GoldSquawk

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Crude builds are obscuring a still-tight diesel and heating-oil market

GoldSquawk Research

Key takeaways

- U.S. commercial crude stocks rose by 4.7 million barrels to 414.4 million barrels in the latest EIA week, yet distillate inventories were still only 103.3 million barrels and around 8% below the five-year average[1,2,3].
- Distillate stocks fell to 99.3 million barrels in the week ended 30 October, the first sub-100 million barrel reading since 2003, underlining how little buffer the market carried into winter[1,3].
- The East Coast remains the main vulnerability: PADD 1 distillate stocks were 24.4 million barrels on 6 November versus 31.2 million a year earlier, while EIA has warned the region may struggle to attract enough imports when global distillate inventories are low[4,5].
- EIA says refiners have already shifted yield away from gasoline towards middle distillates and jet, while net distillate exports have stayed near five-year highs through 2026, limiting any domestic rebuild in diesel inventories[6,7].
- The IEA and market structure both point to a products problem more than a crude problem: diesel supply disruptions remain acute, and NY Harbor ULSD backwardation has been markedly steeper than in crude or gasoline[8,9].

The inventory signal is split between crude and products

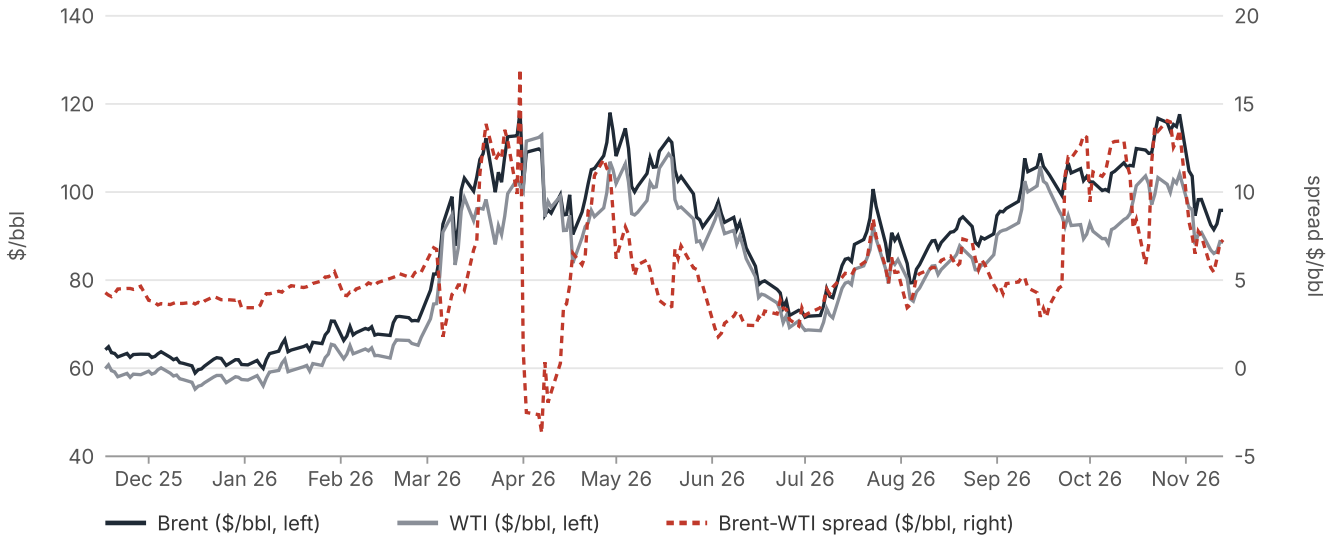
- The latest U.S. weekly balance showed a clear divergence: commercial crude inventories increased to 414.4 million barrels, up 4.7 million barrels on the week, while distillate stocks rose to 103.3 million barrels but still sat about 8% below the five-year average[1,2,3].
- That weekly distillate increase needs context. One week earlier, total distillate inventories fell to 99.3 million barrels, the first weekly reading below 100 million barrels since 2003, before rebounding to 103.3 million barrels in the week ended 6 November[1,3].
- A crude build does not automatically loosen the whole barrel. EIA reported crude refinery inputs of 17.05 million b/d, up 322 kb/d on the week, yet distillate product supplied averaged 3.947 million b/d on a four-week basis, 4.2% above a year earlier, indicating underlying demand remained firm into the seasonal peak[10,11].
- The U.S. also remained a large net exporter of distillate in the latest weekly data, and EIA says net exports have been above or near the five-year high in every month of 2026 since February, helping explain why stronger refinery runs have not translated into comfortable domestic diesel inventories[1,7].

Diesel tightness is structural, not simply a one-week anomaly

- EIA says refiners have already shifted production away from gasoline towards middle distillates because distillate and jet margins have been particularly strong in 2026, while monthly supply data through August show those yields were supported even as inventories stayed tight[6].

- That matters because the market is short despite refiners already leaning into diesel. EIA also said average U.S. diesel crack spreads would exceed $2/gal from August through November 2026, reflecting persistent tightness in product balances rather than a lack of crude feedstock[12].
- The IEA's November Oil Market Report says recovering crude exports are helping return the broader oil market towards surplus, but refined products, especially diesel, remain disrupted by attacks on Russian energy infrastructure and earlier Middle East losses[8].
- Market structure points the same way. CME said backwardation strengthened across crude, diesel and gasoline, but NY Harbor ULSD showed the steepest backwardation, with the Dec-2026/Dec-2027 spread widening to nearly $1.40/gal in September versus about $0.02/gal a year earlier[9].

Figure 1: Brent retains a premium to WTI as Atlantic Basin balances stay sensitive



Source: ICE Brent and NYMEX WTI front-month futures via Yahoo Finance; GoldSquawk calculations, as of 13 November 2026.

East Coast stocks keep the heating-oil risk elevated

- Regional stocks matter more than the national headline for winter distillates. On 6 November, East Coast distillate inventories stood at 24.4 million barrels, up from 23.2 million the prior week but still well below 31.2 million a year earlier[4].
- By contrast, Gulf Coast distillate stocks were 42.0 million barrels on the same date, showing how a national total can mask the concentration of risk in the most weather-sensitive consuming region[4].
- EIA's October STEO said the East Coast imported 124,000 b/d of distillate in 2025, around 10% of regional consumption, and warned that low global distillate inventories could make it difficult to raise imports enough to normalise stocks during winter[5].
- That regional vulnerability sits alongside a still-wide Brent-WTI spread of $7.28/bbl, with Brent at $95.84/bbl and WTI at $88.56/bbl on 13 November, consistent with tighter Atlantic Basin product balances than the inland U.S. crude picture alone would suggest[13].

Scenarios

- **Supportive case:** Distillate balances stay tight if U.S. net exports remain elevated, East Coast imports fail to rebuild stocks meaningfully, and diesel supply disruptions linked to Russian and Middle East product flows persist. In that setting, crude builds would do little to ease diesel and heating-oil tightness[5,8,7].
- **Easing case:** The gap narrows if the market sees several consecutive U.S. distillate builds, a clearer recovery in East Coast inventories, lower net distillate exports and improving international product

supply. That would suggest the recent rebound from 99.3 million to 103.3 million barrels is becoming a broader restocking trend rather than a one-week bounce[1,5,8,7].

- **Mixed market case:** Crude can remain relatively comfortable while products stay firm if refinery runs stay high but yield flexibility is limited and prompt diesel demand holds up. In that case, national crude headlines may look softer even as middle-distillate fundamentals continue to drive the marginal signal for oil markets[1,6,11].

Levels to watch

- WTI last close $88.56/bbl on 13 Nov 2026
- WTI 200-day moving average $87.78/bbl
- WTI 50-day moving average $95.37/bbl
- WTI 52-week high $112.95/bbl
- WTI 52-week low $55.27/bbl

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Glossary

Distillates: Refined oil products including diesel and heating oil, often grouped together in inventory and demand data.

Crack spread: A refining margin measure comparing the price of refined products with the price of crude oil used to make them.

Backwardation: A futures curve structure where prompt prices trade above later-dated prices, often associated with tight nearby supply.

PADD 1: The U.S. East Coast refining and storage region used in EIA petroleum statistics.

Product supplied: An EIA measure commonly used as a proxy for implied demand.

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