

Market Commentary

All NYMEX | Prior Settlements

Recap: The oil market erased Monday's gains and retraced almost 62% of its move from a recent low of \$67.03 to its high of \$75.06 on profit taking. Concerns over global economic growth outweighed Saudi Arabia's pledge over the weekend to increase its output cuts by 1 million bpd to 9 million bpd in July. The market seemed to focus on the risk to demand, with recession concerns increasing as the U.S. service sector barely grew in May. The oil market sold off to a low of \$70.13 in overnight trading. However, the market held support at its 62% retracement level at \$70.10 and traded back above the \$72.00 to a high of \$72.33 by mid-day. The July WTI contract later settled in a sideways trading range and ended the session down 41 cents at \$71.74, ending a three-day rally. The product markets ended the session mixed, with the heating oil market settling down 97 points at \$2.3678 and the RB market settling up 3.99 cents at \$2.5643.

Market Analysis: The oil market will likely continue to trade lower amid the expectations that the API and EIA reports will show builds in crude and product inventories for the week ending June 2nd. The oil market is seen finding support at its low of \$70.13, \$70.10-\$70.00, followed by \$67.51 and \$67.03. Meanwhile, resistance is seen at its high of \$72.33, \$73.05, \$75.06, \$75.65 and \$75.96. More distant upside is \$76.49 and \$76.74.

Fundamental News: In its Short Term Energy Outlook, the U.S. EIA increased its 2023 world oil demand growth forecast by 30,000 bpd to 1.59 million bpd. The agency cut its oil demand growth estimate for 2024 by 20,000 bpd to 1.7 million bpd. Total world oil demand is estimated at 101.01 million bpd in 2023 and 102.71 million bpd in 2024. Meanwhile, total world oil output in 2023 is expected to increase by 1.52 million bpd to 101.37 million bpd and increase by 1.32 million bpd to 102.69 million bpd in 2024. OPEC crude oil production is forecast to fall by 570,000 bpd to 28.1 million bpd in 2023 and increase by 280,000 bpd to 28.38 million bpd in 2024. The EIA also reported that U.S. oil production increased by 720,000 bpd to 12.61 million bpd in 2023 and by 160,000 bpd to 12.77 million bpd in 2024. U.S. petroleum demand in 2023 is forecast to increase by 150,000 bpd to 20.43 million bpd and by 260,000 bpd to 20.69 million bpd in 2024. In regards to prices, the EIA forecast the price of Brent crude will average \$79/barrel in the second half of 2023, \$79.54/barrel for all of 2023 and \$84/barrel in 2024.

S&P Global Commodities at Sea is estimating U.S. gasoline imports jumping to 1.2 million b/d in the week ending June 2nd and up from 833,000 b/d reported by the EIA for the previous week. The ship tracking service also estimates U.S. exported 1.1 million b/d of gasoline during the same week, while distillate exports from the U.S. remained strong at 1.2 million b/d.

Citi said Saudi Arabia's pledge to deepen output cuts is unlikely to underpin a sustainable price increase into the high \$80s-low \$90s. Analysts at Citi said weaker demand and stronger non-OPEC supply by year end, potential recessions in the U.S. and Europe, and lower growth in China could push prices lower rather than higher this year and in 2024. Analysts said prices are expected to be range-bound, with Brent averaging \$81/barrel through the year. Meanwhile, HSBC also maintained its Brent price forecast of \$93.50/barrel for the second half of the year, predicting negative macroeconomic factors would offset some of the support from the cuts. However, UBS and Barclays were slightly more upbeat. UBS analysts forecast Brent prices at \$95/barrel by end-2023 with a supply deficit seen increasing above 2 million bpd. They added the global market balance is likely to remain in a "meaningful deficit" following the broader OPEC+ agreement to extend voluntary cuts to end-2024. Barclays expected the voluntary reduction by Saudi Arabia to slightly increase the deficit in the second half of the year.

Early Market Call - as of 8:30 AM EDT

WTI - July \$72.44, up 70 cents
 RBOB - July \$2.5717, up 74 points
 HO - July \$2.3855, up 1.77 cents

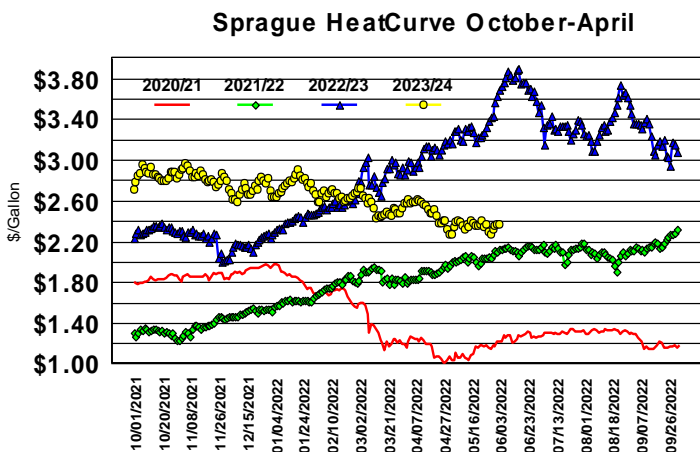
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jun-23	2.3678	-0.0097	0.1169
Jul-23	2.3657	-0.0089	0.1118
Aug-23	2.3708	-0.0088	0.1087
Sep-23	2.3744	-0.0086	0.1056
Oct-23	2.3731	-0.0089	0.1023
Nov-23	2.3681	-0.0091	0.0992
Dec-23	2.3666	-0.009	0.0955
Jan-24	2.3614	-0.0086	0.0925
Feb-24	2.3483	-0.0083	0.0894
Mar-24	2.3272	-0.008	0.0865
Apr-24	2.3138	-0.0075	0.0837
May-24	2.3038	-0.0069	0.0814
Jun-24	2.299	-0.0067	0.079
Jul-24	2.2956	-0.0065	0.0767
Aug-24	2.2939	-0.006	0.0745
Sep-24	2.2935	-0.006	0.0723
Oct-24	2.2913	-0.0062	0.0708

Sprague HeatCurve October 2023-April 2024		Close	Change
Crude - WTI	Aug Brent-WTI Spread \$4.44	\$71.8500	-\$0.4100
Crude - Brent		\$76.2900	-\$0.4200
Natural Gas		\$2.2620	\$0.0170
Gasoline		\$2.5643	\$0.0399

API Report for the Week Ending June 2, 2023

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Down 1.7 million barrels	Up 1 million barrels
Gasoline Stocks	Up 2.4 million barrels	Up 750,000 barrels
Distillate Stocks	Up 4.5 million barrels	Up 1 million barrels
Refinery Runs		Up 0.6% at 93.7%

Sprague HeatCurve October-April



WTI Forward Curve

