

Market Commentary

All NYMEX | Prior Settlements

Recap: The oil market traded mostly sideways on Tuesday as it posted the day's trading range by mid-day. The market weighed the weaker than expected economic data from China and the U.S. against a forecast of higher global demand from the IEA. The market was pressured early in the session in light of data showing that Chinese industrial output and retail sales growth were below market expectations in April, suggesting China's economy lost momentum at the beginning of the second quarter. Meanwhile, U.S. data showed that retail sales increased less than expected in April. However, the market traded to a high of \$71.79 early in the session on the IEA raising its forecast for global oil demand by 200,000 bpd this year to 102 million bpd and the Department of Energy announcement that it would buy 3 million barrels of oil in August to begin refilling the SPR. Despite the bullish news, the market later gave up its gains and sold off to a low of \$70.45 before it settled in a sideways trading range during the remainder of the session as it awaited the outcome of the debt limit talks between President Biden and the Speaker of the House and other congressional leaders on Tuesday afternoon. The June WTI contract settled down 25 cents at \$70.86 and the July Brent contract settled down 32 cents at \$74.91. The product markets ended mixed, with the heating oil market settling down 1.41 cents at \$2.3639 and the RB market settling up 71 points at \$2.4791.

Market Analysis: On Wednesday, the market will be driven by the outcome of the debt limit talks and the weekly petroleum stocks reports, which are expected to show draws in crude stocks. The market is seen finding resistance at its high of \$71.79, \$73.50, \$73.89 followed by \$76.69, \$76.92 and \$77.93. Meanwhile, support is seen at its low of \$70.45, \$69.41, \$68.77, \$68.48 and \$67.56.

Fundamental News: On Tuesday, White House energy adviser, Amos Hochstein, said the Biden administration does not expect a big rally in summer oil prices this summer that would impact its strategic petroleum reserve efforts, one day after the U.S. Energy Department announced plans to buy 3 million barrels of crude oil to refill the SPR in August. The DOE said it aims to repurchase crude at a lower price than the average of about \$95/barrel it was sold for in 2022. The DOE also said it secured the cancellation of 140 million barrels in congressionally mandated sales scheduled for fiscal years 2024 through 2027.

The International Energy Agency said weeks of declining oil prices due to concerns over a possible recession contradict an outlook for scarce supply and increased demand later in the year. Demand is expected to eclipse supply by almost 2 million bpd in the second half of the year. The IEA raised its forecast for global oil demand by 200,000 bpd to 102 million bpd, noting that China's recovery after the lifting of COVID-19 curbs had surpassed expectations with demand reaching a record 16 million bpd in March. A rebound in domestic travel is the main reason for the recovery. It said China is set to account for nearly 60% of global demand growth in 2023, offsetting, along with India and the Middle East, sluggish demand in developed countries. The United States and Brazil will lead modest growth in oil supply of 1.2 million bpd for the year as OPEC+ cuts agreed in April mean volumes from the producer group will fall by 850,000 bpd from then through December. Meanwhile, non-OPEC+ supply is expected to increase by 710,000 bpd from April through December. The IEA said global oil supply fell by 230,000 bpd to 101.1 million bpd in April.

The EIA reported that oil production from seven major regions in the U.S. will increase by 41,000 bpd to 9.332 million bpd from May to June.

According to company forecasts and analysts, U.S. oil refiners aim to operate at up to 94% of a total 17.9 million bpd processing capacity this quarter, driven in part by expectations of seasonal travel demand.

Early Market Call - as of 8:30 AM EDT

WTI - June \$70.84, down 2 cents
 RBOB - June \$2.4926, up 1.35 cents
 HO - June \$2.3708, up 69 points

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jun-23	2.3639	-0.0141	-0.0263
Jul-23	2.3467	-0.0130	-0.0452
Aug-23	2.3453	-0.0120	-0.0521
Sep-23	2.3503	-0.0125	-0.0552
Oct-23	2.3542	-0.0131	-0.0578
Nov-23	2.3540	-0.0138	-0.0587
Dec-23	2.3502	-0.0141	-0.0587
Jan-24	2.3503	-0.0144	-0.0591
Feb-24	2.3468	-0.0144	-0.0600
Mar-24	2.3368	-0.0145	-0.0607
Apr-24	2.3196	-0.0147	-0.0607
May-24	2.3095	-0.0149	-0.0605
Jun-24	2.3019	-0.0154	-0.0599
Jul-24	2.2994	-0.0157	-0.0587
Aug-24	2.2974	-0.0157	-0.0578
Sep-24	2.2958	-0.0149	-0.0565
Oct-24	2.2940	-0.0144	-0.0554

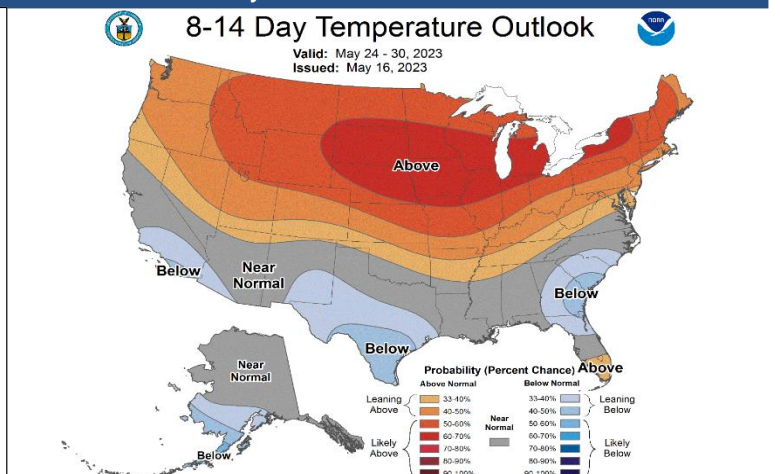
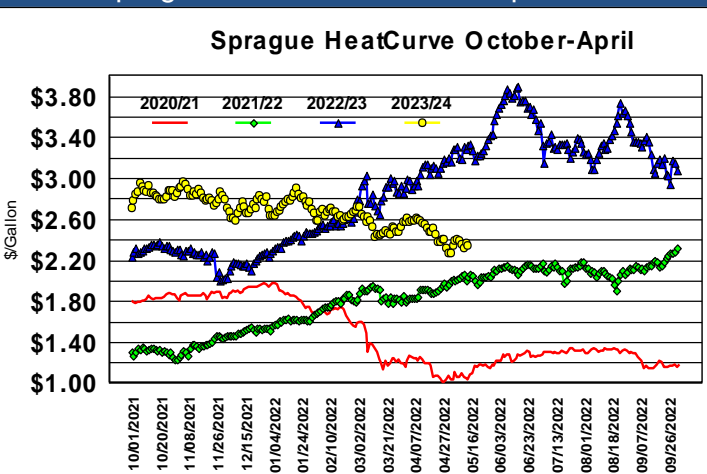
Sprague HeatCurve October 2023-April 2024			\$2.3455
		Close	Change
Crude - WTI	June Brent-	\$70.8400	-\$0.2500
Crude - Brent	WTI Spread	\$74.9100	-\$0.3200
Natural Gas	\$4.07#####	\$2.3760	\$0.0010
Gasoline	Jan-00	\$2.4791	\$0.0071

API Report for the Week Ending May 12, 2023

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Up 3.6 million barrels	Down 900,000 barrels
Gasoline Stocks	Down 2.5 million barrels	Down 1.1 million barrels
Distillate Stocks	Down 886,000 barrels	Up 100,000 barrels
Refinery Runs		Up 0.5% at 91.5%

Sprague HeatCurve October-April

8-14 Day Weather Forecast



This market update is provided for information purposes only and is not intended as advice on any transaction nor is it a solicitation to buy or sell commodities. Sprague makes no representations or warranties with respect to the contents of such news, including, without limitation, its accuracy and completeness, and Sprague shall not be responsible for the consequence or reliance upon any opinions, statements, projections and analyses presented herein or for any omission or error in fact.