

Market Commentary

Recap: Oil futures fell on Tuesday, as European countries suspended the use of Oxford/AstraZeneca's vaccine after reports of possible serious side effects. Investors grew worrisome that the slow pace of vaccinations in Europe could hurt an economic recovery and fuel demand. Traders are trying to determine demand going forward, as the U.S. continues to roll out its vaccine program, while refiners in Texas struggle to bounce back from the mid-February deep freeze. April WTI fell 59 cents, or 0.90%, so settle at \$64.80 a barrel, while May Brent lost 49 cents, or 0.7%, to settle at \$68.39 a barrel. Petroleum products slipped as well, with April RBOB losing 0.2%, to settle at \$2.10 a gallon and April heating oil shedding 0.8%, to settle at \$1.93 a gallon.

Market Outlook: It took some time, but WTI is finally reacting to the strong builds we have seen in U.S. crude oil inventories, with the front end of the forward curve showing signs of weakness. The May WTI contract has traded at a premium to the April, a condition known as contango. This bearish scenario is not particularly surprising given the aforementioned inventory builds, which are attributed to last month's deep freeze in Texas, but is something to keep an eye on. The May21/Dec21 WTI spread has gained 375% since the beginning of November, as it went from -\$1.69 to a high of \$4.64 in March. This spread is currently trading at \$3.74 and looking at the chart, it appears that it has more room to retrace. With WTI posting a lower high following Monday's sell-off, we view this as a sign that selling pressure is getting stronger and that the short term momentum of this market has shifted to the downside. Support is set at \$64.66 and below that at \$63.10. To the upside, resistance is set at \$65 and above that at \$66.40.

Fundamental News: Crude oil exports from Saudi Arabia appeared to be relatively steady in the first half of March. Observed exports in the first 15 days of March were 6.1 million bpd, compared with 5.9 million bpd for all of February.

China resumed storing crude oil in the first two months of the year with almost 1 million bpd being added to inventories in January and February, rebuilding stockpiles after a drawdown toward the end of last year. According to calculations based on official data, about 920,000 bpd were directed to inventories in the first two months of the year. China's imports and domestic output totaled about 15.05 million bpd which was available to refiners in the January-February period, while processing was 14.13 million bpd, leaving a gap of about 920,000 bpd that flowed into commercial and strategic stockpiles.

Saudi Arabia's Energy Minister, Prince Abdulaziz bin Salman, said the country plans to cut domestic demand of liquid hydrocarbons by 1 million bpd for use "in a better way". Before the COVID-19 pandemic, the country was consuming 491,000 bpd of oil for industrial use and power generation during the height of its summer demand in 2019. Reducing domestic demand could help Saudi Aramco increase its long-term spare capacity from levels of about 1.5 million bpd to 2 million bpd.

According to the International Renewable Energy Agency, oil demand has passed its peak and will likely cease to be used by 2050. It said consumption of oil reached its peak around 2019 and added that oil production will decline to 11 million bpd by mid-century, compared with the current level of about 100 million barrels.

The increased amount of Iranian crude flowing into China in recent weeks is impacting imports from other countries and threatening to complicate efforts by the OPEC+ alliance to tighten supply in the global market. China is currently buying close to 1 million bpd of sanctions crude, condensate and fuel oil from Iran, displacing grades from countries such as Norway, Angola and Brazil.

Early Market Call - as of 8:30 AM EDT

WTI - Apr \$64.05, down 75 cents

RBOB - Apr \$2.0527, down 4.85 cents

HO - Apr \$1.9052, down 2.75 cents

All NYMEX | Prior Settlements

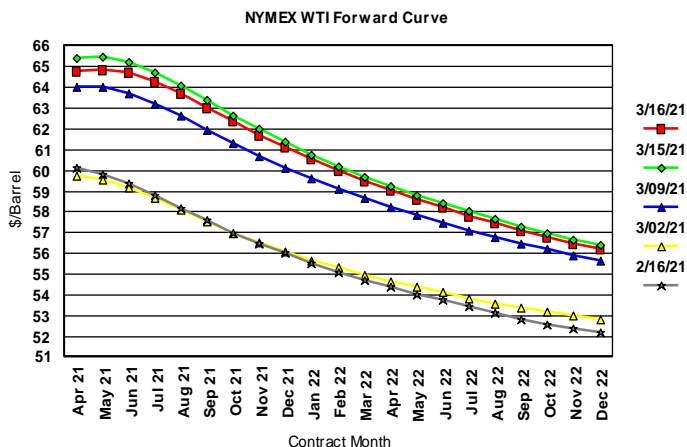
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Apr-21	\$1.9327	-\$0.0162	-\$0.0254
May-21	\$1.9325	-\$0.0149	-\$0.0266
Jun-21	\$1.9309	-\$0.0133	-\$0.0268
Jul-21	\$1.9293	-\$0.0122	-\$0.0266
Aug-21	\$1.9279	-\$0.0116	-\$0.0267
Sep-21	\$1.9272	-\$0.0112	-\$0.0265
Oct-21	\$1.9268	-\$0.0110	-\$0.0260
Nov-21	\$1.9264	-\$0.0105	-\$0.0256
Dec-21	\$1.9244	-\$0.0100	-\$0.0254
Jan-22	\$1.9237	-\$0.0095	-\$0.0247
Feb-22	\$1.9208	-\$0.0090	-\$0.0245
Mar-22	\$1.9130	-\$0.0086	-\$0.0249
Apr-22	\$1.8986	-\$0.0082	-\$0.0256
May-22	\$1.8894	-\$0.0077	-\$0.0259
Jun-22	\$1.8827	-\$0.0071	-\$0.0264
Jul-22	\$1.8820	-\$0.0065	-\$0.0267
Aug-22	\$1.8812	-\$0.0059	-\$0.0267

Sprague HeatCurve October 2021-April 2022			\$1.9199
		Close	Change
Crude - WTI	May Brent- WTI Spread \$3.53	\$64.8600	-\$0.5800
Crude - Brent		\$68.3900	-\$0.4900
Natural Gas		\$2.5620	\$0.0780
Gasoline		\$2.1012	-\$0.0034

API Report for the Week Ending March 12, 2021

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Down 1 million barrels	Up 1.4/3.0 million barrels
Cushing, OK Crude Stocks	Up 300,000 barrels	
Gasoline Stocks	Down 926,000 barrels	Down 2.5/3.0 million barrels
Distillate Stocks	Up 904,000 barrels	Down 1.6/3.4 million barrels
Refinery Runs		Up 5.1%, at 74.1%
Crude Imports		

WTI Forward Curve



8-14 Day Weather Forecast

