

## Market Commentary

**Recap:** Caught between recession fears and the fact that Fed officials seem unwilling to back down from their stance toward more rate-hikes specifically aimed at killing demand, in order to curb inflation combined with weakening demand in China to push oil prices lower on Friday. A recently strong dollar has added to oil's declines as it raised the buying price for oil overseas, since crude is bought and sold in US currency. As part of the rout, the market structure of both oil benchmarks shifted in ways that reflect dwindling supply concerns. Crude had come close to record highs this year as Russia's invasion of Ukraine added to those concerns. WTI for December delivery lost \$1.56, or 1.91% to settle at \$80.08 per barrel. This represents a weekly loss \$8.88 per barrel, or 9.98% to \$80.08, the largest one week net decline since the week ending Aug. 5, 2022. Brent for January delivery fell \$2.16, or 2.41%, to settle at \$87.62 a barrel, down \$8.37 or 8.72% to this week. RBOB Gasoline for December fell \$3.39 cents, or 1.38%, settling at \$2.4208 per gallon, a weekly loss of 18.88 cents per gallon, or 7.23%. ULSL for December delivery lost 0.67 cent or 0.19%, settling at \$3.5181, down 3.72 cents per gallon, or 1.05% on the week.

**Technical Analysis:** Oil futures were hit really hard during the week, with WTI penetrating key psychological support at \$80 and Brent breaking below \$90. Traders continue to focus on a slippage in global demand, which is quite problematic. In a sign of easing concern about supply, and the possibility of a slump in demand, the nearby WTI contract moved to a discount to the second month, a structure known as contango, for the first time since 2021. Until there are stronger economic signs, we do not see oil prices being able to hold on to any rallies, as this market is too closely tied to the global economy. As things slow, demand drops, despite the fact that OPEC has cut 2 million barrels per day recently. Support is seen at \$76.25, \$74.27 and \$72.57. Resistance is set at \$80, \$82.25, \$85.07 and \$87.29.

**Fundamental News:** The European Union's energy policy chief, Kadri Simson, said the European Union expects to have its regulations completed in time for the introduction of a G7 plan to cap the price of Russian crude oil on December 5<sup>th</sup>. The EU will ban Russian crude imports from that date, and Russian oil products from February 5<sup>th</sup>. In addition, a G7 plan, intended as an add-on to the EU embargo, will allow shipping services providers to help to export Russian oil, but only at enforced low prices. This is also set to take effect on December 5<sup>th</sup>.

European refiners have found themselves oversupplied with crude as an expected shortage owing to the looming EU ban on Russian oil has yet to materialize. The front-month Brent crude futures spread narrowed sharply this week, reflecting better supply in the physical oil market as fears over the EU embargo on Russian crude begin to subside. Traders cited Europe's ability to replace Russian oil with grades from the Middle East, the United States and Latin America while Asia is asking for less crude because of an economic slowdown and increased use of Russian barrels. European imports of Latin American crude have soared since Russia's invasion of Ukraine, averaging 313,000 bpd this year, up from 132,000 bpd in 2021. In July alone, Europe imported nearly 600,000 bpd of crude from the region, the highest since at least 2015. U.S. crude imports have also increased, rising to 1.1 million bpd already this year, compared with 800,000 bpd for the whole of last year. Refinitiv Eikon data shows Iraq also increased exports to Europe by more than 20% year on year in the July-November period, as Iraq faces more intense competition in Asia from cheaper Urals oil.

U.S. energy firms this week added oil and natural gas rigs for a third week in a row as relatively high oil prices encourage companies to drill more. Baker Hughes reported that the oil and gas rig count increased by three to 782 in the week ending November 18<sup>th</sup>, its highest since March 2020. It reported that U.S. oil rigs increased by one to 623 this week, their highest since March 2020, while gas rigs increased by two to 157.

**Early Market Call - as of 8:25 AM EDT**

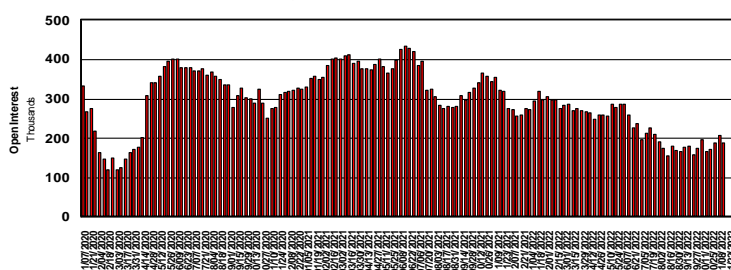
WTI - December \$79.40, down 68 cents  
 RBOB - December \$2.4246, up 38 points  
 HO - December \$3.5121, down 60 points

## All NYMEX | Prior Settlements

| Month  | ULSD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
|        | Close     | Change       | One Week  |
| Dec-22 | 3.5181    | -0.0067      | -0.0372   |
| Jan-23 | 3.3968    | -0.0002      | -0.0539   |
| Feb-23 | 3.2971    | -0.0038      | -0.0643   |
| Mar-23 | 3.1959    | -0.0077      | -0.0779   |
| Apr-23 | 3.0906    | -0.0117      | -0.0891   |
| May-23 | 3.0087    | -0.015       | -0.0988   |
| Jun-23 | 2.9486    | -0.0175      | -0.1026   |
| Jul-23 | 2.9143    | -0.0189      | -0.1023   |
| Aug-23 | 2.8897    | -0.0194      | -0.0986   |
| Sep-23 | 2.8715    | -0.019       | -0.0935   |
| Oct-23 | 2.854     | -0.0185      | -0.09     |
| Nov-23 | 2.8354    | -0.0186      | -0.088    |
| Dec-23 | 2.8151    | -0.0186      | -0.0874   |
| Jan-24 | 2.7939    | -0.0175      | -0.0862   |
| Feb-24 | 2.7737    | -0.016       | -0.085    |
| Mar-24 | 2.7433    | -0.0146      | -0.0843   |
| Apr-24 | 2.7063    | -0.0131      | -0.0813   |

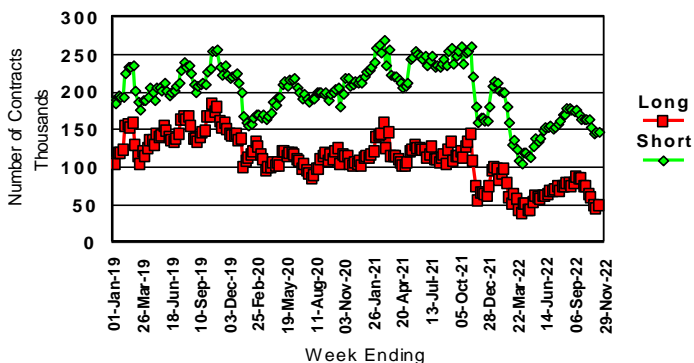
| Sprague HeatCurve October 2023-April 2024 |                                    | Close     | Change    |
|---|------------------------------------|-----------|-----------|
| Crude - WTI                               | Dec Brent-<br>WTI Spread<br>\$7.51 | \$80.1100 | -\$1.2900 |
| Crude - Brent                             |                                    | \$87.6200 | -\$2.1600 |
| Natural Gas                               |                                    | \$6.3030  | -\$0.0660 |
| Gasoline                                  |                                    | \$2.4208  | -\$0.0339 |

WTI Futures & Options: NYMEX & ICE Combined Managed Money Reportable Positions

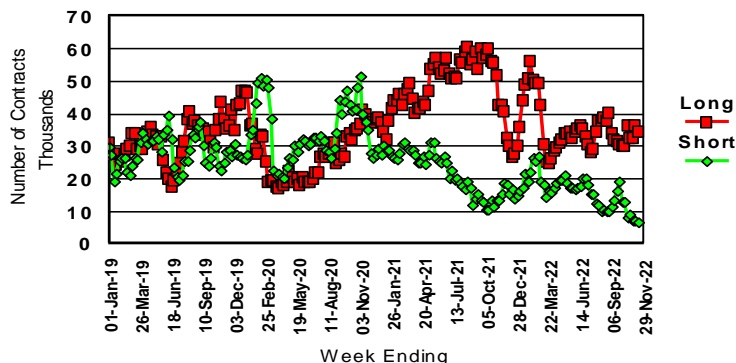


## Commitment of Traders Report for the Week Ending November 15, 2022

Producer/Merchant Heat Positons  
 CFTC Commitment of Traders Report



Managed Money Heat Positons  
 CFTC Commitment of Traders Report



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