

Market Commentary

Recap: Oil futures rose for the third straight session, reaching their highest level in 11-months, boosted by the larger than expected weekly drop in U.S. crude oil inventories and the voluntary actions by Saudi Arabia to further reduce output by 1 million barrels per day. It's hoped that the move by Saudi Arabia will help make up for shortfalls in demand due to new coronavirus restrictions. Traders hope the reductions will help decrease barrels in storage and that by spring, when demand increases, this will prop up prices. WTI February delivery rose 20 cents, or 0.4%, to settle at \$50.83 a barrel. March Brent added 8 cents, or nearly 0.2%, at \$54.38 a barrel. February RBOB added 0.5% to \$1.4827 a gallon and February heating oil tacked on 0.6% to \$1.5381 a gallon.

Technical Analysis: Crude oil markets continue to tread water above \$50, as traders sort through the effects of coronavirus lockdowns and the OPEC+ decision to roll over production cuts. We would expect to see some profit-taking ahead of the weekend and would like to see how WTI holds up above the \$50 level. If this market can get above \$51.40, we would look for a push toward \$52.50. Support is seen at \$48.72 and below that at \$47.18.

Fundamental News: UBS raised its forecast for Brent oil prices to \$60/barrel by mid-year, following Saudi Arabia's unexpected unilateral production cut and expectations of a sharp recovery in demand in the second quarter on vaccine rollouts and increased travel. It stated that with Saudi Arabia's move, OPEC's production increase of 500,000 bpd for January is reversed in full, which will result in a tighter oil market in the first half of the year. The bank expects Brent to trade at \$63/barrel in the second half of 2021 and WTI to trade at a \$3/barrel discount to Brent prices.

Statistics Canada reported that Canada's total crude oil imports in November fell by 20,000 bpd to 582,000 bpd. Its imports from the U.S. fell by 10,000 bpd to 419,000 bpd. Meanwhile, Canada's total crude oil exports increased by 150,000 bpd to 3.68 million bpd in November, with exports to the U.S. increasing by 210,000 bpd to 3.58 million bpd in November.

The U.S. Labor Department said that the number of initial claims for unemployment benefits unexpectedly fell last week. Initial claims for state unemployment benefits totaled a seasonally adjusted 787,000 in the week ending January 2nd, compared with 790,000 in the prior week.

The Commerce Department said the trade deficit widened 8.0% to \$68.1 billion in November, the highest level since August 2006. The deficit in October was unrevised at \$63.1 billion. Imports increased by 2.9% to \$252.3 billion, while exports increased by 1.2% to \$184.2 billion.

Early Market Call - as of 8:35 AM EDT

WTI - Feb \$51.59, up 76 cents

RBOB - Feb \$1.5055, up 2.28 cents

HO - Feb \$1.5593, up 2.12 cents

All NYMEX | Prior Settlements

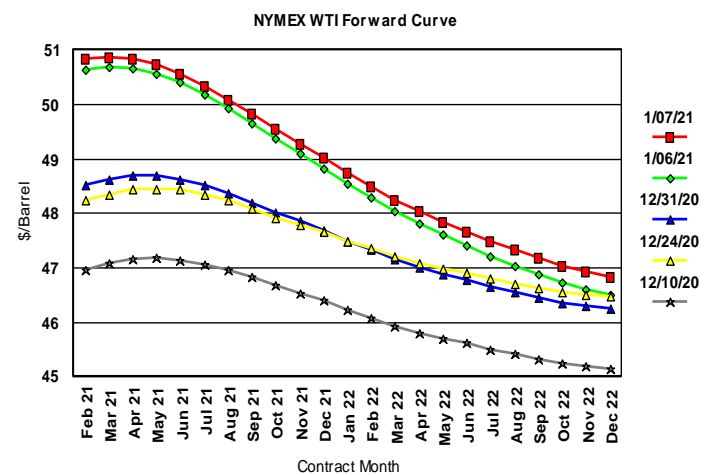
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-21	1.5381	0.0094	-0.0541
Mar-21	1.5393	0.0091	-0.0539
Apr-21	1.5381	0.0083	-0.0530
May-21	1.5381	0.0076	-0.0521
Jun-21	1.5404	0.0061	-0.0499
Jul-21	1.5450	0.0050	-0.0490
Aug-21	1.5500	0.0045	-0.0488
Sep-21	1.5557	0.0038	-0.0482
Oct-21	1.5617	0.0035	-0.0474
Nov-21	1.5667	0.0031	-0.0462
Dec-21	1.5702	0.0028	-0.0450
Jan-22	1.5753	0.0025	-0.0439
Feb-22	1.5766	0.0025	-0.0435
Mar-22	1.5711	0.0024	-0.0414
Apr-22	1.5603	0.0025	-0.0394
May-22	1.5558	0.0026	-0.0376
Jun-22	1.5536	0.0030	-0.0359

		Close	Change
Crude - WTI	Mar Brent-WTI Spread \$3.51	\$50.8700	\$0.1800
Crude - Brent		\$54.3800	\$0.0800
Natural Gas		\$2.7290	\$0.0130
Gasoline		\$1.4827	\$0.0097

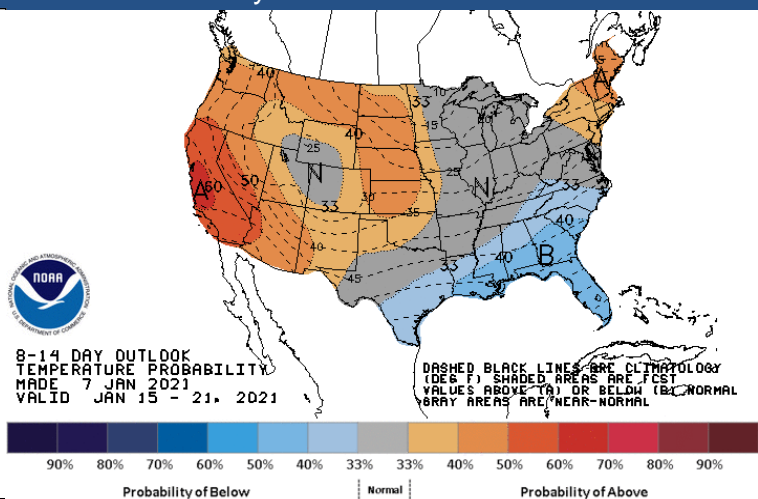
EIA Working Gas Storage Report

	01-Jan-21	25-Dec-20	Change	01-Jan-20
East	765	810	-45	771
Midwest	923	973	-50	905
Mountain	196	204	-8	173
Pacific	282	289	-7	251
South Central	1,163	1,183	-20	1,093
Salt	333	334	-1	313
Nonsalt	830	849	-19	780
Total	3,330	3,460	-130	3,192

WTI Forward Curve



8-14 Day Weather Forecast



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