SPRAGUE MARKETWATCH
Tuesday, March 02, 2010

MARKET COMMENTARY

EIA Weekly inventory Report Estimates
Crude oil +1.3MB, Gasoline +0.4MB, Distillates -0.6MB

OUTLOOK ***Yesterday's impressive reversal of early gains came after the disconnect from the early semi-panic over copper supply from Chile and a steadily strengthening dollar. However, although the push in crude oil prices failed to hold the $80.62 high of the day and settled well below the stubborn $80 barrier, the potential for a retest appears intact. This morning's choppy but essentially stronger opening supports the case. Even so, analysts are warning that prices need to break through the stubborn $80-80.50 resistance level soon or some of the new recent fund length may exit the market, with predictably bearish consequences.***

Quite apart from the dominating effect of the dollar, many observers see prices capped in the high $70/low $80 range by the continuing weak fundamentals of oversupply and weak demand until there is a significant change in either side of the equation. However, the current oversupply is a function of OPEC self-discipline, and the cartel's compliance with quotas continues to deteriorate, now running at a very weak 53%. Demand is a function of global economic recovery, and nobody is arguing that case very convincingly. The result is a current 2.0 million bpd surplus, and growing.

As noted above, from a technical perspective, The market can stand a couple of days of consolidation but the bulls need a fairly quick break of $80.00-80.50 resistance to reinforce the up trend. Meanwhile the bears are in the wings, waiting for this to fail and allow prices to drift back down to the current $77.40 floor and possibly though it.

NYMEX - PRIOR SETTLEMENTS

Heating Oil Month	Close	Change
April	$2.0235	($0.0118)
May	$2.0348	($0.0140)
June	$2.0483	($0.0158)
July	$2.0662	($0.0169)
August	$2.0845	($0.0173)
September	$2.1040	($0.0179)
October	$2.1269	($0.0183)
November	$2.1501	($0.0186)
December	$2.1736	($0.0186)
January	$2.1966	($0.0191)
February	$2.2096	($0.0195)
March	$2.2096	($0.0195)
April	$2.1981	($0.0200)
May	$2.1916	($0.0205)
June	$2.1901	($0.0205)
July	$2.2001	($0.0205)
August	$2.2136	($0.0205)
September	$2.2296	($0.0205)
Nov-Mar 10-11 NYMEX strip***		$2.1905

*** Degree day weighted

Other NYMEX	Close	Change
Crude	$78.70	($0.96)
Natural Gas	$4.68	($0.13)
Gasoline	$2.1556	($0.0323)

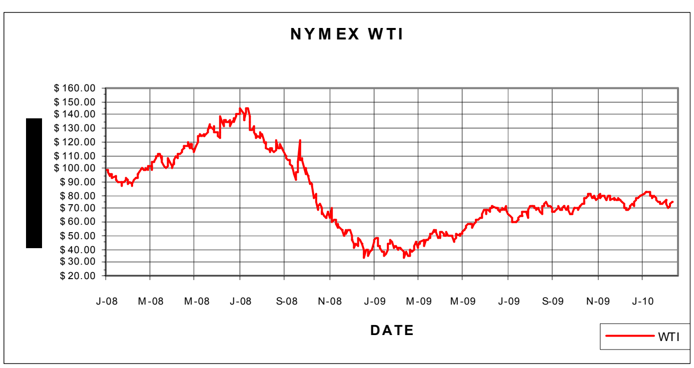
INVENTORY/DEGREE DAY HIGHLIGHTS

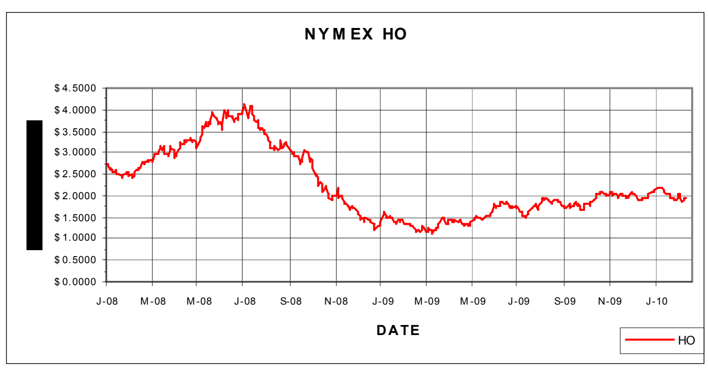
	2010	+/-	2009	3 yr-avg
Crude oil	338	+3.0	351	330
Gasoline	231	-0.9	215	223
Distillates	153	-0.6	142	129
PADD 1	62	+0.6	50	47
N, Eng	11.6	+0.4	11.1	9.7
Ref runs	81	+1	81	84

---------------------HEATING DEGREE DAYS - BOSTON--------

	-----DAY---		---MTD-----			--SEASON--		
Date	2010	2009	2010	2009	% diff	2010	2009	% diff.
2/28	31	24	884	894	-1%	3920	4107	-5%

PETROLEUM CHARTS





From a broader perspective, however, $80 hangs on so far as the upside target, and the longer it remains out of reach, the more of a barrier it becomes. Prices are definitely at the top end of a trading range. Many analysts are betting on continued strength in the dollar until it is clear how and when the Euro Zone's various sovereign debt crisis will be resolved. Secondly, US and global economic recovery, a major factor in getting prices up to current levels, is still not at all certain, and there is likely to be conflicting data over the next few months until the uncertainty diminishes.

As noted, technical analysis is supportive, signaling a continuation of the rally. A pop over $80.45 is necessary for an move to $81.45, the next major objective and the key to further advances. If the $80-80.45 barrier holds, the market could trade sideways for a day or so. Higher heating oil prices hinge on a close above $2.0525, not too far away.