

## Market Commentary

**Recap:** Oil futures traded higher in a mostly sideways pattern in overnight trading, but in a sign of exhaustion, fell below unchanged. Optimism over COVID-19 vaccines pushed April WTI to just below \$63 a barrel, while May Brent reached toward \$66 a barrel. A rise in the U.S. dollar along with jitters ahead of the upcoming OPEC+ meeting, contributed to the weakness in oil prices. OPEC and other major producers are set to meet on March 3 and 4 to discuss production curbs. It is the assumption within the oil industry that given the level of where oil prices are now, OPEC will vote to lift restraints and Saudi Arabia will pull back on its unilateral output cut of 1 million barrels per day. Both of these scenarios will put an additional 1.5 million barrels per day of production back into the market. WTI for April delivery fell \$2.03, or 3.2% to settle at \$61.50 a barrel, while May Brent slipped \$1.69, or 2.6%, to settle at \$64.42 a barrel. Petroleum products also took a hit, with March RBOB down 0.8%, to settle at \$1.877 a gallon, while March heating oil fell 2.6%, to \$1.8565 a gallon.

**Technical Analysis:** Last week we mentioned buying the April RBOB/WTI crack spread down around the \$18.50-\$18.00 level, looking for a bit of a pull back before heading higher. Although we did not see the pull back to these levels, this spread has taken off, and is currently trading in the \$21.00 area. Should this spread get above \$22.17, it has the potential of reaching \$25.00.

In the oil markets, traders appear to be a bit indecisive and will most likely get a better level of comfortability once they know what OPEC+ plans to do. The main trend remains to the upside, with a trade above the recent high of \$63.84 resulting in a resumption of the uptrend. Above this level there is a fair amount of resistance set at \$65. To the downside, support is seen at \$58.60 and \$57.40, with \$55 presenting strong support.

**Fundamental News:** According to a Reuters survey, OPEC's oil output fell in February as a voluntary cut by Saudi Arabia added to agreed reductions under a pact with allies. The 13-member Organization of the Petroleum Exporting Countries produced 24.89 million bpd in February, down 870,000 bpd from January. This is the first monthly decline since June 2020. OPEC and allies, known as OPEC+, decided to keep supply mostly steady for February while Saudi Arabia made an extra cut out of concern about a slow recovery in demand. Saudi Arabia pledged an additional 1 million bpd output cut for February and March to ensure inventories do not build up. The country achieved about 850,000 bpd of that reduction in February. Compliance with pledged cuts in February was 121%, up from 103% in January.

IIR Energy reported that U.S. oil refiners are expected to shut in 4.1 million bpd of capacity in the week ending March 5<sup>th</sup>, increasing available refining capacity by 3 million bpd from the previous week. Offline capacity is expected to fall to 2.9 million bpd in the week ending March 12<sup>th</sup>.

Iran said the United States should lift sanctions first if it wants to hold talks with Tehran to salvage the 2015 nuclear deal with world powers. President Joe Biden has said Washington is ready for talks about both nations resuming compliance with the pact, under which Tehran secured an easing of sanctions by limiting its nuclear work. However, each side wants the other to move first. Washington said on Sunday it was disappointed by Iran's refusal to hold talks but was ready to "re-engage in meaningful diplomacy" and would consult with major powers. Iran's Foreign Minister, Mohammad Javad Zarif, urged the International Atomic Energy Agency's (IAEA) 35-nation Board of Governors not to "create a mess" by supporting a U.S.-led push to adopt a resolution against Tehran's decision to scale back its cooperation with the U.N. nuclear watchdog.

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

WTI - Apr \$60.89, up 26 cents

RBOB - Apr \$1.9465, up 36 points

HO - Apr \$1.8231, up 39 points

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Mar-21	1.8192	-0.0239	0.0316
Apr-21	1.8114	-0.0235	0.0304
May-21	1.8054	-0.0235	0.0315
Jun-21	1.8016	-0.0234	0.0319
Jul-21	1.7997	-0.0230	0.0316
Aug-21	1.8004	-0.0226	0.0311
Sep-21	1.8012	-0.0222	0.0312
Oct-21	1.8021	-0.0218	0.0307
Nov-21	1.8015	-0.0214	0.0302
Dec-21	1.8018	-0.0205	0.0296
Jan-22	1.7987	-0.0197	0.0285
Feb-22	1.7901	-0.0184	0.0269
Mar-22	1.7747	-0.0173	0.0253
Apr-22	1.7652	-0.0167	0.0241
May-22	1.7581	-0.0160	0.0225
Jun-22	1.7572	-0.0154	0.0208
Jul-22	1.7569	-0.0147	0.0189

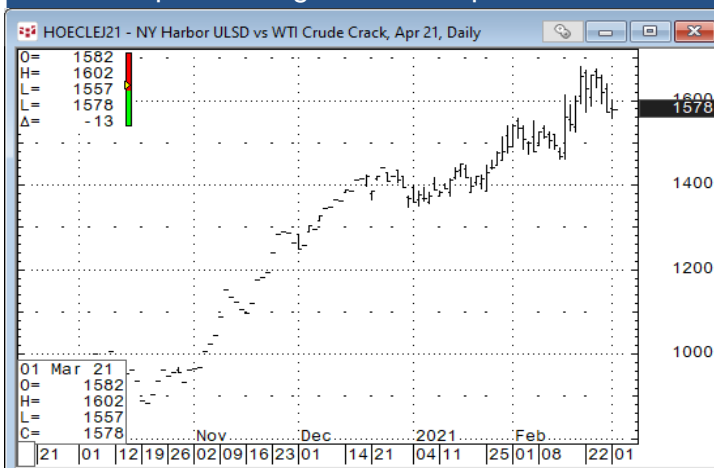
## Sprague HeatCurve October 2021-April 2022 \$1.7970

		Close	Change
Crude - WTI	May Brent-	\$60.4200	-\$0.8100
Crude - Brent	WTI Spread	\$63.6900	-\$0.7300
Natural Gas	\$3.27	\$2.7770	\$0.0060
Gasoline		\$1.9429	-\$0.0076

## ICE May Brent-WTI Spread



## April Heating Oil Crack Spread



## April RBOB Crack Spread

