

Market Commentary

Recap: Oil futures bounced around on Thursday, looking for direction, as traders gage the effects of the latest EIA report against the effects of the widely spreading coronavirus and its impact on demand. Prices dipped early in the session due to new COVID-19 related travel restrictions and strength in the U.S. dollar, which weakens demand for dollar denominated commodities. Traders are also awaiting news on the Biden Administration's \$1.9 trillion relief package, as volatility in the stock market could force hedge funds to unload length in crude oil in order to meet margin calls and cover losses in equities. March WTI fell 51 cents, or 0.9%, to settle at \$52.34 a barrel, while March Brent settled at \$55.53 a barrel, down 28 cents, or 0.5%. February RBOB added .0058 cent to settle at \$1.5829 a gallon, while February heating oil slipped .0072 cent, settling at \$1.6017 a gallon.

Technical Analysis: In the near term we could see weakness in the oil market, but traders are also betting that OPEC+ production cuts will offset shortfalls in demand and lead to higher prices down the pipeline. The biggest factor are hedge funds and the possibility of them liquidating length in the oil market in order to meet margin calls and to cover losses in the stock market. Basis the WTI contract, we continue to look for oil futures to trade sideways, within the \$50 to \$55 range. Currently, moving oscillators are pointing to the downside and therefore we would look for a push toward the bottom of this range. Below \$50, additional support is set at \$49.50 and below that at \$48.80. Resistance set at \$53.35 and above that at \$53.90.

Fundamental News: According to a report by Abu Dhabi Commercial Bank, increasing infighting between OPEC+ members could make future meetings on production policy increasingly difficult. The bank said "finding the right balance between supporting the oil price and increasing output remains a critical and contentious point of debate, especially with almost all the oil-producing countries having spare capacity that can be tapped immediately if necessary." A monitoring committee co-chaired by Saudi Arabia and Russia will meet online February 3rd to assess member quota compliance and review market forecasts. The full OPEC+ alliance is next scheduled to convene March 4 via videoconference. It stated that the fact that Russia is highlighting that it remains comfortable with current oil prices and is looking to increase output as demand recovers, could prompt an increase in output. Meanwhile, Libya, which is currently producing in a range of 1.0 million-1.2 million bpd may be compelled to join the OPEC+ cuts in the upcoming March meeting. One OPEC+ source, who spoke on condition of anonymity, said the group's infighting has reached new levels of fervor, with increasing pressure to raise output coming from the UAE and Iraq.

A fall in the volume of crude oil stored on ships combined with unexpected cuts from Saudi Arabia have created a glut of vessels available for hire, pressuring the outlook for supertankers this year. Earnings for very large crude carriers (VLCCs) in 2020 reached record highs of more than \$240,000/day. Rates have since dropped to \$7,000/day. Clarksons Research Services estimated that as of January 22nd, 95 vessels, the equivalent of 130 million barrels, were being used for storage versus a peak of over 290 million barrels in May last year. IHS Markit said volumes on ships had dropped to 52 million barrels, the lowest level since the peak in mid-2020 when it reached 190 million barrels.

IIR Energy reported that U.S. oil refiners are expected to shut in 3.9 million bpd of capacity in the week ending January 29th, cutting available refining capacity by 74,000 bpd from the previous week. Offline capacity is expected to decline to 3.6 million bpd in the week ending February 5th.

Early Market Call - as of 8:25 AM EDT

WTI - Mar \$52.63, up 29 cents

RBOB - Feb \$1.6230, up 4.01 cents

HO - Feb \$1.6095, up 78 points

All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Feb-21	1.6017	-0.0072	-0.0011
Mar-21	1.6010	-0.0066	0.0014
Apr-21	1.5970	-0.0066	0.0039
May-21	1.5948	-0.0070	0.0058
Jun-21	1.5945	-0.0066	0.0072
Jul-21	1.5968	-0.0068	0.0088
Aug-21	1.6001	-0.0073	0.0100
Sep-21	1.6047	-0.0078	0.0108
Oct-21	1.6097	-0.0082	0.0112
Nov-21	1.6129	-0.0085	0.0116
Dec-21	1.6136	-0.0090	0.0125
Jan-22	1.6158	-0.0094	0.0134
Feb-22	1.6151	-0.0096	0.0134
Mar-22	1.6085	-0.0096	0.0127
Apr-22	1.5960	-0.0097	0.0119
May-22	1.5904	-0.0099	0.0110
Jun-22	1.5872	-0.0099	0.0104

Sprague HeatCurve October 2021-April 2022				\$1.6116
		Close		Change
Crude - WTI	Mar Brent-	\$	\$52.3400	-\$0.5100
Crude - Brent	WTI Spread		\$55.5300	-\$0.2800
Natural Gas	\$3.19		\$2.6640	-\$0.0380
Gasoline			\$1.5829	\$0.0058

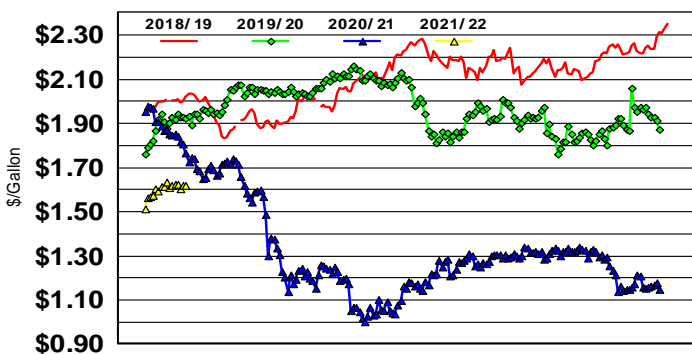
EIA Working Gas Storage Report

	22-Jan-21	15-Jan-21	Change	22-Jan-2020
East	641	679	-38	655
Midwest	780	828	-48	776
Mountain	170	176	-6	145
Pacific	275	275	0	213
South Central	1,014	1,051	-37	1,015
Salt	288	296	-8	306
Nonsalt	726	755	-29	709
Total	2,881	3,009	-128	2,803

Sprague HeatCurve October-April

WTI Forward Curve

Sprague HeatCurve October-April



NYMEX WTI Forward Curve

