

## Market Commentary

**Recap:** Oil futures settled lower on Monday, as lackluster import data from China and the conclusion of the Communist party's national congress helped to dull expectations for energy demand from the world's second largest oil consumer. December WTI fell 47 cents, or nearly 0.6%, to settle at \$84.58 a barrel, bringing to an end a three-session streak of increases. Energy commodities prices have seen plenty of twists and turns lately as investors try to gauge what might happen to supply and demand after US midterm elections that are set for early next month, and whether U.S. and global economic recessions can be avoided. Even as crude oil prices fell on Monday, which traders say was largely due to profit-taking, prices for RBOB and heating oil both rose sharply due to worries that weekly US inventory reports due Tuesday and Wednesday will show further declines in fuel stockpiles amid strong exports. RBOB for November delivery gained 6.82 cents per gallon, or 2.56% to \$2.7302, while November heating oil gained 8.78 cents per gallon, or 2.29% to \$3.9201. Brent for December delivery lost 24 cents per barrel, or 0.26% to \$93.26.

**Technical Analysis:** WTI bounced around on Monday, making early and late session attempts to gain momentum above both the 10-day moving average and the long standing upper trend line on the downward channel. Within this channel, there is a symmetrical triangle we had previously written about. This type of pattern typically brings with it sideways trading, which this market has experienced since the beginning of July. At this point we would look for more of the same in regard to trading activity however, should we get a break above the 50-day moving average, which has been holding out as a resistance barrier, we should see a break above both the triangle and the downward channel. Above these levels, additional resistance is seen at \$88.50 and \$90. On the downside, support rests at \$81.30 and \$80.

**Fundamental News:** Bloomberg reported that the U.S. Northeast is so short on heating oil that the fuel is being rationed even before the start of winter. The president of the Connecticut Energy Marketers Association, Chris Herb, said some wholesalers in Connecticut are putting retailers on allocation, meaning they can only get a limited amount of fuel based on availability. These retailers must in turn ration their customers. There is currently a diesel shortage in U.S. as diesel inventories are "unacceptably low". U.S. Northeast distillate fuel supplies trail the seasonal average. The main issue to replenish region fuel supplies has been a sustained backwardation in the diesel market. In addition to scarcity, there is also the cost. Wholesale heating oil in the New York Harbor averaged \$4.09/gallon on Thursday, compared with \$2.46/gallon at the same time a year ago. Meanwhile, some retailers are unable to source as much fuel as previous years because their credit lines are sustained and they are under financial stress. However, some supply relief is on the way, with a full Colonial pipeline and overseas cargoes headed to the region, which should also help ease prices in the short term. Longer term, the global supply squeeze could make the diesel crisis worse as the cold winter months set in and European sanctions come into effect.

According to Refinitiv analysis, gasoline exports to the U.S. are expected to increase this week to 222,000 tons from 185,000 tons in the previous week as the arbitrage spread widens.

Goldman Sachs reported that it sees Brent prices averaging \$104.20/barrel in 2022 and \$110/barrel in 2023. It sees WTI prices averaging \$99.80/barrel in 2022 and \$105/barrel in 2023.

Colonial Pipeline Co is allocating space for Cycle 61 shipments on Line 20, which carries distillates from Atlanta, Georgia to Nashville, Tennessee.

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

WTI - December \$83.66 Down 0.92

RBOB - November \$2.7300 Down 0.0002

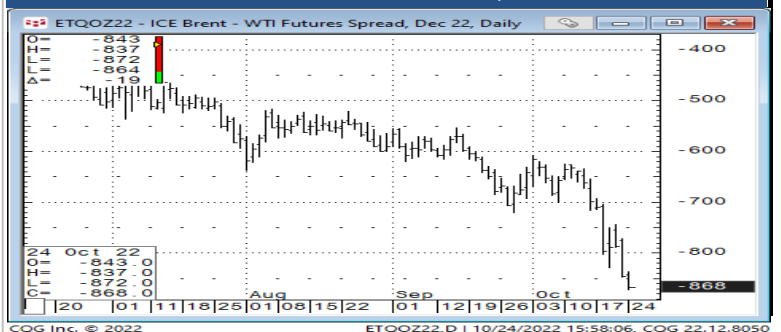
HO - November \$3.9060 Down 0.0141

## All NYMEX | Prior Settlements

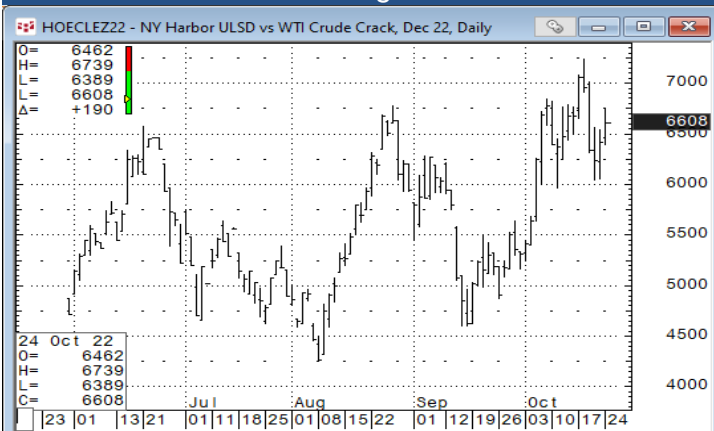
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Nov-22	3.9201	0.0878	-0.1651
Dec-22	3.5672	0.014	-0.1201
Jan-23	3.446	0.0093	-0.1031
Feb-23	3.3488	0.0097	-0.0963
Mar-23	3.2515	0.0116	-0.0893
Apr-23	3.1475	0.0131	-0.081
May-23	3.0624	0.0151	-0.0741
Jun-23	2.9913	0.0164	-0.0694
Jul-23	2.9487	0.0147	-0.0674
Aug-23	2.9182	0.0111	-0.0662
Sep-23	2.8924	0.0076	-0.0672
Oct-23	2.8684	0.0051	-0.0683
Nov-23	2.845	0.0034	-0.0673
Dec-23	2.8225	0.0027	-0.0653
Jan-24	2.7985	0.0002	-0.065
Feb-24	2.7757	-0.0043	-0.0658
Mar-24	2.7465	-0.0061	-0.0663

Sprague HeatCurve October 2023-April 2024		Close	Change
Crude - WTI	Dec Brent- WTI Spread \$8.68	\$84.5800	-\$0.4700
Crude - Brent		\$93.2600	-\$0.2400
Natural Gas		\$5.1990	\$0.2400
Gasoline		\$2.7302	\$0.0682

### ICE December Brent-WTI Spread



## December Heating Oil Crack



## December RBOB Crack Spread

