MarketWatch | Refined Products

Tuesday, February 22, 2022

Market Commentary

Recap: On Friday, the oil market extended its losses and posted a weekly decline for the first time in two months as the prospect of increased Iranian oil exports eclipsed fears of potential supply disruption resulting from the Russia-Ukraine crisis. The crude market opened slightly lower and breached its previous lows of $90.62 and $90.00 and sold off to a low of $89.03 in overnight trading on increasing speculation that Iran's nuclear deal may be revived and pave the way for the removal of U.S. sanctions on the country's crude exports. However, the market bounced off that level and traded to a high of $92.66 by midday as the Russian-Ukrainian crisis continued to limit the market's losses. While the U.S. once again warned of a possible Russian attack on Ukraine, Russian officials reiterated that no invasion was underway and none has been planned. U.S. Secretary of State, Antony Blinken, and Russia's Foreign Minister, Sergei Lavrov, have agreed to meet for talks next week. The power struggle in the market continued as it settled in a sideways trading pattern during the remainder of the session. The March WTI contract settled down 69 cents or .75% at $91.07. It was down 2.09% on the week. Meanwhile, the April Brent contract settled up 57 cents at 0.61% at $93.54. The product markets ended mixed once again, with the heating oil market settling down 47 points at $2.7815 and the RB market settling up 2.1 cents at $2.6696.

Technical Analysis: The crude oil market will continue to be driven by headlines as the market continues to weigh the potential for Iranian crude returning to the market under a new nuclear deal with world powers and the heighted geopolitical tensions over Ukraine. Diplomatic efforts aimed at diffusing the tensions will be closely watched, with President Biden expected to speak with European leaders on Friday and the U.S. Secretary of State meeting with Russia's Foreign Minister next week. The crude market is seen finding support at its low of $89.03, $88.86, its 50% retracement level, $88.41, $87.22, its 62% retracement level and $86.75. More distant support is seen at $86.55, $86.34 and $85.01. Meanwhile, resistance is seen at its highs of $92.66, $93.66, $95.01, $95.17 and $95.82.

Fundamental News: According to a Wall Street Journal reporter, Laurence Norman, citing an unidentified senior EU diplomat, a nuclear agreement between Iran and world powers could be completed "in the coming week". The senior diplomat said he expects a deal in the coming week or two weeks.

Sources stated that OPEC+ will work to integrate Iran into its oil supply-limiting accord should agreement be reached on reviving its nuclear deal with world powers. According to the International Energy Agency, a successful outcome to the talks could lift U.S. sanctions on Iran's exports, potentially bringing 1.3 million bpd of Iranian oil back into the market. Due to the impact of sanctions on its exports, Iran is exempt from the existing deal between the Organization of the Petroleum Exporting Countries and allies, known as OPEC+, to limit oil supply. While that exemption allows Iran to boost output, OPEC+ would eventually seek to bring Iran into the accord. A source familiar with Iranian thinking said Iran would first seek to restore its lost output, but would likely, after talks with OPEC+, agree to a quota. Iran is pumping about 2.5 million bpd, some 1.3 million bpd less than in 2018 when former U.S. President Donald Trump withdrew the United States from the nuclear accord and re-imposed sanctions, drastically cutting Tehran's oil income.

RBC Capital's Helima Croft said U.S officials did not directly ask Saudi Arabia for additional supplies during this week's trip to Riyadh. Saudi Arabia signaled it is not prepared to increase production to make up for fellow OPEC+ nations missing their targets. Getting Saudi Arabia to increase its output may require a new bilateral security framework with Washington.

IIR Energy reported that U.S. oil refiners are expected to shut in 1.14 million bpd of capacity in the week ending February 18th, increasing available refining capacity by 476,000 bpd.

<u>Early Market Call - as of 8:55 AM EDT</u>

WTI - Mar $93.74, up $2.67

RBOB - Mar $2.7560, up 8.64 cents

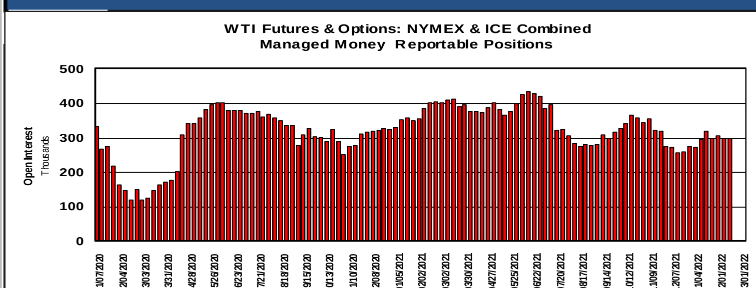
HO - Mar $2.8715, up 9 cents

All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Mar-22	2.7815	-0.0047	-0.1294
Apr-22	2.7493	0.0098	-0.0538
May-22	2.6983	0.0157	-0.0312
Jun-22	2.6596	0.0197	-0.0228
Jul-22	2.6303	0.0205	-0.0243
Aug-22	2.6131	0.0209	-0.0250
Sep-22	2.6069	0.0210	-0.0312
Oct-22	2.5995	0.0206	-0.0224
Nov-22	2.5889	0.0209	-0.0211
Dec-22	2.5762	0.0215	-0.0194
Jan-23	2.5630	0.0218	-0.0188
Feb-23	2.5462	0.0219	-0.0180
Mar-23	2.5270	0.0226	-0.0166
Apr-23	2.5043	0.0237	-0.0142
May-23	2.4860	0.0237	-0.0124
Jun-23	2.4727	0.0236	-0.0077
Jul-23	2.4643	0.0236	-0.0079

Sprague HeatCurve October 2022-April 2023 **$2.5570**

		Close	Change
Crude - WTI	Apr Brent-WTI Spread $3.33	$90.2100	$0.1700
Crude - Brent		$93.5400	$0.5700
Natural Gas		$4.4310	-$0.0500
Gasoline		$2.6696	$0.0210



Commitment of Traders Report for the Week Ending February 15, 2022