOQ6/HOU6. Resistance here looks at -255, -242. Support holds down to -268, -290. The crack moves up to HOU6/CLU6. Resistance at 1425, 1466. Support back to 1368, 1294.

## Trends are only for the affected:

OK, I've been neglecting here, but it's just painful to think that there really might be a trend behind all of this. I mean there is, but it's the same one that I've been harping on the Daily chart since January 2016. Track that back and you'll see that we've made it to 5000 and now we can look for that target to run to 5400. Channel support has room to the 4750-4800 area and we'll see pivot above here at that 5000 area.

## Fundy you should mention:

Can someone please go up to the Hamptons with some flowers and tell the hedge funds that we miss them. This week is dragging on and there's not a lot of volume and volatility to make it even the slightest bit interesting. Even the macro players can't find a lot to chase down for direction. I think there's a good crowd on vacation, at the RNC and the algos are on their way to San Diego for ComicCon. Today we get Jobless Claims (265K) and Philly Fed Index (5.0) at 8:30am EST. At 9:00am FHFA House Price Index (0.4) and at 10:00am Existing Homes Sales(5.475M) and Leading Indicators (0.3).

## Sorry, I am just physically attracted:

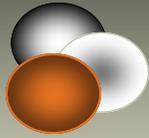
Anyone happen to notice the high crude runs number yesterday? That 16.883M b/d was the highest of the year and one of the top 5 weekly numbers we've seen on record. Actually all of the other record highs we hit were in 2015. We started to pick up the pace about the same time of the year, but once we did, there was no stopping. For the following 4 weeks we ran 16.9M b/d and topped 17M b/d twice. It's hard to imagine running more production from here, you know, considering all of the gasoline *oversupply*. What lies ahead though is going to be interesting. Do we rally crude on high draws or do we crush gasoline on higher supply? Or do we just start believing in demand?

## Techies, some Trekkies

- 200 Day MA 4481
- 100 Day MA 4601
- 13 Day MA 4630
- 8 Day MA 4612
- 14 Day RSI 43.54

## Spread now; Roll later

- Fall into Fall
- Key support: -66, -85, -110
- Key Rests: -35, -12, +20



# Oil Outlooks and Opinions

Thursday, July 21, 2016

Oil Outlooks and Opinions llc  
[www.oiloutlooks.com](http://www.oiloutlooks.com)

Volume 7; Issue 2555

## **Carpe Diem (trade for today):**

Moving down the calendar, but at least we're moving...obviously sarcasm.

Let's do this the right way. I go LONG CLU6 above 4630. We're searching hard for some signs of life, but it's a losing battle. Maybe as we get closer to the EIA numbers we can goose the market a little more on lower inventories and weaker domestic production. We'll look for this to make a run here to the upside and target the 4685 area.

When in doubt... I go SHORT CLU6 under 4540. Not a lot of room here to break through to the downside, but I'm still going to remain cautious about what lies beneath. Most will argue that once we get into September, there's a slide that happens seasonally, but we're far from "normal" these days. I'll let it drop, but I'm not willing to look past the 4500 level.

For now, the disclaimer can be found here: <http://www.oiloutlooks.com/page7.html>

Please feel free to share the joy with your friends, colleagues and the bathroom stalls. Have them sign up for the two week trial and get a personalized thank you note directly from me. Where you going to get a deal like that without a flashing blue light?

---

**We're on the Web (that's what Al Gore calls it) at:**  
**[www.oiloutlooks.com](http://www.oiloutlooks.com)**

---