

## Market Commentary

**Recap:** The oil market on Wednesday continued to trend higher ahead of the release of the weekly petroleum stock reports which are expected to show draws in stocks and the Federal Reserve Chair, Jerome Powell reaffirmed the central bank's fight to bring inflation down to its 2% target. The market posted a low of \$70.80 in overnight trading before it bounced higher and never looked back. It extended its gains to over \$2.20 as it rallied to a high of \$72.72 by mid-day. The market was well supported by the Federal Reserve Chair's testimony before the House Financial Services Committee that the bank's fight to lower inflation had a long way to go. The market later traded in a sideways range ahead of the close. The August WTI contract on its first day as the spot contract settled up \$1.34 at \$72.53, while the August Brent contract settled up \$1.22 at \$77.12. The product markets also settled sharply higher, with the heating oil market settling up 8.88 cents at \$2.5642 and the RB market settling up 1.49 cents at \$2.6241.

**Market Analysis:** The oil market will seek further direction from the weekly petroleum stock reports, which are expected to show small builds across the board. The market remains in its recent trading range as it trades towards the upper end of the range. The oil market is seen finding resistance at its high of \$72.72, \$73.37, \$73.43, basis a trendline, and \$75.70. Meanwhile, support is seen at its low of \$70.80, \$69.76, \$69.06, \$68.14, \$67.31 and \$66.96.

**Fundamental News:** Euroilstock data released Wednesday showed European oil refinery output in May dropped by 4.2% from a year earlier and down 1.7% from April 2023 as refiners reduced activity due to maintenance. Gasoline output in May was off 0.9% from April while distillate production was off 0.7%.

The Biden administration on Wednesday increased the amount of biofuels that oil refiners must blend into the nation's fuel supplies. The EPA finalized its biofuel blending volumes at 20.94 billion gallons in 2023, 21.54 billion gallons in 2024 and 22.33 billion gallons for 2025. This compares to initial targets proposed in December of 20.82 billion in 2023, 21.87 billion in 2024 and 22.68 billion in 2025. The announcement drew strong criticism by ethanol and biofuel groups as they noted the volumes EPA finalized are not high enough to support the administration's decarbonized goals.

Fitch Ratings said today it was lowering its expectations for near term oil and gas prices due to weaker short term demand and concerns over slowing global economic growth. But Fitch was raising its mid-cycle oil assumptions.

Barclay's in a research note to clients noted that overall the oil markets are rightfully concerned about demand but supply woes are "likely overstated." The investment bank said they continue to maintain its trade recommendation to go long the October-December 2023 Brent spread. The trade recommendation was initially placed when the spread was at 92 cents and currently it stands at 62 cents. It also noted that in its "unconstrained scenario" Iranian crude supplies could increase by 1 million b/d over a 6-12 month period, would translate to a downside risk of \$10 per barrel for its current Brent price forecast of \$89 per barrel for 2024.

IIR Energy reported that U.S. oil refiners are expected to shut in about 455,000 bpd of capacity in the week ending June 23<sup>rd</sup>, cutting available refining capacity by 64,000 bpd. Offline capacity is expected to fall to 320,000 bpd in the week ending June 30<sup>th</sup>.

The EIA noted today that U.S. refining capacity has increased by more than 100,000 b/d, reversing two years of declines.

**Early Market Call - as of 8:20 AM EDT**

WTI - August \$71.18, down \$1.35  
 RBOB - July \$2.5674, down 5.67 cents  
 HO - July \$2.5398, down 2.44 cents

## All NYMEX | Prior Settlements

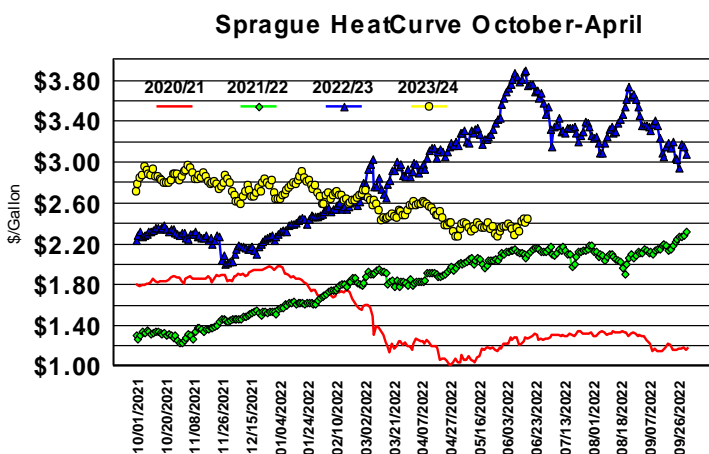
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-23	2.5642	0.0888	0.2065
Aug-23	2.4954	0.0587	0.1535
Sep-23	2.4797	0.0486	0.14
Oct-23	2.4692	0.0423	0.1299
Nov-23	2.4583	0.039	0.1244
Dec-23	2.4473	0.0377	0.1211
Jan-24	2.4395	0.0365	0.1163
Feb-24	2.4279	0.035	0.111
Mar-24	2.4088	0.0335	0.1056
Apr-24	2.3809	0.0318	0.0994
May-24	2.3621	0.0301	0.0948
Jun-24	2.3478	0.0286	0.0916
Jul-24	2.342	0.027	0.0898
Aug-24	2.339	0.026	0.0895
Sep-24	2.3379	0.026	0.09
Oct-24	2.3383	0.0267	0.091
Nov-24	2.3369	0.0273	0.0923

Sprague HeatCurve October 2023-April 2024		Close	Change
Crude - WTI	Aug Brent- WTI Spread \$4.59	\$72.5300	\$1.3400
Crude - Brent		\$77.1200	\$1.2200
Natural Gas		\$2.5970	\$0.1050
Gasoline		\$2.6241	\$1.4900

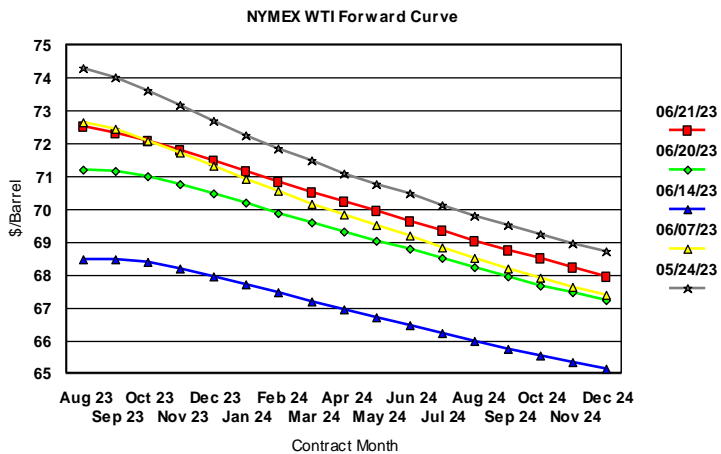
### API Report for the Week Ending June 16, 2023

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Down 1.2 million barrels	Up 300,000 barrels
Gasoline Stocks	Up 2.9 million barrels	Up 100,000 barrels
Distillate Stocks	Down 300,000 barrels	Up 700,000 barrels
Refinery Runs		Up 0.1% at 93.8%

## Sprague HeatCurve October-April



## WTI Forward Curve



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