

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil futures jumped by 4% on Monday, as traders expected a slow recovery in U.S. output after last week's winter storm and deep freeze in Texas knocked out power to U.S. producers and refiners. The deep freeze forced producers to shut in anywhere from 2 to 4 million barrels per day of production and possibly damaged installations that could keep output offline for longer than expected, as there is the possibility of frozen pipelines. March WTI, which expired at the day's settlement, tacked on \$2.25, or 3.8%, to settle at \$61.49 a barrel, while the April contract, the most actively traded, added \$2.44, or 4.1%, to settle at \$61.70 a barrel. April Brent rose \$2.33, or 3.7%, to settle at \$65.24 a barrel, while May, the most active contract gained \$2.22, or 3.6%, to end at \$64.36 a barrel. Both WTI and Brent, based on the front-month contracts, settled at their highest since January 2020, according to Dow Jones Market Data.

Technical Analysis: RBOB prices have climbed for a fifth straight week, with prices at the pump jumping for the seventh week in a row, at their fastest weekly pace since 2017, according to travel and navigation app GasBuddy. RBOB futures are now at a higher level than pre-pandemic levels, as refiners struggle to come back online. There is a "double top" up at \$1.8486, should we get above this level, we will most likely see a push toward the \$1.890 area, prices not seen since July of 2019. Although RBOB looks like it still has more room to the downside, the summer driving season will be here before we know it, and as a result, we would look for buying opportunities in the April RBOB/WTI crack spread somewhere down around the \$18.50 - \$18.00 area. March RBOB tacked on 1.9%, to settle at \$1.8417 a gallon, the highest front-month settlement since July 2019. March heating oil added 2%, to settle at \$1.8586 a gallon.

Fundamental News: A source told RIA news agency ahead of the OPEC+ meeting next week that Saudi Arabia and Russia have differences over a potential deal among OPEC+ oil producers that could ease cuts on supply starting in April. The source said "the Saudis will insist on maintaining production at the current level and will call for a cautious approach at the upcoming meeting." Russian Deputy Prime Minister Alexander Novak has voiced support for a gradual increase in oil output amid improving demand and as COVID-19 vaccines are being rolled out. OPEC+ meets to set policy on March 4th.

Shale oil producers in the southern United States could take at least two weeks to restart the more than 2 million bpd of crude output that shut down because of cold weather, as frozen pipes and power supply interruptions slow their recovery. The winter storm that hit Texas and much of the country over the past week forced the biggest ever weather-related shutdown in the Permian Basin, cutting 2 to 4 million bpd from nationwide oil output and impacting the roughly 5 million bpd produced in Texas especially hard. Industry sources said there may be issues in supply as utilities assess and repair damage. Jodi Quinnell, research director at energy researcher and consultancy Wood Mackenzie said oil production can typically resume quickly after cold weather, but the scale of the shutdown is unique. According to Wood Mackenzie data, Permian Basin oil production is down 35%, falling below 3 million bpd in output for the first time since 2018. Problems in accessing the fields and equipment could slow the recovery. Several midstream companies, including Oryx Midstream, a Permian-based gathering and logistics company, as well as TC Energy's Marketlink pipeline, have declared force majeure as power disruptions impede their ability to receive and pump barrels. Producers are also dealing with a lot of actual freeze-offs, truck issues and mechanical problems at tank farms. J.P. Morgan analysts estimated that the production decline from wellhead freeze-offs is expected to total 16 to 18 million barrels in February.

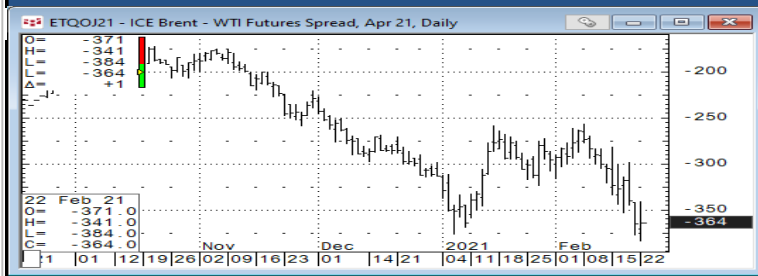
Early Market Call - as of 8:05 AM EDT

WTI - Mar \$61.99, up 29 cents
 RBOB - Mar \$1.8458, up 41 points
 HO - Mar \$1.8650, up 64 points

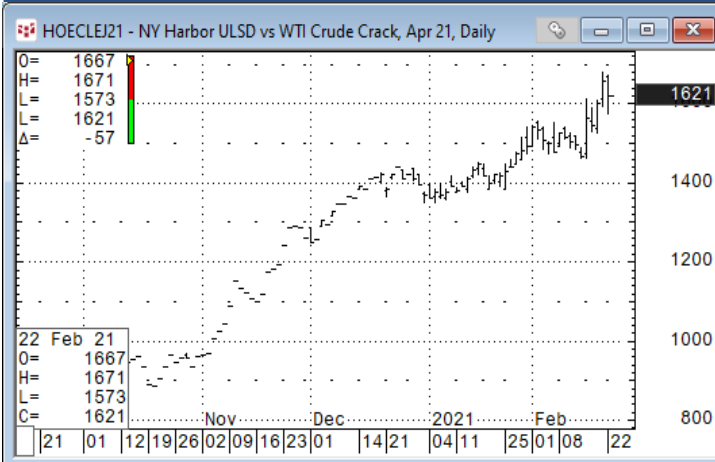
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Mar-21	1.8586	0.0357	-0.0872
Apr-21	1.8508	0.0404	-0.0860
May-21	1.8418	0.0434	-0.0812
Jun-21	1.8369	0.0446	-0.0784
Jul-21	1.8335	0.0450	-0.0751
Aug-21	1.8313	0.0450	-0.0721
Sep-21	1.8315	0.0448	-0.0700
Oct-21	1.8324	0.0441	-0.0691
Nov-21	1.8328	0.0434	-0.0689
Dec-21	1.8317	0.0430	-0.0686
Jan-22	1.8314	0.0426	-0.0675
Feb-22	1.8272	0.0422	-0.0656
Mar-22	1.8170	0.0419	-0.0634
Apr-22	1.8000	0.0411	-0.0610
May-22	1.7893	0.0402	-0.0591
Jun-22	1.7806	0.0393	-0.0566
Jul-22	1.7780	0.0385	-0.0547

Sprague HeatCurve October 2021-April 2022			\$1.8259
		Close	Change
Crude - WTI	Apr Brent- WTI Spread \$3.54	\$61.7000	\$2.4400
Crude - Brent		\$65.2400	\$2.3300
Natural Gas		\$2.9530	-\$0.1160
Gasoline		\$1.8417	\$0.0348

ICE April Brent-WTI Spread



April Heating Oil Crack Spread



April RBOB Crack Spread

