

## Market Commentary

**Recap:** Oil futures fell more than 9% on Monday, with Brent crude oil reaching a session low of \$109.26 a barrel, while WTI traded at a session low of \$103.18 a barrel. The drop in prices follows news that China began its most extensive coronavirus lockdown in two years to conduct mass testing and control a growing outbreak in Shanghai. That could put a dent in global demand for energy. Late news of a potential Iranian deal pushed prices beyond settlement. Oil prices remain volatile amid the backdrop of Russia's invasion of Ukraine. The United Arab Emirates' energy minister doubled down Monday on an oil alliance with Russia, saying that nation, with its 10-million barrels of oil a day, is an important member of the global OPEC+ energy alliance. Oil prices are up more than 40% globally over concerns about tighter supplies as demand remains strong. Higher oil prices are also raising concerns that already persistently high inflation could be worsened, further threatening global economic growth. May WTI ended the session down \$7.94, or 7% at \$105.96 a barrel, while May Brent settled at \$112.48 a barrel, down \$8.17, or 6.77%. Petroleum products also fell, with April RBOB falling .2512 cents, or 7.24% to \$3.2188 a gallon, while April heating oil settled at \$3.7884 a gallon, down .3312 cents, or 8.05%.

**Technical Analysis:** May WTI blew through the 10-day moving average, with enough accelerator to pierce \$104.50, the 38% retracement provided by the March high of \$130.50 and the December low of \$62.43. At this point, the market is adjusting to the potential of an increase in supply given the Iranian news, and with Chevron given permission to operate in Venezuela; we should see even more supply hitting the market. At this point, we would look for a push toward \$100, with the possibility of WTI reaching the 50-day moving average, which is currently set at \$98.58.

**Fundamental News:** Senior U.S. official, Amos Hochstein, said he had no message for OPEC+ before it meets on March 31<sup>st</sup> and said the oil producing group would do what it saw as right. Hochstein, U.S. presidential coordinator for energy security and build back better world, told an industry event in Dubai by teleconference that the U.S. commitment to the Gulf region was "rock solid". He also said the U.S. was doing everything to increase production to make sure prices are not hurting consumers. He said he is expecting close to 1 million bpd of increased production in the U.S. In regards to the Iranian nuclear deal, he said the most important role is to make sure Iran has no access to nuclear weapons.

UAE Energy Minister, Suhail al-Mazrouei, said oil producers who felt like outcasts at the COP 26 climate conference last year are now being treated like superheroes because their supplies are in strong demand. He said Russian oil is needed by energy markets and no producer can substitute its production. He stressed the need for investment in oil and gas alongside renewables even though the energy transition is taking place, saying OPEC+ needs to replace at least 5-8 million barrels lost every year to keep production where it is. He said the United Arab Emirates will work with OPEC+ to make sure the energy market is stable. Separately, Sultan Ahmed Al Jaber, chief executive of Abu Dhabi National Oil Company said that in the short term, energy markets could tighten with oil demand up almost 3 million bpd over the last year.

Caspian Pipeline Consortium oil loadings from its Black Sea terminal Yuzhnyaya Ozereyevka have fallen to 1.03 million bpd since the loadings resumed last Friday. The loadings were 31% below the 1.49 million bpd planned for March after the consortium shut two of three loading facilities amid damages. Caspian Pipeline Consortium loaded 396,000 tons or 3.09 million barrels of CPC Blend oil from during March 25-27 from a single port mooring 1 loading facility.

IIR Energy said U.S. oil refiners are expected to shut in 940,000 bpd of capacity in the week ending April 1<sup>st</sup>, increasing available refining capacity by 75,000 bpd. Offline capacity is expected to increase to 1.2 million bpd in the week ending April 8<sup>th</sup>.

**Early Market Call - as of 8:35 AM EDT**

WTI - May \$99.85, down \$6.10

RBOB - Apr \$3.0822 down 13.66 cents

HO - Apr \$3.53, down 25.34 cents

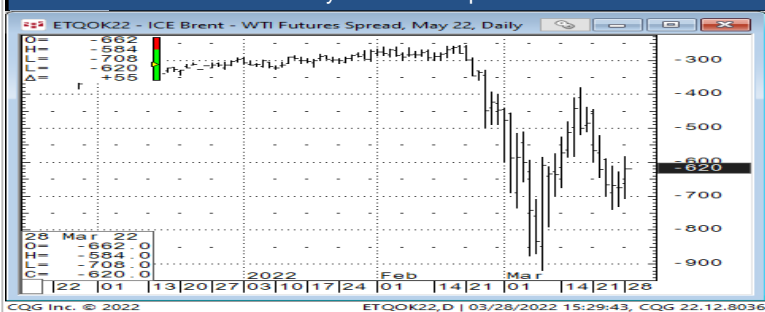
## All NYMEX | Prior Settlements

| Month  | ULSD (HO) Close | Prior Settle Change | Change In One Week |
|--------|-----------------|---------------------|--------------------|
| Apr-22 | 3.7834          | -0.3312             | -0.0175            |
| May-22 | 3.4532          | -0.298              | -0.0818            |
| Jun-22 | 3.2906          | -0.2353             | -0.0511            |
| Jul-22 | 3.1808          | -0.1966             | -0.0317            |
| Aug-22 | 3.0915          | -0.1777             | -0.0361            |
| Sep-22 | 3.0275          | -0.166              | -0.1001            |
| Oct-22 | 2.9794          | -0.1509             | -0.0511            |
| Nov-22 | 2.935           | -0.1356             | -0.0529            |
| Dec-22 | 2.8992          | -0.1219             | -0.0490            |
| Jan-23 | 2.8672          | -0.1122             | -0.0468            |
| Feb-23 | 2.8362          | -0.1072             | -0.0454            |
| Mar-23 | 2.8018          | -0.103              | -0.0454            |
| Apr-23 | 2.7637          | -0.1018             | -0.0519            |
| May-23 | 2.7317          | -0.0988             | -0.0562            |
| Jun-23 | 2.7075          | -0.0941             | -0.0550            |
| Jul-23 | 2.689           | -0.0912             | -0.0575            |
| Aug-23 | 2.674           | -0.0881             | -0.0584            |

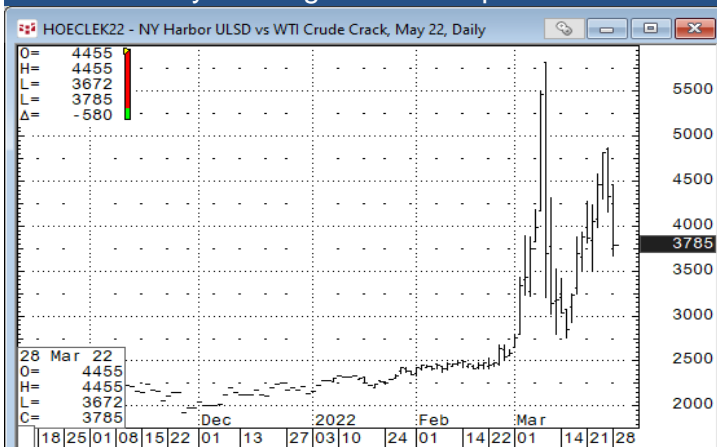
## Sprague HeatCurve October 2022-April 2023

|               | Close      | Change    |
|---------------|------------|-----------|
| Crude - WTI   | \$105.9600 | -\$7.9400 |
| Crude - Brent | \$112.4800 | -\$8.1700 |
| Natural Gas   | \$5.5080   | -\$0.0630 |
| Gasoline      | \$3.2188   | -\$0.2512 |

## ICE May Brent-WTI Spread



## May Heating Oil Crack Spread



## May RBOB Crack Spread

