

## What's driving your energy prices?

### Bullish Factors

- OPEC crude oil production fell to 29.92 million barrels per day in January, below their 30 million barrel per day target, and putting the group on pace for its lowest monthly output since June.
- China's vast manufacturing sector expanded for the first time in four months in February, according to the HSBC Purchasing Managers' Index (PMI), which rose to 50.1 from January's 49.7 reading, indicating growth in the sector.
- East Coast distillate stocks fell over 3 million barrels to 29 million barrels last week, according to the most recent data from the Energy Information Administration (EIA), placing them at their lowest level in nearly 15 years.

### Bearish Factors

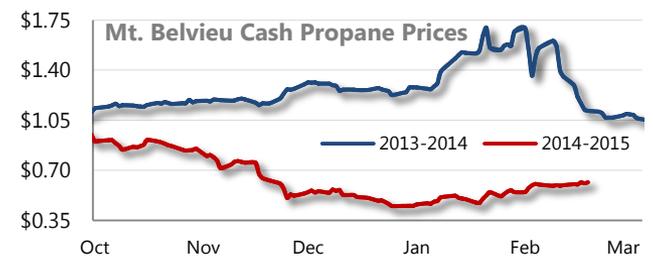
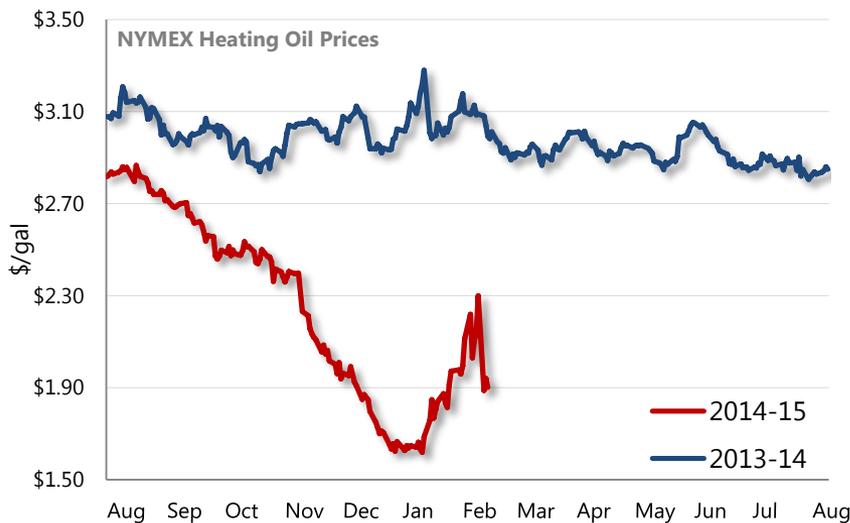
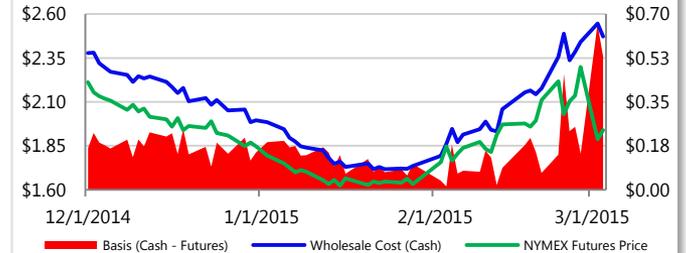
- U.S. crude oil stocks continue to break new ground, climbing another 10 million barrels last week to 444 million barrels, their highest level since record keeping began in 1982.
- OPEC's leading producer, Saudi Arabia, increased crude oil production to its highest level since 2013 last month, with output rising to 9.85 million barrels per day (bpd) in February, up 130,000 bpd month-over-month.
- Despite declining rig counts across the U.S., domestic crude oil production continues to climb, rising another 39,000 bpd to 9.32 million bpd last week and marking a 1.25 million bpd year-over-year increase in production.

## Did you know?

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### Cash and Futures Market Diverge

If you've been looking at the NYMEX heating oil futures contract for an indication of heating oil prices lately, you might very well be scratching your head wondering where the disconnect is. One element that is often overlooked is the differential between the cash market price and NYMEX futures price, often referred to as "basis." Basis typically accounts for the cost of delivering a commodity, in this case heating oil, from the NYMEX delivery point to your local market. During harsh weather conditions, such as inclement cold temperatures seen throughout February, basis can increase quite dramatically. You can see the basis strengthening towards the end of February (red shaded area, indexed to the right y-axis) when sustained frigid temperatures led to a huge price disparity, of nearly 70 cents, between the cash and futures market!



Please send any questions or comments to [info@originalenergy.com](mailto:info@originalenergy.com)