

Market Commentary

Recap: Oil futures opened Tuesday's session trading at unchanged but quickly jumped, with Brent topping the session above \$80 a barrel for the first time in nearly three years, as a crunch in the natural gas market spilled over into the crude oil market. Gains however, were pared as the equities market plunged, taking oil prices down with it. Both Brent and WTI traded below unchanged, as weak longs were spooked out of positions. Both key benchmarks have jumped around 9% over the past month as part of a broader rally in energy markets, with depleted natural gas inventories and resurgent economic activity sparking fierce competition in Europe and Asia for natural gas to feed their power markets. November WTI settled at \$75.29 a barrel, down 16 cents, or 0.21%, while November Brent fell 44 cents, or 0.55%, to settle at \$79.09 a barrel. In December Brent on Tuesday, 13,400 contracts were traded in the \$100 call. Contracts are mostly trading outright, though there are also a handful of spreads with Dec. \$90 calls and Dec. \$95 calls. Similarly, in December WTI, the \$150 calls traded 5,000 contracts, while the \$85 call traded over 13,000 contracts. October RBOB lost 1% to \$2.202 a gallon and October heating oil fell 0.3% to \$2.289 a gallon.

Market Outlook: Oil futures snapped a five session winning streak, but not without WTI achieving its second highest settlement this year. It looks like this market is showing some signs of exhaustion and moving oscillators are set high in over bought territory and appear to be getting ready to cross to the downside. At this point, it would not be surprising to see a bit of a pullback, but we would not be looking to go short this market, but instead, look for a bit of a floor to scoop up some new length. We could see a dip all the way down toward the 50-EMA, and would feel comfortable buying down at this number. A break below this average would lead us to rethinking our position. Support is seen at \$72.93 and below that at \$70.30. To the upside resistance is set at \$76.98 and above that at \$77.74.

Fundamental News: OPEC said demand for oil will increase sharply in the next few years as the global economy recovers from the pandemic, adding that the world needs to keep investing in oil production to avert a crunch even as the energy transition is under way. In its 2021 World Oil Outlook, OPEC said oil demand will increase by 1.7 million bpd in 2023 to 101.6 million bpd, adding to robust growth already predicted for 2021 and 2022, and pushing demand back above the pre-pandemic 2019 rate. OPEC also lowered its estimates for longer-term oil demand in the report, citing changes to consumer behavior brought by the pandemic and competition from electric cars. Global demand is expected to plateau after 2035. Last year's report said world oil demand would exceed 2019's rate in 2022, not 2023. Now, world oil demand is expected to reach 106.6 million bpd in 2030, down 600,000 bpd from last year's figure. Demand in 2035 is forecast to increase to 107.9 million bpd.

White House Press Secretary, Jen Psaki, said the Biden administration is continuing to monitor oil prices and is continuing to speak with international partners, including OPEC on the importance of competitive markets. It said the Biden administration is not only engaged with OPEC but it is looking at every means we have to address the cost of oil.

Morgan Stanley left its oil price forecast unchanged. However it stated that on current trends, upside to its bull case scenario to \$85/barrel clearly exists. It sees Brent crude prices at \$77.50/barrel by the end of the third quarter under its base case and at \$85/barrel by the end of the third quarter under its bull case scenario.

Barclays increased its 2022 oil price forecast by \$9 to \$77/barrel for Brent crude and \$74/barrel for WTI. It raised the price forecast in part due to "reduced confidence" for a revival of the U.S.-Iran nuclear deal.

Early Market Call - as of 8:00 AM EDT

WTI - Nov **\$74.85, down 44 cents**
 RBOB - Oct **\$2.1945, down 1.04 cents**
 HO - Oct **\$2.2845, down 59 points**

All NYMEX | Prior Settlements

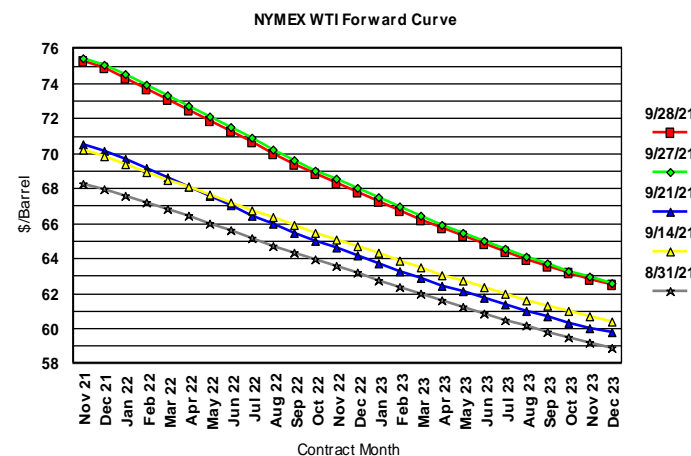
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Oct-21	\$2.2890	-\$0.0070	\$0.1152
Nov-21	\$2.2860	-\$0.0071	\$0.1150
Dec-21	\$2.2819	-\$0.0060	\$0.1168
Jan-22	\$2.2736	-\$0.0053	\$0.1165
Feb-22	\$2.2586	-\$0.0046	\$0.1149
Mar-22	\$2.2388	-\$0.0039	\$0.1144
Apr-22	\$2.2170	-\$0.0034	\$0.1138
May-22	\$2.2021	-\$0.0025	\$0.1132
Jun-22	\$2.1903	-\$0.0016	\$0.1122
Jul-22	\$2.1846	-\$0.0007	\$0.1110
Aug-22	\$2.1808	\$0.0004	\$0.1098
Sep-22	\$2.1783	\$0.0013	\$0.1073
Oct-22	\$2.1769	\$0.0022	\$0.1073
Nov-22	\$2.1746	\$0.0029	\$0.1058
Dec-22	\$2.1710	\$0.0036	\$0.1045
Jan-23	\$2.1662	\$0.0041	\$0.1021
Feb-23	\$2.1560	\$0.0042	\$0.0994

Sprague HeatCurve October 2021-April 2022			\$2.2644
		Close	Change
Crude - WTI	Nov Brent- WTI Spread \$3.80	\$75.2900	-\$0.1600
Crude - Brent		\$79.0900	-\$0.4400
Natural Gas		\$5.8410	\$0.1350
Gasoline		\$2.2019	-\$0.0218

API Report for the Week Ending September 24, 2021

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Up 4.127 million barrels	Down 1.7 million bbls
Cushing, OK Crude Stocks	Up 359,000 barrels	
Gasoline Stocks	Up 3.555 million barrels	Up 1.4 million barrels
Distillate Stocks	Up 2.483 million barrels	Down 1.6 million barrels
Refinery Runs		Up 0.5%

WTI Forward Curve



WTI Continuation



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