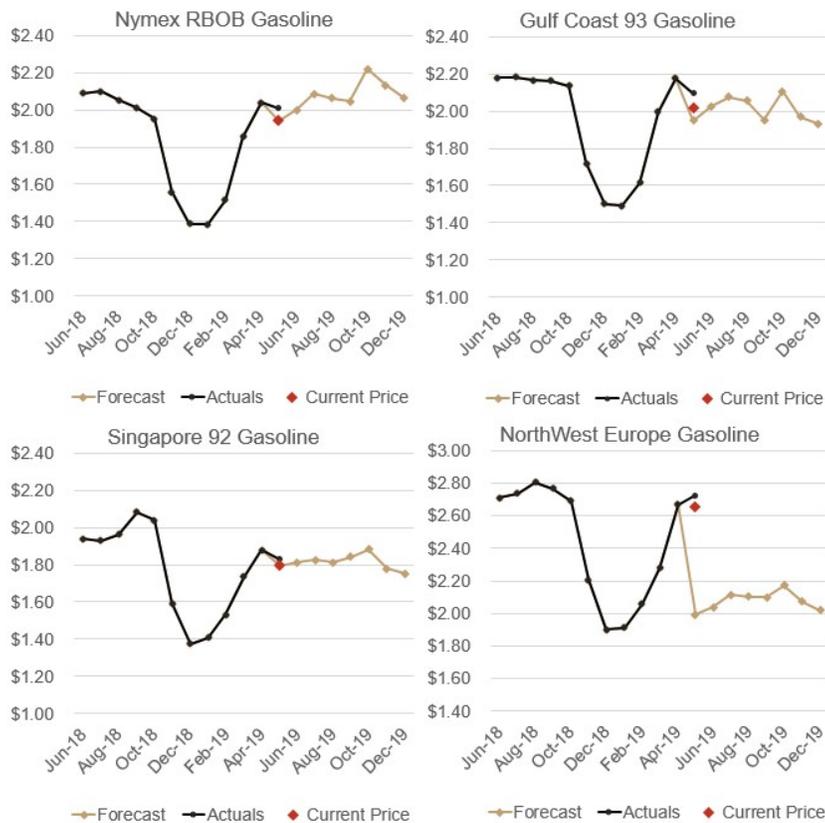


May 08, 2019

May Refined Products Price Update

Refined product prices joined crude oil prices on their recent bull run, but the correction has so far been less severe. Globally, gasoline continues to outperform the other major products. Gasoline prices have gained slightly more than 40% so far this year, after entering the year unseasonably low. Over the last month, gains have been more even with gasoline increasing 2.6% between April 1 and May 7, compared to diesel's 2.5% and jet fuel's 1.9% improvement. Globally refined products continue to benefit from robust economic activity. The much-feared collapse has yet to materialize, although risks remain for a broad slowdown in economic growth.

Current Price Outlook versus Actual





After outperforming our forecasts for much of April, prices have corrected and are generally falling back towards expected levels. NYMEX RBOB has average \$2/gal so far this month, in line with our expectation of \$1.94/gal. NYMEX ULSD has averaged \$2.07/gal so far this month, only \$0.10/gal above our expectation of \$1.97/gal this month. Prices in the Singapore hub have also similarly realigned. In Europe, prices remain slightly farther apart as product prices in Europe have fallen less than their international counterparts.

Refined product prices have generally outperformed crude oil this year on strong demand. Whereas the Brent benchmark has risen by approximately 30% this year, RBOB gasoline has increased by more than 45%. Even with substantial price recovery, visible product stocks drained from record levels at the start of the year and are now generally closer to five-year average norms around the world. At the same time, crude oil inventories have remained more range-bound near five-year average levels. Despite steady price increases, overall economic health poses more risk to product demand than absolute price increases.

Economic growth, even at a slightly slower pace, will continue to support gasoline and diesel prices. Gasoline and diesel price performance is generally matched in the short-term, but both products will take turns “driving the barrel” with diesel showing extra strength during gasoline shoulder months. Diesel will be supported by emerging market growth and IMO regulations coming into effect at the end of 2019.

Several large developments are affecting prices and margins and will remain front-of-mind for the rest of the month. Below we discuss the implications and potential outcomes of these developments.

The rest of this report is a available to subscribers of our [Short-Term Outlook Service](#). Not a subscriber? [Create an account](#).

