

## Market Commentary

**Recap:** Oil futures fell on Wednesday, erasing early gains as traders grew less worried about a supply crunch after government data showed U.S. refiners pumped up output, and as crude futures followed equities lower. July Brent settled down \$2.82, or 2.5%, at \$109.11 a barrel. June WTI fell \$2.81, or 2.5%, to \$109.59 a barrel.

Both benchmarks gave up early gains of \$2-\$3 a barrel following a change in risk sentiment as equity markets fell. Brent remained at an unusual discount to WTI a day after settling below the U.S. benchmark for the first time since May 2020. Traders and analysts cited strong export demand and tightening U.S. crude stockpiles. The U.S. dollar strengthened and global stocks retreated on concerns about economic growth and rising inflation. Bearish sentiment also followed reports that the United States is planning to relax sanctions against Venezuela and allow Chevron Corp to negotiate oil licenses with state producer PDVSA however, ongoing supply concerns remained supportive. Russian crude output fell by nearly 9% from the previous month, as Western sanctions on Moscow curbed exports. June WTI lost \$2.81 per barrel, or 2.50% to \$109.59, while Brent for July delivery lost \$2.82 per barrel, or 2.52% to \$109.11. June RBOB lost 22.11 cents per gallon, or 5.61% to \$3.7206. ULSD for June delivery lost 13.12 cents per gallon, or 3.45% to \$3.6681.

**Technical Analysis:** July WTI fell below \$109.12, the top of the consolidation pattern that dates back to the beginning of March and briefly dipped below its 10-day moving average. Although moving oscillators have not crossed to the downside but, they are trending in overbought territory and appear to be getting ready to make the cross. Should we get a cross of these technical indicators, we would look for additional selling to enter the market with the 50-day average our next level of support. To the upside, resistance is set at \$103.38 and above that at \$109.12.

**Fundamental News:** The EIA reported that U.S. crude oil stocks in the SPR fell by 5 million barrels to 528 million barrels, the lowest level since November 1987. Meanwhile, U.S. crude oil production increased by 100,000 bpd to 11.9 million bpd. The EIA reported that gasoline stocks fell for the seventh consecutive week, by 4.8 million barrels in the week ending May 13<sup>th</sup>. It was the largest decline since October 2021. The EIA also reported that U.S. East Coast refinery utilization increased to 95%, the highest level since July 2018.

Marketwatch stated that while inflation is rising a little perspective is in order. It stated that real prices have been higher before without crashing the economy. It stated that once the price of gasoline is adjusted for the purchasing power of a dollar and the increased gas mileage of the cars and trucks on the road, gasoline prices are not so high that they will crush the economy. While the price of gasoline is higher than a year ago, they have been much higher before. Back in 1980, gasoline cost \$1.25/gallon but the average worker was making \$6.75/hour. It took the typical worker about 11 hours to earn enough to buy a gallon of gasoline. Currently, with gasoline prices at \$4.17/gallon, it takes a typical worker making \$26.94/hour just over nine minutes to earn enough to buy a gallon. Gasoline prices would have to get to nearly \$7/gallon to match the 30 cents/mile of 1980 and 1981.

According to oil analytics firm Vortexa, Europe has exported around 540,000 bpd of gasoline to the United States, close to the highest level since July 2019.

IIR Energy reported that U.S. oil refiners are expected to shut in 861,000 bpd of capacity in the week ending May 20<sup>th</sup>, increasing available refining capacity by 210,000 bpd. It reported that offline capacity is expected to fall to 502,000 bpd in the week ending May 27<sup>th</sup>.

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

WTI - June \$106.83, down \$2.76

RBOB - June \$3.5894, down 13.12 cents

HO - June \$3.5564, down 11.17 cents

## All NYMEX | Prior Settlements

Month	ULSD (HO)		Change In One Week
	Close	Prior Settle	
Jun-22	3.6681	-0.1312	-0.2831
Jul-22	3.5693	-0.1235	-0.1853
Aug-22	3.4927	-0.1176	-0.1381
Sep-22	3.4311	-0.1103	-0.1997
Oct-22	3.3693	-0.1047	-0.1317
Nov-22	3.3044	-0.1007	-0.1318
Dec-22	3.2387	-0.0977	-0.1321
Jan-23	3.1815	-0.0964	-0.1330
Feb-23	3.1204	-0.0953	-0.1319
Mar-23	3.0558	-0.0933	-0.1307
Apr-23	2.9862	-0.0894	-0.1280
May-23	2.9311	-0.0811	-0.1207
Jun-23	2.8836	-0.0738	-0.1162
Jul-23	2.8558	-0.0709	-0.1146
Aug-23	2.8332	-0.0665	-0.1147
Sep-23	2.8152	-0.0646	-0.1125
Oct-23	2.8012	-0.0623	-0.1063

Sprague HeatCurve October 2022-April 2023		Close	Change
Crude - WTI	June Brent-WTI Spread \$2.07	\$107.0400	-\$2.5900
Crude - Brent		\$109.1100	-\$2.8200
Natural Gas		\$8.3680	\$0.0640
Gasoline		\$3.7206	-\$0.2211

### Total U.S. Oil Stocks Excluding SPR

