

Market Commentary

Recap: Oil futures settled slightly mixed on Tuesday, a day ahead of the meeting between OPEC and other major oil producers. After reaching their highest level since the autumn of 2014, oil prices retreated from session highs. WTI for March delivery closed up .05 cents, to settle at \$88.20 a barrel, while April Brent fell .10 cents, to settle at \$89.16 a barrel. OPEC and its allies are expected to agree to a 400,000 barrel per day production increase for March, keeping monthly output increases unchanged since August. March RBOB added .0208 cents, to settle at \$2.5752 a gallon, while March heating oil added .0132 cents, to end the session at \$2.6000 a gallon.

Market Outlook: Analysts expect oil prices to remain elevated, as many members of OPEC+ struggle to reach their quotas and as fear of supply disruptions mount due to winter blasts stretching across the north, amid geopolitical tensions. All these factors combined make a strong recipe for higher prices, as the spread of the omicron variant of coronavirus weakens, bringing about hopes for greater demand. However, there is the release of U.S. crude oil inventories due out Wednesday and with expectations for a rise of 2 million barrels, some traders are expecting a pullback in prices down to previous support set at \$85. This will most likely attract bulls, who could take this market right back up toward recent highs. On the U.S. dollar side, the recent rally has propelled the dollar index towards higher levels, even though it has not had a huge impact on crude oil. The overall inverted/negative correlation between the USD and crude oil could catch up now as we have a greenback sliding after less hawkish comments from the Fed than expected and a barrel located in overbought territory. On the geopolitical front, the slight ease of tensions from the past week will help ease the volatility we have been seeing.

Fundamental News: The OPEC+ Joint Technical Committee panel ended its meeting on Tuesday. Sources stated that the committee did not discuss an OPEC+ oil output increase of more than 400,000 bpd for March. The committee expects the overall surplus in 2022 to reach 1.3 million bpd, slightly less than its previous forecast of 1.4 million bpd. It cautioned against continued omicron risks, central bank policy shifts, underinvestment and geopolitical risks. It expects world oil demand to surpass pre-Covid levels in the second half of 2022.

RBC Capital Markets said OPEC+ ministers will meet on Wednesday to approve the monthly quota increase of 400,000 bpd.

Goldman Sachs said that OPEC+ may be more concerned by the hawkish central bank shift that could lead to slower global growth and oil demand revenues this year. It stated "While we had assumed a roll-over of the month 400,000 bpd quota hike, we view growing potential for a faster ramp-up" at the OPEC+ meeting this Wednesday, given the pace of the recent rally and the likely pressure from importing nations. It said the outcome of the meeting remains "evenly balanced" between an increase of 400,000 bpd for March and a larger increase. Goldman Sachs said fundamentally, its modeling would point to a \$3/barrel impact if OPEC+ brought forward the April increase, worth an additional 200,000 bpd of supply through December 2022 or even less if Saudi Arabia increased its output by 500,000 bpd for three months.

Late Monday, negotiators for the United Steelworkers union and U.S. oil and chemical companies agreed to continue talks on a new contract after a strike deadline passed. The two sides temporarily halted negotiations ahead of the midnight deadline but plan to continue discussion on Tuesday.

Early Market Call - as of 8:40 AM EDT

WTI - Mar \$89.22, up \$1.02

RBOB - Feb \$2.6034, up 2.80 cents

HO - Feb \$2.7696, up 2.84 cents

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Mar-22	2.7412	0.0255	0.1120
Apr-22	2.6534	0.0166	0.0872
May-22	2.6000	0.0132	0.0718
Jun-22	2.5661	0.0099	0.0597
Jul-22	2.5440	0.0085	0.0530
Aug-22	2.5298	0.0077	0.0495
Sep-22	2.5235	0.0075	0.0432
Oct-22	2.5178	0.0077	0.0482
Nov-22	2.5085	0.0079	0.0448
Dec-22	2.4956	0.0080	0.0393
Jan-23	2.4817	0.0073	0.0335
Feb-23	2.4643	0.0069	0.0294
Mar-23	2.4438	0.0067	0.0266
Apr-23	2.4194	0.0062	0.0255
May-23	2.3999	0.0062	0.0245
Jun-23	2.3844	0.0056	0.0226
Jul-23	2.3761	0.0054	0.0219

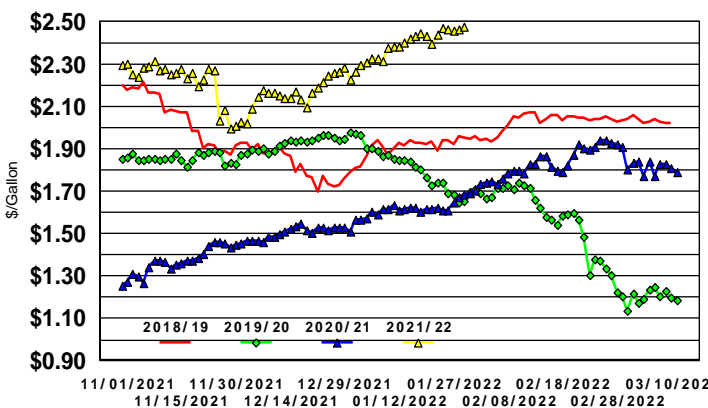
Sprague HeatCurve October 2022-April 2023		\$2.4752	
		Close	Change
Crude - WTI	Apr Brent- WTI Spread \$2.70	\$86.4600	-\$0.0300
Crude - Brent		\$89.1600	-\$0.1000
Natural Gas		\$4.7510	-\$0.1230
Gasoline		\$2.5752	\$0.0208

API Report for the Week Ending January 28, 2022

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Down 1.645 million barrels	Up 1.1 million barrels
Cushing, OK Crude Stocks	Down 1.031 million barrels	
Gasoline Stocks	Up 5.816 million barrels	Up 1.7 million barrels
Distillate Stocks	Down 2.5 million barrels	Down 1.6 million barrels
Refinery Runs		Down 0.1%, 87.6%

Sprague HeatCurve

Sprague HeatCurve October-April



8-14 Day Weather Forecast

8-14 Day Temperature Outlook

Valid: February 9 - 15, 2022
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