

## Market Commentary

## All NYMEX | Prior Settlements

**Recap:** The oil market continued to trend lower on Wednesday following some weak data from China. The crude market traded mostly sideways in overnight trading before it began its sell off. The market, which posted a high of \$69.69 in overnight trading, sold off to a low of \$67.03 after data showed that China's manufacturing activity fell faster than expected in May on weakening demand. The market was further pressured by the strength in the U.S. dollar, which was supported by lower inflation in Europe and progress on a bipartisan U.S. debt ceiling bill, which advanced to the U.S. House of Representatives for debate on Wednesday. Also, U.S. job openings unexpectedly increased in April, pointing to continued strength in the labor market that could push the Federal Reserve to raise interest rates again in June. The oil market, however, bounced off its low and settled in a sideways trading range during the remainder of the session. The July WTI contract settled down \$1.37 at \$68.09 and the July Brent contract settled down 88 cents at \$72.66. The product markets ended the session lower, with the heating oil market settling down 2.12 cents at \$2.2596 and the RB market settling down 3.6 cents at \$2.5599.

**Market Analysis:** The oil market will look for further direction from the weekly petroleum stocks reports, which are expected to show draws in crude stocks. The market will also be driven by updates on the debt ceiling bill vote in the House of Representatives scheduled for Wednesday evening. The market may initially retrace some more of its losses before it continues on its downward trend. The market is seen finding support at \$67.03 and \$63.90, while resistance is seen at \$69.69, \$70.00, \$70.50, \$71.40, \$72.05 and \$73.55. More distant upside is seen at \$74.37 and \$74.73.

**Fundamental News:** U.S. House of Representatives Speaker, Kevin McCarthy, said the bipartisan debt ceiling bill will become law. Meanwhile, U.S. Senate Republican leader Mitch McConnell said he expected the bill to pass the House of Representatives on Wednesday and come to the Senate as soon as Thursday. Earlier, the head of the House Financial Services Committee, Representative Patrick McHenry, said a bipartisan bill to lift the U.S. government's debt ceiling should pass the House of Representatives later on Wednesday. The vote is scheduled for Wednesday night at 8:30 p.m. EST. A successful House vote would send the bill to the Senate, where debate and voting could stretch into the weekend, especially if any one of the 100 senators try to slow its passage. The White House said President Joe Biden expects the debt ceiling bill on his desk by June 5<sup>th</sup>.

Barclays lowered its 2023 Brent crude price forecast by \$5/barrel to \$87/barrel and its 2024 price forecast by \$8/barrel to \$89/barrel. It said OPEC+ will likely remain proactive with a primary goal of avoiding a sustained surplus.

As Russia is seeking to increasingly circumvent Western sanctions, more oil tankers are turning off their location transponders. An analysis of data from S&P Global Market Intelligence has found a 225% increase globally in the practice of switching off the automatic identification system designed to maintain maritime safety and more recently to help track shipments of oil. The data show 215 tankers totaling 9.31 million dwt were engaged in 524 ship-to-ship transfers in the first quarter of this year, compared with 72 tankers with 2.4 million dwt in 161 transfers in the same period a year earlier before sanctions were imposed on Russia.

IIR Energy reported that U.S. oil refiners are expected to shut in about 222,000 bpd of capacity in the week ending June 2<sup>nd</sup>, increasing available refining capacity by 335,000 bpd.

According to the EIA, U.S. crude oil production in March increased by 171,000 bpd on the month to 12.696 million bpd, the highest level since March 2020, from an upwardly revised production level in February of 12.525 million bpd. The EIA also reported that total oil demand in March fell by 0.3% or 63,000 bpd on the year to 20.449 million bpd.

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

WTI - July \$68.27, up 17 cents  
 RBOB - June \$2.4257, down 1.81 cents  
 HO - June \$2.2610, up 1.01 cents

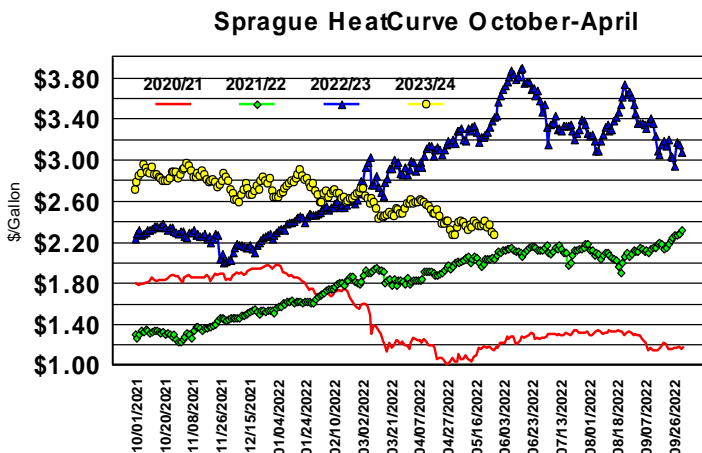
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jun-23	2.2596	-0.0212	-0.1541
Jul-23	2.2509	-0.0181	-0.151
Aug-23	2.2539	-0.0189	-0.1485
Sep-23	2.2621	-0.0201	-0.1476
Oct-23	2.2688	-0.0208	-0.145
Nov-23	2.2708	-0.0214	-0.1426
Dec-23	2.2689	-0.0212	-0.1405
Jan-24	2.2711	-0.0209	-0.1379
Feb-24	2.2689	-0.0203	-0.1345
Mar-24	2.2589	-0.0199	-0.1322
Apr-24	2.2407	-0.0203	-0.1313
May-24	2.2301	-0.0213	-0.1313
Jun-24	2.2224	-0.0223	-0.1308
Jul-24	2.22	-0.0213	-0.128
Aug-24	2.2189	-0.0204	-0.1252
Sep-24	2.2194	-0.0193	-0.1221
Oct-24	2.2212	-0.0187	-0.1191

Sprague HeatCurve October 2023-April 2024			\$2.2655
		Close	Change
Crude - WTI	July Brent-WTI Spread \$4.57	\$68.0900	-\$1.3700
Crude - Brent		\$72.6600	-\$0.8800
Natural Gas		\$2.2660	-\$0.0610
Gasoline		\$2.5599	-\$0.0360

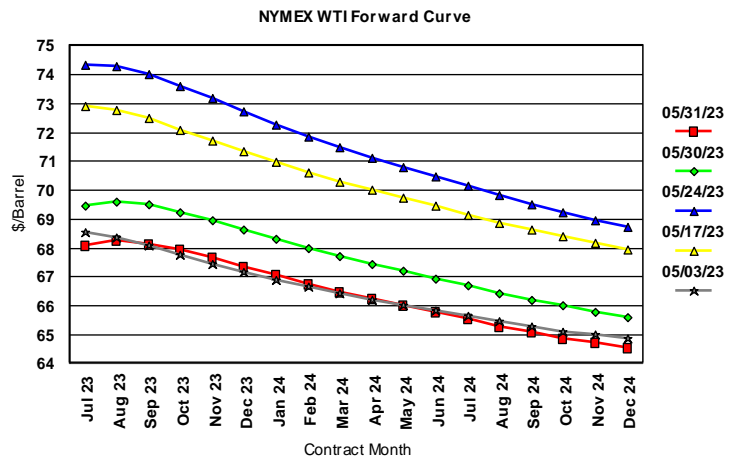
### API Report for the Week Ending May 26 2023

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Up 5.2 million barrels	Down 1.2 million barrels
Gasoline Stocks	Up 1.9 million barrels	Down 200,000 barrels
Distillate Stocks	Up 1.8 million barrels	Up 1.1 million barrels
Refinery Runs		Up 0.7% at 92.4%

## Sprague HeatCurve October-April



## WTI Forward Curve



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