

## Market Commentary

## All NYMEX | Prior Settlements

**Recap:** Both Brent and WTI traded above \$100 a barrel for the first time since 2014, as Russian troops and tanks pushed into Ukraine and airstrikes hit the country's capital in an attack on Ukraine, which was authorized by Russian President Vladimir Putin in a televised address to his nation. The Russian attack in Ukraine is viewed as the largest such military operation since World War II and is likely to spark concerns about supply disruptions, during a period of uncertainty in the global economy underpinned by COVID worries and supply-chain bottlenecks. The rally in prices cooled down after President Joe Biden said the U.S. is working with major consuming nations to coordinate a collective release from strategic petroleum reserves, while continuing to spare Russian supplies from sanctions. Brent and WTI have large options layers at \$95 and \$100/bbl, some of which came into the money amid a broad surge at the front of the curve as outright Brent and WTI prices topped \$100. Brent's backwardation continues to swell, rising above \$3.50 Thursday for the prompt spread. WTI crude for April delivery closed up \$0.71 to settle at \$92.81 per barrel, after earlier touching \$100.54, the highest since July, 2014. April Brent rose \$2.24, or 2.3%, to settle at \$00.08 a barrel, after hitting a session high of \$105.79. Gasoline crack spreads exploded on Thursday, as gasoline prices in the U.S. reach their highest level since 2014. If crude oil prices continue to rise, gasoline prices are sure to follow as the effects of the pandemic temper and more drivers take to the road, should they not be hampered by inflation. Meanwhile, rising natural gas prices could raise electricity and home heating bills. The increasing costs for transportation, power and heat would all contribute to inflation, which is already at its highest rate in 40 years in the U.S., though there is debate about how long the impact would be. March RBOB tacked on .0457 cents, to settle at \$2.7710 a gallon, while March heating oil added .0677 cents, to settle at \$2.8969 per gallon.

**Technical Analysis:** Oil futures peeled back quite a bit from session highs on Thursday, as traders reacted aggressively to the Russian invasion of Ukraine, and after having achieved the \$100 level. Despite the pullback, this market is still in the midst of supply constraints. Even though the Biden administration is suggesting that they are going to release crude oil from the Strategic Petroleum Reserve, this is just a temporary relief. Given this fact, we still like buying this market on such pullbacks.

**Fundamental News:** The EIA reported that oil stocks at Cushing, Oklahoma continued to fall to about 23.8 million barrels in the latest week. It is at the lowest level since September 2018. Inventories at the hub are approaching critical levels and could set the stage for a further increase in futures prices. Cold weather in parts of the U.S. helped drive distillate stocks to the lowest level since November 2019, led by draws in the Gulf Coast. U.S. distillates stocks are at seven-year lows for this time of year.

During an address on the Russian and Ukrainian situation, President Joe Biden said that the U.S. will sanction five of Russia's largest banks, which he said have combined assets of more than \$1 trillion. He said the U.S. and its allies will not remove Russia from the Swift financial messaging system today because of opposition from some European nations. He, however, said the option is still on the table. President Biden said more barrels of oil will be released from the SPR as conditions warrant. He said U.S. oil and gasoline companies should not exploit this moment nor increase prices. The White House made it clear it would try to prevent oil prices from spiking through a release of emergency reserves with international partners and by avoiding sanctions on energy transactions.

Iranian officials said western partners in nuclear talks with Iran in Vienna have to make decisions on crucial issues to help reach an agreement. Iran's top security official, Ali Shamkhani, said it was possible to achieve a good agreement after significant progress in the negotiations in Vienna. However, he added: "To resolve the remaining crucial issues, Western political decision-making is necessary to balance the accord." The State Department said an

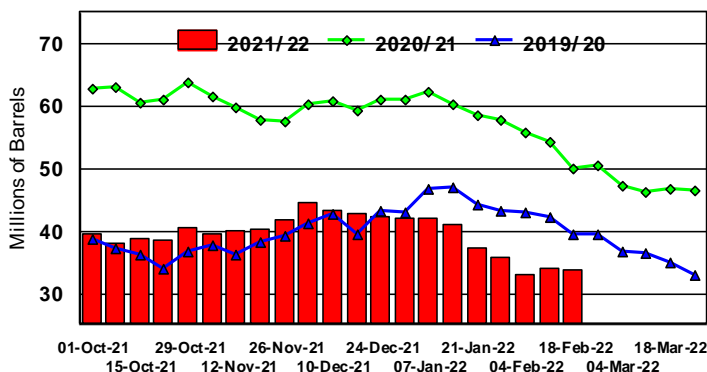
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Mar-22	2.8969	0.0677	0.1107
Apr-22	2.8547	0.0613	0.1152
May-22	2.7915	0.0471	0.1089
Jun-22	2.7441	0.0344	0.1042
Jul-22	2.7071	0.0257	0.0973
Aug-22	2.6821	0.0171	0.0899
Sep-22	2.6715	0.0119	0.0793
Oct-22	2.6599	0.0077	0.0810
Nov-22	2.6458	0.0042	0.0778
Dec-22	2.6307	0.0012	0.0760
Jan-23	2.6152	-0.0016	0.0740
Feb-23	2.5962	-0.0041	0.0719
Mar-23	2.5744	-0.0067	0.0700
Apr-23	2.5487	-0.0084	0.0681
May-23	2.5280	-0.0102	0.0657
Jun-23	2.5131	-0.0107	0.0640
Jul-23	2.5054	-0.0116	0.0647

Sprague HeatCurve October 2022-April 2023			\$2.6089
		Close	Change
Crude - WTI	Apr Brent-WTI Spread \$6.27	\$92.8100	\$0.7100
Crude - Brent		\$99.0800	\$2.2400
Natural Gas		\$4.5680	-\$0.0550
Gasoline		\$2.7710	\$0.0457

EIA Working Gas Storage Report				
	18-Feb-22	11-Feb-22	Change	18-Feb-2021
East	396	435	-39	433
Midwest	450	496	-46	520
Mountain	105	114	-9	125
Pacific	176	177	-1	222
South Central	655	689	-34	692
Salt	168	173	-5	162
Nonsalt	487	516	-29	530
Total	1,782	1,911	-129	1,991

## Weekly EIA Petroleum Status Report for the Week Ending February 18, 2022

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Up 4.514 million barrels  
 Cushing, OK Crude Stocks Down 2.049 million barrels  
**Gasoline Stocks** Down 582,000 barrels  
**Distillate Stocks** Down 584,000 barrels  
**Refinery % Operated** 87.4%, Up 2.1%

### PADD #1

Distillate Stocks (in million bbls)	Week Ending Feb 18, 2022	Week Ending Feb 11, 2022	Week Ending Feb 19, 2021
New England	5.9	5.5	10.5
Central Atlantic	16.6	17.1	26.4
Total PADD #1	33.6	33.9	49.9
Distillate Imports (thousands b/d)	353	425	242