

## Market Commentary

## All NYMEX | Prior Settlements

**Recap:** Oil futures rose on Thursday after the U.S. Energy Information Administration reported an increase of 1.7 million barrels for the week to December 30. This puts U.S. crude oil inventories at 420.6 million barrels, 4 percent below the seasonal five-year average. Oil prices got off to a weak start to the year as economic concern grew further, with the IMF forecasting a third of the world's economies could sink into recession this year and central banks signaling they have no plans to change their aggressive approach to inflation control. Oil prices ended higher on the day, recouping some of the losses they suffered during a two-session decline. February WTI rose 83 cents, or 1.1%, to settle at \$73.67 a barrel. Brent Crude for March delivery gained 85 cents per barrel, or 1.09% to \$78.69. ULSD for February delivery gained 0.04 cent per gallon, or 0.01% to \$2.9723, while RBOB Gasoline for February delivery gained 0.79 cent per gallon, or 0.35% to \$2.2671.

**Technical Analysis:** Short term rallies have been fading in the oil markets, most likely on signs of exhaustion. Traders remained concerned about the Federal Reserve and its efforts to quell inflation and the ADP report, which showed the U.S. private sector growing by 235,000 jobs, does not help. More jobs mean more inflation, which will prompt the Federal Reserve to take more action and the concern is what impact this will have on demand. Thursday's short covering rally did little to change the trajectory of this market, therefore, it is still in a downtrend.

**Fundamental News:** The EIA reported that U.S. total product supplied of petroleum products fell by a record 4.6 million bpd in the week ending December 30<sup>th</sup> to 18.2 million bpd, the lowest level since June 2021. U.S. gasoline supplied fell by 1.813 million bpd, the largest decline since March 2020 to 7.514 million bpd, the lowest level since February 2021. U.S. distillate fuel supplied fell by 1.081 million bpd, the most since December 2019, to 2.799 million bpd, the lowest level since May 2020. U.S. refinery utilization fell by 12.4%, the largest decline since February 2021 to 79.6%, the lowest level since February 2021 as well. The EIA also reported that crude in SPR fell by 2.7 million barrels to 372.4 million barrels, the lowest level since December 1983.

UBS expects Brent crude oil prices to increase to \$110/barrel this year and WTI prices to increase to \$107/barrel. It expects oil demand this year to increase by 1.6 million bpd, with demand exceeding the record of 103 million bpd in the second half of the year. It said oil demand will be driven by Asia.

Moody's said demand and policy uncertainty will temper the global oil and gas industry's overall strength in 2023. It however, stated that the upstream oil and gas sector will have another strong year in 2023. It said energy transition will remain the central business challenge for global oil and gas producers for 2023 and beyond. It said energy prices and free cash flow for the upstream oil and gas sector in 2023 will not reach their 2022 levels.

Phillips 66 expects supplies of gasoline and diesel to be tight this summer. Jeff Diert, a Phillips 66 vice president said globally, there has been a loss of about 4.7 million bpd of processing capacity. Less capacity has driven up refiners' profit margins and utilization rates as demand recovered. He said "As we approach the summer driving season, we expect gasoline and diesel to be tight again this summer." Lyondell Basell Industries' 263,776 bpd Houston refinery is scheduled to close by the end of this year, further reducing U.S. capacity. The loss will be mitigated by the planned expansion of Exxon Mobil Corp's Beaumont, Texas, refinery's coming on-line. It could add about 250,000 bpd capacity. Meanwhile, Phillips 66 Chief Executive, Mark Lashier, said the Houston-based company is working to better integrate its seven U.S. refineries.

**Early Market Call - as of 8:30 AM EDT**

WTI - February \$73.93, up 26 cents  
 RBOB - February \$2.2548, down 1.23 cents  
 HO - February \$2.9666, down 57 points

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-23	2.9723	0.0004	-0.291
Mar-23	2.8925	0.0007	-0.2514
Apr-23	2.7961	-0.0004	-0.2243
May-23	2.7345	0.0001	-0.2045
Jun-23	2.7019	0.0007	-0.1883
Jul-23	2.6899	-0.0007	-0.176
Aug-23	2.6817	-0.0024	-0.1661
Sep-23	2.6762	-0.0035	-0.1588
Oct-23	2.6694	-0.0043	-0.1504
Nov-23	2.6599	-0.0044	-0.142
Dec-23	2.6481	-0.0046	-0.1352
Jan-24	2.6375	-0.0051	-0.1318
Feb-24	2.6262	-0.0047	-0.1285
Mar-24	2.6058	-0.0045	-0.1275
Apr-24	2.578	-0.0045	-0.128
May-24	2.5603	-0.0045	-0.1293
Jun-24	2.5488	-0.0045	-0.1313

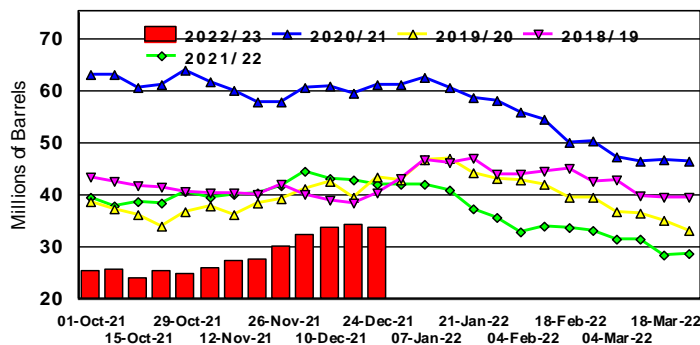
Sprague HeatCurve October 2023-April 2024		Close	Change
Crude - WTI	Mar Brent-WTI Spread \$4.77	\$73.9200	\$0.8200
Crude - Brent		\$78.6900	\$0.8500
Natural Gas		\$3.7200	-\$0.4520
Gasoline		\$2.2671	\$0.0079

### EIA Working Gas Storage Report

	30-Dec-2022	23-Dec-22	Change	30-Dec-21
East	691	747	-56	768
Midwest	839	899	-60	897
Mountain	157	166	-9	173
Pacific	165	165	0	221
South Central	1040	1136	-96	1,139
Salt	270	323	-53	344
Nonsalt	770	813	-43	795
Total	2891	3112	-221	3,199

## Weekly EIA Petroleum Status Report for the Week Ending December 30, 2022

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Up 1.7 million barrels  
 Cushing, OK Crude Stocks Up 244,000 barrels  
**Gasoline Stocks** Down 346,000 barrels  
**Distillate Stocks** Down 1.4 million barrels  
**Refinery % Operated** 79.6%, down 12.4%

### PADD #1

Distillate Stocks (in million bbl)	Week Ending Dec 30, 2022	Week Ending Dec 23, 2022	Week Ending Dec 31, 2021
New England	3.3	4.0	6.7
Central Atlantic	17.0	16.9	21.5
Total PADD #1	33.8	34.1	42.0
Distillate Imports (thousands b/d)	107	128	174

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