

## Market Commentary

**Recap:** The oil market sold off sharply on Tuesday following the long New Year's holiday weekend. The market was pressured by weak demand data from China and a gloomy economic outlook. China's government raised its export quotas for refined oil products in the first batch for 2023. Traders attributed the increase to expectations of lower domestic demand as the country continues to battle waves of Covid infections. Also, China's factory activity contracted in December amid the increasing infections. Meanwhile, adding to the sluggish economic outlook, IMF Managing Director, Kristalina Georgieva, said the economies of the United States, Europe and China were also slowing. The crude market opened higher and rallied to a high of \$81.50 in overnight trading, however the market sold off 4.56% as it posted a low of \$76.60 ahead of the close, posting an outside trading day. The February WTI contract settled down \$3.33 or 4.1% at \$76.93, the largest decline in more than a month. The March Brent contract settled down \$3.81 or 4.4% at \$82.10, the largest daily decline in more than three months. The product markets ended the session sharply lower, with the heating oil market settling down 20.85 cents at \$3.0865 and the RBOB market settling down 11.71 cents at \$2.3612.

**Technical Analysis:** The oil market is seen retracing some of its losses and trading mostly sideways following Tuesday's outside trading session and ahead of the release of the weekly petroleum stock reports. The reports are expected to show a build of 2.2 million barrels in crude stocks and draws in product stocks of 1.8 million barrels in distillates stocks and 1.5 million barrels in gasoline stocks. The market is seen finding support at its low of \$76.60, \$74.31, \$73.81 and \$73.33. More distant support is seen at \$70.25 and \$70.08. Meanwhile, resistance is seen at \$78.10, \$79.80 and its high of \$81.50. Further upside is seen at \$82.72 and \$83.34.

**Fundamental News:** Goldman Sachs said "We continue to believe the oil curve will strengthen from current levels." It expects the curve to further strengthen as demand recovers and the market works through OPEC spare capacity. Goldman Sachs Equity Research said "We see \$80-\$100/barrel Brent as a realistic range for the commodity and use \$90/barrel average annual Brent in our models through 2026."

Commerzbank said Brent could increase to the \$100/barrel level as soon as there are signs of economic recovery, which will probably happen around the second quarter of 2023 onwards.

Genscape reported that crude oil stocks held in Cushing, Oklahoma in the week ending Friday, December 30<sup>th</sup> increased by 175,637 barrels but fell by 438,366 barrels from Tuesday, December 27<sup>th</sup> to 28,563,878 barrels.

Diesel imports into Europe from Asia, the Middle East, Russia and the U.S. are so far set to reach 2.23 million tons in January, compared with a record 6.34 million tons in December.

IIR Energy said U.S. oil refiners are expected to shut in about 129,000 bpd of capacity in the week ending January 6<sup>th</sup>, increasing available refining capacity by 1,897,000 bpd.

A 33,000 bpd alkylation unit at Chevron's El Segundo refinery was shut on the evening of December 30<sup>th</sup>. The unit had briefly restarted on December 29<sup>th</sup>.

Total reported that startup procedures were underway at its 238,000 bpd Port Arthur, Texas refinery on December 28<sup>th</sup> following Winter Storm Elliot.

The Benicia Fire Department said Valero's 145,000 bpd Benicia, California refinery flared early on Tuesday morning while it was restarting a unit.

Chevron Corp plans to export this month its first cargo of Venezuelan crude to its Pascagoula, Mississippi refinery following a U.S. license granted last year. The 500,000 barrel cargo of Hamaca heavy crude, to be loaded at state-run PDVSA's Jose port, comes from the Petropiar oil joint venture operated by both companies.

**Early Market Call - as of 8:15 AM EDT**

WTI - February \$74.65 Down \$2.28

RBOB - February \$2.2861 Down \$0.0731

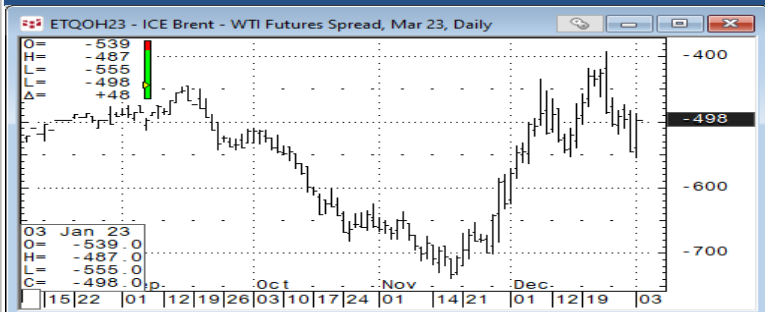
HO - February \$2.9955 Down \$0.0910

## All NYMEX | Prior Settlements

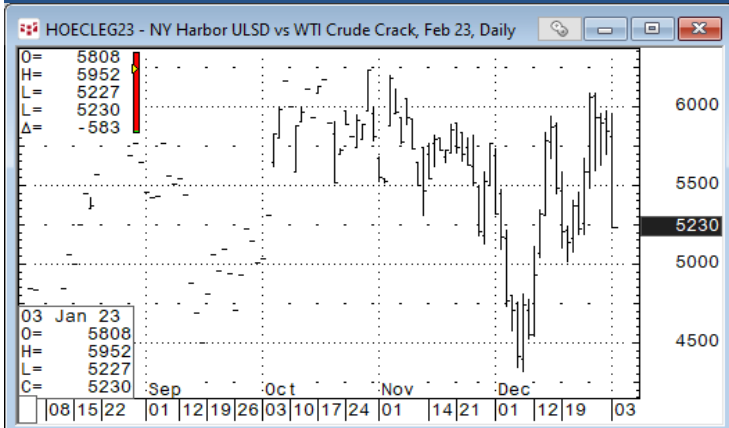
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-23	3.0865	-0.2085	-0.2266
Mar-23	2.9982	-0.181	-0.2107
Apr-23	2.8972	-0.1629	-0.196
May-23	2.8288	-0.1515	-0.1818
Jun-23	2.7901	-0.1438	-0.1655
Jul-23	2.7745	-0.1375	-0.153
Aug-23	2.7625	-0.1326	-0.147
Sep-23	2.7529	-0.1293	-0.1451
Oct-23	2.7419	-0.126	-0.1429
Nov-23	2.7287	-0.1224	-0.1402
Dec-23	2.7147	-0.119	-0.1371
Jan-24	2.7018	-0.117	-0.1364
Feb-24	2.688	-0.1151	-0.1356
Mar-24	2.6675	-0.1133	-0.1347
Apr-24	2.6389	-0.1131	-0.1361
May-24	2.6187	-0.1129	-0.1399
Jun-24	2.6049	-0.1123	-0.1442

Sprague HeatCurve October 2023-April 2024		Close	Change
Crude - WTI	Mar Brent- WTI Spread \$4.98	\$77.1200	-\$3.3300
Crude - Brent		\$82.1000	-\$3.8100
Natural Gas		\$3.9880	-\$0.4870
Gasoline		\$2.3612	-\$0.1171

### ICE March Brent-WTI Spread



## February Heating Oil Crack Spread



## February RBOB Crack Spread

