

## Market Commentary

**Recap:** Oil prices pushed higher while stocks struggled on Wednesday after Ukraine called up reservists and Russia vowed a strong response to Western sanctions. Traders had largely welcomed the sanctions as being less severe than feared, and mostly avoided Russian energy exports, sending oil prices sliding and stocks climbing. But the stock gains largely evaporated and oil prices rose after Ukraine called up reservists and restricted movement in the country. Some analysts said the announced measures against Russia, and remarks by Biden administration officials, have lowered concerns about sanctions affecting the flow of crude oil. April WTI added 19 cents, to settle at \$96.84 a barrel, while May Brent settle unchanged at \$96.84 a barrel. Petroleum products were up, with March RBOB tacking on .0145 cents, to settle at \$2.7253 per gallon, while March heating oil added .0104 cents, to settle at \$2.8292 a gallon.

**Market Outlook:** Oil futures traded back and forth on Wednesday, as traders await the delayed EIA report, with analysts expecting a decline of 300,000 barrels for U.S. crude oil inventories and draws of 1 million barrels each for gasoline and distillates. Looming in the background is the crisis at the Ukrainian border, as Russia is a major supplier. Supply remains tight, with little expansion on the drilling side. Oil prices could still work higher, especially if the U.S. dollar were to suddenly lose strength. WTI has been consolidating between \$87.50 and \$95. Although we expect this market to continue to consolidate, our bias is to the upside.

**Fundamental News:** Iran's Foreign Minister, Hossein Amirabdollahian, said that he hopes outstanding issues in negotiations with world powers to restore the nuclear deal will be resolved in the "next few days". He told reporters that overall he was optimistic about the talks currently taking place in Vienna and hope some remaining issues will be settled this week. However, he added that Iran will not concede any of its "red lines" in the negotiations. Iran's foreign ministry reported late in the day that its chief negotiator at the nuclear talks would leave Vienna and return to Iran for a "short visit" to consult with Iranian leaders.

According to Goldman Sachs, an armed clash between Ukraine and Russia, coupled with sanctions imposed against Russia, could push U.S. stocks toward another major loss. Goldman Sachs economist, Dominic Wilson, said the S&P 500 could fall 6.2% in a scenario in which the crisis escalates and "outright conflict" breaks out. The Nasdaq Composite could fall 9.6%. It is already down more than 14% this year. Goldman Sachs also estimates that the crisis could push oil prices 13.6% higher.

IIR Energy reported that U.S. oil refiners are expected to shut in 639,000 bpd of capacity in the week ending February 25<sup>th</sup>, increasing available refining capacity by 530,000 bpd. Offline capacity is expected to fall to 591,000 bpd for the week ending March 4<sup>th</sup>.

JP Morgan said oil prices will average \$110/barrel in the second quarter as tensions over Ukraine continue to escalate. JP Morgan analysts said that the market is likely to see sustained higher prices in the next quarter, before retreating to average \$90/barrel at the end of the year. Brent will average \$110/barrel next quarter, while WTI crude averages \$107/barrel. Its estimates are up \$22 from its previous forecast.

RBC analysts said the over the course of the year or next, global inventories could be structurally exhausted to such a low level that oil prices can rally even during periods in which inventories build.

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

WTI - Mar \$99.40, up \$7.30

RBOB - Mar \$2.8950, up 16.97 cents

HO - Mar \$3.0249, up 19.57 cents

Russia launched an all-out invasion of Ukraine by land, air and sea on Thursday, the largest attack by one state against another in Europe since World War II.

## All NYMEX | Prior Settlements

| Month  | ULSD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
|        | Close     | Change       | One Week  |
| Mar-22 | 2.8292    | 0.0104       | -0.0283   |
| Apr-22 | 2.7934    | 0.0029       | 0.0033    |
| May-22 | 2.7444    | 0.0040       | 0.0215    |
| Jun-22 | 2.7097    | 0.0083       | 0.0362    |
| Jul-22 | 2.6814    | 0.0106       | 0.0404    |
| Aug-22 | 2.6650    | 0.0140       | 0.0428    |
| Sep-22 | 2.6596    | 0.0167       | 0.0374    |
| Oct-22 | 2.6522    | 0.0174       | 0.0459    |
| Nov-22 | 2.6416    | 0.0176       | 0.0479    |
| Dec-22 | 2.6295    | 0.0181       | 0.0503    |
| Jan-23 | 2.6168    | 0.0184       | 0.0518    |
| Feb-23 | 2.6003    | 0.0187       | 0.0531    |
| Mar-23 | 2.5811    | 0.0187       | 0.0550    |
| Apr-23 | 2.5571    | 0.0188       | 0.0558    |
| May-23 | 2.5382    | 0.0192       | 0.0559    |
| Jun-23 | 2.5238    | 0.0191       | 0.0562    |
| Jul-23 | 2.5170    | 0.0189       | 0.0579    |

### Sprague HeatCurve October 2022-April 2023

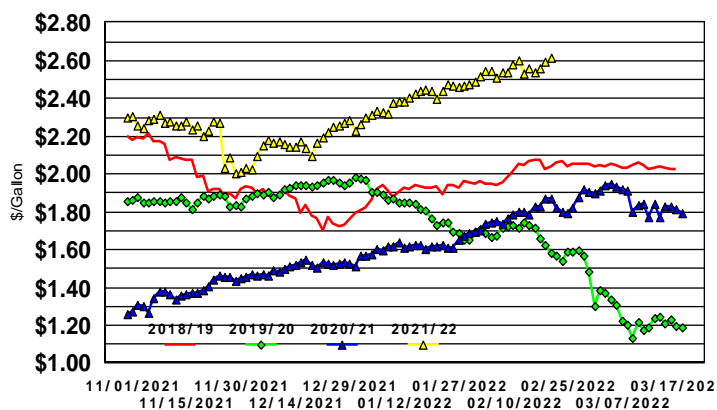
|               | Close     | Change   |
|---------------|-----------|----------|
| Crude - WTI   | \$92.1000 | \$0.1900 |
| Crude - Brent | \$96.8400 | \$0.0000 |
| Natural Gas   | \$4.6230  | \$0.1250 |
| Gasoline      | \$2.7253  | \$0.0145 |

### API Report for the Week Ending February 18, 2022

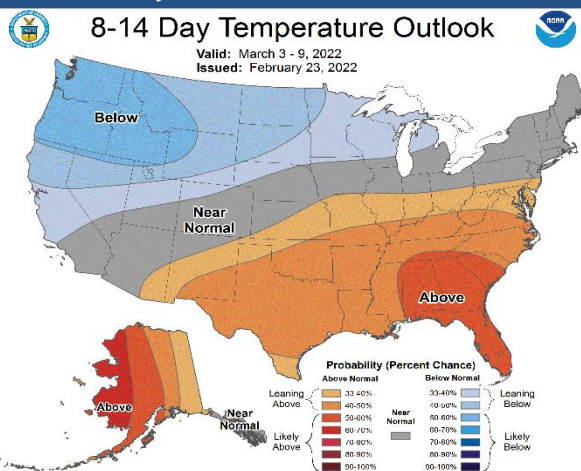
|                            | Actual                   | Mkt Expectations                |
|----------------------------|--------------------------|---------------------------------|
| Crude Oil Stocks(excl SPR) | Up 6 million barrels     | Down 300,000/Up 300,000 barrels |
| Cushing, OK Crude Stocks   | Down 2.1 million barrels |                                 |
| Gasoline Stocks            | Up 427,000 barrels       | Down 1.1/1.5 million barrels    |
| Distillate Stocks          | Down 985,000 barrels     | Down 1.1/2 million barrels      |
| Refinery Runs              |                          | Down 0.5%, 84.8%                |

## Sprague HeatCurve

### Sprague HeatCurve October-April



## 8-14 Day Weather Forecast



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