

## Market Commentary

**Recap:** Oil futures settled higher on Wednesday, buoyed in part by a report from Bloomberg Tuesday that said the Biden administration may consider refilling the nation's Strategic Petroleum Reserve when crude prices dip below \$80 a barrel. Also adding to the rise in prices was a statement by the International Energy Agency stating that it expects an increase in gas-to-oil switching due to high prices this winter, even though the outlook for demand remains gloomy. The agency expects the deepening economic slowdown and a faltering Chinese economy to cause global oil demand to grind to a halt in the fourth quarter of the year. That has kept prices under pressure of late and may inhibit further rallies. October WTI gained \$1.17 per barrel, or 1.34%, to settle at \$88.48. Brent for November delivery added 93 cents, or 1.00% to \$94.10. October RBOB added 4.41 cents per gallon, or 1.78% to \$2.5245, while October heating oil fell 16.24 cents per gallon, or 4.59%, to settle at \$3.3789.

**Technical Analysis:** While rallies are likely to be constrained by concerns over demand and China's zero-COVID policy, oil prices will gather support from the supply side. As of now, we are still keeping an eye on the 50 and 200-day moving average, as they are converging upon one another. Should the 50-day MA cross below the 200-day MA, we should see a technical sell-off, with the October contract once again make a run at the \$80 level. A break below \$80 puts this market in a position to test \$65. On the upside, a push above \$100 will shift the momentum of this market toward the June highs.

**Fundamental News:** The EIA reported that U.S. crude oil stocks in the SPR fell to 434.1 million barrels in the week ending September 9<sup>th</sup> to the lowest level since October 1984. It reported that gasoline stocks fell by 1.8 million barrels to 213 million barrels, the lowest level since November 2021.

The IEA said growth in global oil demand is set to grind to a halt in the fourth quarter of this year as an economic slowdown deepens, but said it would resume strongly in 2023. The IEA cut its forecast for demand growth this year by 110,000 bpd to 2 million bpd while keeping its 2023 growth forecast of 2.1 million bpd. It stated that countries in the Organization for Economic Cooperation and Development accounted for most of the rise in demand this year, while countries outside the group especially China will underpin growth next year provided Beijing relaxes its COVID curbs. The IEA reported that world production increased by 790,000 bpd in August to 101.3 million bpd. It forecast more supply from Libya, Saudi Arabia and the UAE offset losses in Nigeria, Kazakhstan and Russia.

U.S. Labor Secretary Marty Walsh hosted talks in Washington with freight railroad and union officials aimed at heading off a rail shutdown looming as early as Friday that could disrupt cargo shipments and impede food and fuel supplies. A shutdown could freeze almost 30% of U.S. cargo shipments, stoke inflation, hinder supplies of food and fuel, cost the U.S. economy about \$2 billion per day and cause transportation woes. The U.S. energy sector relies on railroads to move coal, crude oil, ethanol and other products.

Industry workers and analysts said Northeastern U.S. states could face disruptions to fuel supplies if rail transport shuts down in coming days due to a labor dispute. The northernmost East Coast states rely on railroad shipments to supplement pipeline deliveries from the U.S. Gulf. In the region stretching from Maine to Maryland, stocks are at 16.6 million barrels, the lowest seasonally since the EIA started keeping the data in 1990. Pipelines carrying fuel and natural gas from Texas and other oil and gas producing states of the U.S. South are already full, leaving little room to increase flows on the lines if there is a shutdown of rail transport.

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

WTI - October \$87.13 Down \$1.35

RBOB - October \$2.4553 Down \$0.0692

HO - October \$3.2592 Down \$0.1193

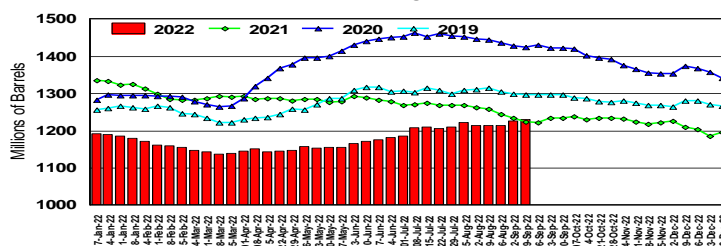
## All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Oct-22	3.3789	-0.1624	-0.2071
Nov-22	3.3384	-0.154	-0.1731
Dec-22	3.2928	-0.1403	-0.1409
Jan-23	3.2509	-0.1257	-0.1104
Feb-23	3.1995	-0.1122	-0.0829
Mar-23	3.1325	-0.0997	-0.0624
Apr-23	3.0542	-0.0877	-0.0447
May-23	2.9943	-0.0758	-0.0267
Jun-23	2.9507	-0.0638	-0.0111
Jul-23	2.9274	-0.0527	0.0023
Aug-23	2.9077	-0.0451	0.0125
Sep-23	2.8875	-0.0414	0.0197
Oct-23	2.8683	-0.038	0.0245
Nov-23	2.8481	-0.0368	0.0268
Dec-23	2.8284	-0.0357	0.0291
Jan-24	2.8082	-0.0339	0.0313
Feb-24	2.7941	-0.0335	0.0302

## Sprague HeatCurve October 2022-April 2023

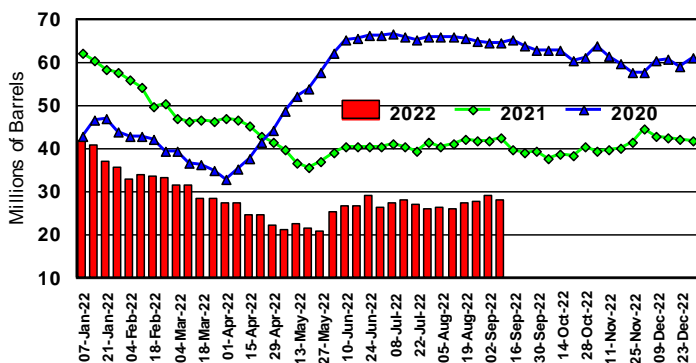
	Close	Change
Crude - WTI	\$88.0500	\$1.1600
Crude - Brent	\$94.1000	\$0.9300
Natural Gas	\$9.1140	\$0.8300
Gasoline	\$2.5245	\$0.0441

## Total U.S. Oil Stocks Excluding SPR



## Weekly EIA Petroleum Status Report for the Week Ending September 9, 2022

### Distillate Stocks PADD #1



### Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 2.4 million barrels

Cushing, OK Crude Stocks Down 135,000 barrels

Gasoline Stocks Down 1.8 million barrels

Distillate Stocks Up 4.2 million barrels

Refinery % Operated 91.5%, up 0.6%

### PADD #1

Distillate Stocks (in million bbl)	Week Ending Sep 9, 2022	Week Ending Sep 2, 2022	Week Ending Sep 10, 2021
New England	3.4	3.2	7.8
Central Atlantic	13.2	12.9	22.6
Total PADD #1	28.1	29.0	42.7
Distillate Imports (thousands b/d)	103	94	141