

Market Commentary

Recap: Oil futures turned lower on Monday, adding to last week's gain, after a European Union ban on importing Russian seaborne crude and a price cap of \$60 a barrel took effect Monday, while OPEC kept its production quotas unchanged at a Sunday meeting. The West imposed sanctions on Russian crude, pitching the energy conflict with Moscow into an unpredictable new phase that could inject further volatility into global oil markets. OPEC+ agreed to stick to its oil output targets. US crude oil futures rise 3% to \$82.44 a barrel after sanctions were placed on Russian oil by the EU along with a price cap on Russian oil shipments. Oil prices were initially trading higher, as Russian oil shipments were barred from the EU and UK. Uncertainty about how this will change trade flows for oil propped up prices. Both Brent and WTI slipped into contango market conditions where the front-month contract trades lower than the deferred. WTI for January delivery lost \$3.05 per barrel, or 3.81% to \$76.93. Brent Crude for February delivery lost \$2.89 per barrel, or 3.38% to \$82.68. RBOB Gasoline for January delivery lost 7.85 cents per gallon, or 3.44% to \$2.2019, while ULSD for January delivery lost 16.87 cents per gallon, or 5.32% to \$2.9998 the lowest settlement value since Friday, Feb. 25, 2022.

Technical Analysis: WTI lost momentum and pulled back from almost \$83 to below \$77 as traders reacted to an array of market influencers. Earlier, oil markets were moving higher as traders bet on rising Chinese demand, as the country relaxed its zero-COVID policies. We expect to see this market to trade erratically given the array of news on a day to day basis. A push above the 50-day moving average should push this market toward \$90, with pressure mounting below \$75. Resistance is set at \$81.80, \$84.76 and \$86.79, with support set at \$74.89, 472.86 and \$68.64.

Fundamental News: On Sunday, OPEC+ agreed to stick to its oil output targets as the oil markets struggle to assess the impact of a slowing Chinese economy on demand and a G7 price cap on Russian oil on supply. The decision comes two days after the Group of Seven nations agreed a price cap on Russian oil. Sources stated that neither an OPEC meeting on Saturday nor the OPEC+ meeting on Sunday discussed the Russian price cap. OPEC's key ministers will next meet on February 1st for a monitoring committee while a full meeting is scheduled for June 3rd-4th. Meanwhile, Russia's Deputy Prime Minister Alexander Novak said on Sunday Russia would rather cut production than supply oil under the price cap and said the cap may affect other producers.

Gasoline exports on the transatlantic route recovered somewhat last week, with overall November flows rebounding from the record lows reported in October. Chartering activity is expected to remain mostly subdued in the first weeks of December, but might pick up later in the month. Flows to West Africa fell last week, amidst supply and distribution issues in Nigeria and the country's announcement that product imports are to stop next year. December export volumes across the United States and West Africa arbitrage routes are tracking at 222,000 tons so far.

The Financial Times reported that oil tankers formed a traffic jam off the coast of Turkey on day one of the West's price cap on Russian crude, with Ankara insisting on new proof of insurance for all vessels. Around 19 crude oil tankers were waiting to cross Turkish waters on Monday. A \$60/barrel price cap imposed by the Group of Seven nations, Australia and the 27 European Union states on Russian seaborne crude oil took effect this week. The agreement allows Russian oil to be shipped to third-party countries using tankers from G7 and European Union member states, insurance companies and credit institutions only if the cargo is bought at or below the cap.

IIR Energy said U.S. oil refiners are expected to shut in 323,000 bpd of capacity in the week ending December 9th, increasing available refining capacity by 94,000 bpd.

Early Market Call - as of 8:15 AM EDT

WTI - January \$575.93 Down \$1.00

RBOB - January \$21.8141 Down \$0.081

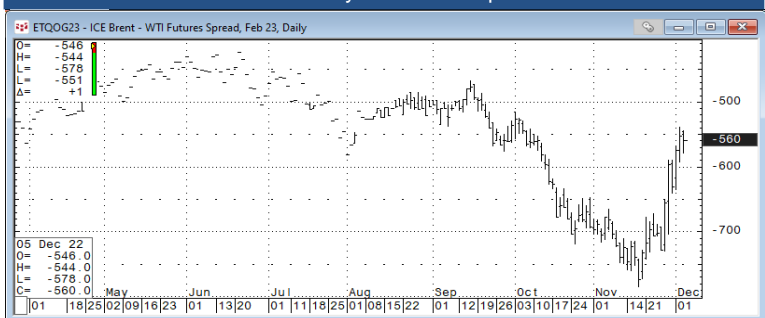
HO - January \$2.0642 Down \$0.0372

All NYMEX | Prior Settlements

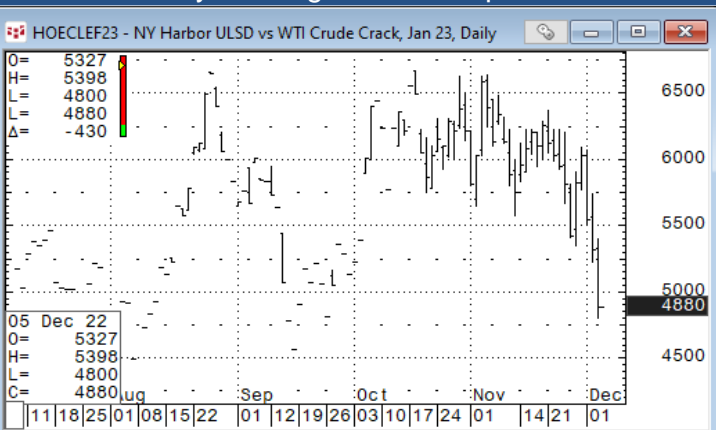
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-23	2.9998	-0.1687	-0.1516
Feb-23	2.9702	-0.1592	-0.1229
Mar-23	2.9152	-0.1507	-0.1153
Apr-23	2.8523	-0.1407	-0.1065
May-23	2.8072	-0.1286	-0.1005
Jun-23	2.7798	-0.1156	-0.0881
Jul-23	2.7693	-0.1061	-0.0785
Aug-23	2.7612	-0.1004	-0.0709
Sep-23	2.7528	-0.098	-0.066
Oct-23	2.7446	-0.0957	-0.0613
Nov-23	2.7348	-0.094	-0.057
Dec-23	2.7236	-0.0924	-0.053
Jan-24	2.711	-0.0908	-0.0482
Feb-24	2.6958	-0.0903	-0.0453
Mar-24	2.6709	-0.0878	-0.0415
Apr-24	2.6394	-0.0854	-0.0382
May-24	2.6184	-0.0831	-0.0342

Sprague HeatCurve October 2023-April 2024		Close	Change
Crude - WTI	Feb Brent-	\$77.0800	-\$2.9700
Crude - Brent	WTI Spread	\$82.6800	-\$2.8900
Natural Gas	\$5.60	\$5.5770	-\$0.7040
Gasoline		\$2.2019	-\$0.0785

ICE February Brent-WTI Spread



January Heating Oil Crack Spread



January RBOB Crack Spread

