

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil futures extended their gains, as tensions in OPEC+ producer Kazakhstan escalated and as supplies in Libya became limited due to outages. A deep freeze in Canada and the northern U.S. is disrupting oil flows and helped to push WTI above \$80 before paring some gains. Both Brent and WTI traded at their highest level since the end of November before the emergence of the omicron variant of coronavirus spooked markets, shrugging off earlier weakness. The markets were pressured on the opening by demand concerns after the U.S. dollar rose in reaction to hawkish Federal Reserve news. However, the overnight events in Kazakhstan fueled a turnaround. February WTI added \$1.61, or 2.07%, to settle at \$79.46 a barrel, while March Brent settled at \$81.99 a barrel, up \$1.19, or 1.47%.

Technical Analysis: Oil prices are being fueled by healthy demand in the face of the omicron variant of coronavirus, amid supply disruptions. This helped to push WTI above the upper trend line on the symmetrical triangle we wrote about yesterday. We would like to see WTI hold the line during Friday's trading session, which would affirm the break above it. At this point, we are looking for a run at the October high of \$80.72, with the potential for this market to reach \$85. A dip back below the trend line invalidates the break. Support is set at \$76 and below that at \$74.58.

Fundamental News: Goldman Sachs' global head of commodities research, Jeff Currie, said the bank is "extremely bullish" on commodities, amid a supercycle that has the potential to last for a decade. He said the new year has started against a backdrop that includes record dislocations in energy, metals and agriculture, and significant amounts of money in the system. He also stated that investment positions in commodities are low. Goldman Sachs' target price of Brent crude in the first quarter is \$85/barrel, but that was under the assumption that Iranian production would return later in the year, which is looking increasingly unlikely.

According to Bloomberg calculations of U.S. Census Bureau data, U.S. crude exports, including condensate, increased to 3.11 million bpd in November from 2.9 million bpd in October.

Reuters reported that OPEC produced 27.80 million bpd in December, up 70,000 bpd from the previous month but short of the 253,000 bpd increase allowed under the supply deal. With output undershooting the planned increase, OPEC's compliance with its pledged cuts increased to 127% in December from 120% a month earlier.

The Caspian Pipeline Consortium said it was continuing to operate normally amid the state of emergency in Kazakhstan. Kazakhstan has been plunged into turmoil after fuel price hikes sparked massive protests, forcing the government to introduce a state of emergency across the country including in Atyrau, the province where CPC facilities are based. Shell said production continued at the Kashagan and Karachaganak oil fields.

Chevron said there has been a temporary adjustment to output due to logistics at Kazakhstan's Tengiz oil field. It did not say how large the adjustment is.

Early Market Call - as of 8:00 AM EDT

WTI - Feb \$80.26, up 80 cents
 RBOB - Feb \$2.3294, up 2.51 cents
 HO - Feb \$2.4931, up 1.54 cents

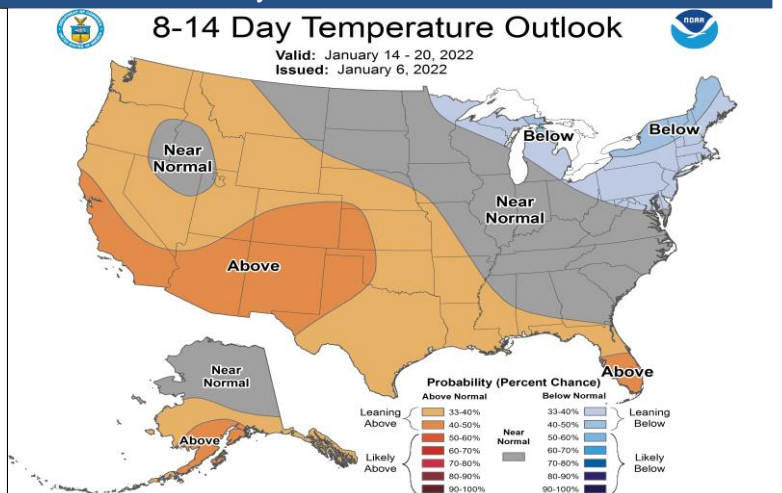
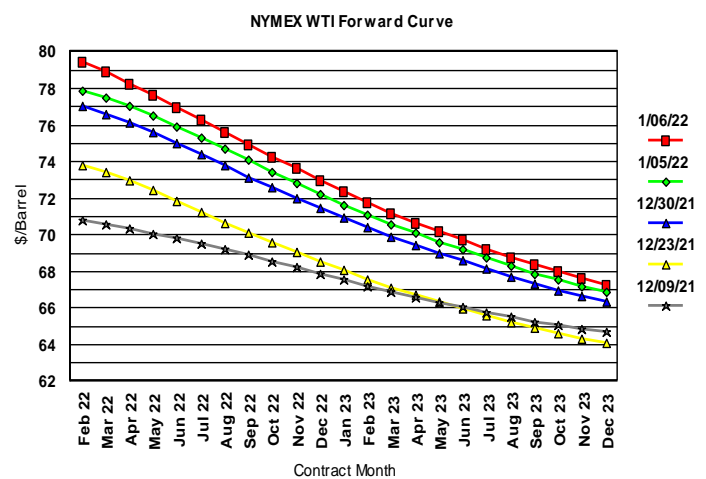
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-22	2.4777	0.0316	0.0914
Mar-22	2.4493	0.0301	0.0818
Apr-22	2.4144	0.0275	0.0711
May-22	2.3897	0.0249	0.0634
Jun-22	2.3736	0.0232	0.0597
Jul-22	2.364	0.022	0.0568
Aug-22	2.3569	0.0214	0.0544
Sep-22	2.3535	0.0214	0.051
Oct-22	2.3504	0.0214	0.0523
Nov-22	2.3473	0.0215	0.0516
Dec-22	2.3426	0.0211	0.0509
Jan-23	2.3375	0.0206	0.0499
Feb-23	2.3272	0.0196	0.0481
Mar-23	2.3121	0.0184	0.0457
Apr-23	2.2927	0.0171	0.0437
May-23	2.279	0.0165	0.0426
Jun-23	2.2667	0.0147	0.0399

Settlements			
		Close	Change
Crude - WTI	Mar Brent-WTI Spread \$3.11	\$78.8800	\$1.4100
Crude - Brent		\$81.9900	\$1.1900
Natural Gas		\$3.8120	-\$0.0700
Gasoline		\$2.3043	\$0.0122

EIA Working Gas Storage Report				
	31-Dec-21	24-Dec-21	Change	31-Dec-20
East	767	777	-10	771
Midwest	893	918	-25	930
Mountain	172	180	-8	197
Pacific	219	235	-16	283
South Central	1,143	1,116	27	1,166
Salt	347	326	21	333
Nonsalt	796	790	6	833
Total	3,195	3,226	-31	3,349

WTI Forward Curve

8-14 Day Weather Forecast



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