

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil futures climbed higher on Thursday after OPEC and its allies voted to rollover current production cuts to the end of April. Saudi Arabia also extended its voluntary output cut of one million barrels a day, which was due to expire at the end of March. News of the rollover pushed oil prices back towards their highest levels in more than a year. The spike in prices has sparked criticism from large consuming nations. April WTI gained \$3.47, or 5.7%, to settle at \$64.75 a barrel, while May Brent added \$3.58, or 5.6%, to close at \$67.65 a barrel. April RBOB tacked on 3.6%, to settle at \$2.0209 a gallon, while April heating oil edged up 4.2%, to \$1113 a gallon.

Technical Analysis: The rise in prices came despite the 21.6 million barrel rise in U.S. crude oil supplies due to the frigid cold that stretched across Texas and forced the shut in of production. However, there were significant declines in both heating oil and gasoline supplies. Currently, U.S. crude oil supplies are 60 million barrels more than what they were between 2014 through 2019 and are on par with 2019-2020, when COVID gripped the country. With production bouncing back last week and Texas starting to thaw, we should see production continue to rise. Demand for oil remains constrained across the globe as new strains of COVID-19 surface, and with the economy still not back on its feet, it will be difficult to gauge short term demand. So, worth noting, is that WTI has re-entered an old period of consolidation it had traded back in all of 2019 and just prior to the pandemic stretching across the globe. This range was established by the January 2019 low of \$50.38 and the April 2019 high of \$66.60, with the bulk of this trading taking place between \$60 and \$50. Given the current supply/demand scenario, we would not be surprised to see WTI re-establish this range.

Fundamental News: On Thursday, OPEC+ decided not to increase its production starting next month and keep its broadly unchanged. The group had been debating whether to restore as much as 1.5 million bpd of output. However, after being urged to keep their output steady by Saudi Arabia, delegates said that members agreed to hold steady at current levels, with the exception of Russia and Kazakhstan. OPEC+ sources stated that Saudi Arabia has offered to extend its voluntary oil production cuts of 1 million bpd by one month into April. OPEC+ cut its output by a record 9.7 million bpd last year and as of March, it was still withholding about 7 million bpd. The voluntary Saudi cut brings the total to about 8 million bpd.

OPEC+ delegates said that Russia and Kazakhstan secured exemptions from the OPEC+ supply deal that was agreed on Thursday. Kazakhstan's Energy Ministry reported that Russia will be able to increase its output by 130,000 bpd, while Kazakhstan can increase its output by 20,000 bpd in April.

According to GasBuddy, the average U.S. price of gasoline could reach a more than six year high of \$3 by Memorial Day on May 31st.

Analysts and traders said a four-month rally in the oil futures price from below \$40/barrel to above \$60 is out of step with demand, with physical sales only expected to match supply later in 2021. The price has surged since the start of November, supported by expectations of an economic recovery as governments promise more stimulus, producers rein in output and vaccine rollouts offer hope that the worst effects of the COVID-19 pandemic are over. However, physical demand for crude from refiners and other end users has yet to catch up, with cargoes to key markets like China broadly trading at lower prices amid sluggish sales. J.P. Morgan said the benchmark Brent futures contract was "running two quarters ahead and \$4 above what fundamentals warrant." The International Energy Agency does not expect demand to catch up with supply until about the third quarter.

Early Market Call - as of 8:30 AM EDT

WTI - Apr \$65.08, up \$.120

RBOB - Apr \$2.0275, up 2.96 cents

HO - Apr \$1.9250, up 2.88 cents

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Apr-21	1.8960	0.0603	0.0019
May-21	1.8922	0.0611	-0.0053
Jun-21	1.8882	0.0606	-0.0091
Jul-21	1.8854	0.0602	-0.0109
Aug-21	1.8833	0.0598	-0.0113
Sep-21	1.8824	0.0588	-0.0103
Oct-21	1.8820	0.0579	-0.0095
Nov-21	1.8817	0.0571	-0.0088
Dec-21	1.8796	0.0559	-0.0079
Jan-22	1.8790	0.0548	-0.0081
Feb-22	1.8754	0.0537	-0.0088
Mar-22	1.8662	0.0523	-0.0101
Apr-22	1.8502	0.0512	-0.0114
May-22	1.8398	0.0495	-0.0121
Jun-22	1.8317	0.0478	-0.0125
Jul-22	1.8299	0.0462	-0.0128
Aug-22	1.8285	0.0445	-0.0130

Sprague HeatCurve October 2021-April 2022		\$1.8744
	Close	Change
Crude - WTI	\$63.6200	\$2.5200
Crude - Brent	\$66.7400	\$2.6700
Natural Gas	\$2.7460	-\$0.0700
Gasoline	\$1.9979	\$0.0461

EIA Working Gas Storage Report

	26-Feb-21	19-Feb-21	Change	26-Feb-2020
East	383	424	-41	460
Midwest	465	508	-43	567
Mountain	117	123	-6	103
Pacific	210	218	-8	197
South Central	670	670	0	795
Salt	159	150	9	233
Nonsalt	511	520	-9	562
Total	1,845	1,943	-98	2,122

Sprague HeatCurve October-April

WTI Forward Curve

