



MarketWatch | Refined Products

Tuesday, January 10, 2023

Market Commentary

All NYMEX | Prior Settlements

Recap: The oil market rallied higher on Monday after falling more than 8% last week, the largest weekly decline at the start of a year since 2016. The oil market was well supported by news that China opened its borders over the weekend for the first time in three years. Domestically, China expects about 2 billion trips during the Lunar New Year season, nearly double last year's level and 70% of 2019 levels. Also, China issued a second batch of 2023 crude import quotas, increasing the total for this year by 20% from the same time last year. The oil market opened 30 cents lower at \$73.47, its low, before it retraced its losses and rallied higher in overnight trading. The market traded to a high of \$76.74 by mid-morning. The market however erased its gains and traded back below the \$75.00 ahead of the close. The February WTI settled up 86 cents at \$74.63, while the March Brent contract settled up \$1.08 at \$79.65. The product markets ended the session in positive territory, with the heating oil market settling up 3.15 cents at \$3.0360 and the RB market settling up \$4.83 cents at \$2.2929.

Technical Analysis: The crude oil market will likely retrace some of its gains before it continues to trade higher as the market remains supported by the reopening of the world's largest crude importer and hopes of less aggressive increases to U.S. interest rates. The market will also remain supported in light of expectations that the EIA report due to be released on Wednesday will show a draw in crude stocks of over 2 million barrels on the week. The oil market is seen finding support at its low of \$73.47, \$73.24 and \$72.46. More distant support is seen at \$70.48 and \$70.31. Meanwhile, resistance is seen at its high of \$76.74, \$76.98, its 50% retracement level off a low of 72.46 to a high of \$81.50, \$87.42 and \$78.05, its 62% retracement level. More distant resistance is seen at \$81.50, \$82.75 and \$83.27.

Fundamental News: Genscape reported that crude oil stocks held in Cushing, Oklahoma in the week ending Friday, January 6th increased by 1,770,665 barrels and by 281,783 barrels from Tuesday, January 3rd to 30,334,543 barrels.

According to two sources, China issued a second batch of 2023 crude oil import quotas, raising the total for this year by 20% compared with the same time last year. According to the document from the Ministry of Commerce, 44 companies, mostly independent refiners, were given 111.82 million tons in import quotas in this round. Combined with the 20 million tons in 2023 quotas granted to 21 refineries in October, the second batch of import quotas takes the total for this year to 131.82 million tons, up from the 109.03 million tons issued in the first batch for 2022.

Goldman Sachs said an unseasonably warm winter in Europe and the United States poses a downside risk for its natural gas price targets for 2023. However, potential support from a faster reopening of China after COVID-19 lockdowns, a stronger overall European economic outlook due to relaxed energy restrictions and a less threatening inflationary backdrop meant Goldman maintained their 2023 bullish outlook on oil and other commodities. It said the immediate impact on oil demand from lost gas-to-oil substitution in Europe due to falling gas prices could be as much 1.5 million bpd. It said "Should European gas prices remain weak for the rest of this year, the extended loss of gas-to-oil substitution would lower our oil price forecast by \$4 per barrel for 2023," but noted that a faster reopening of China is "alone worth +\$5/bbl on the 2023 oil price forecast."

Colonial Pipeline resumed Line 3 operations on Sunday after a piece of equipment that led to an unplanned shutdown this week at Witt delivery station near Danville, Virginia, was repaired. Colonial had shut its Line 3, with a capacity of 885,000 bpd, last Wednesday for unscheduled maintenance in response to the estimated 60 barrel leak.

Colonial Pipeline Co is allocating space for Cycle 4 shipments on Line 20, which carries distillates from Atlanta, Georgia to Nashville, Tennessee.

Early Market Call - as of 8:33 AM EDT

WTI - February \$74.93 up 30 cents

RBOB - February \$2.3291 up 3.62 cents

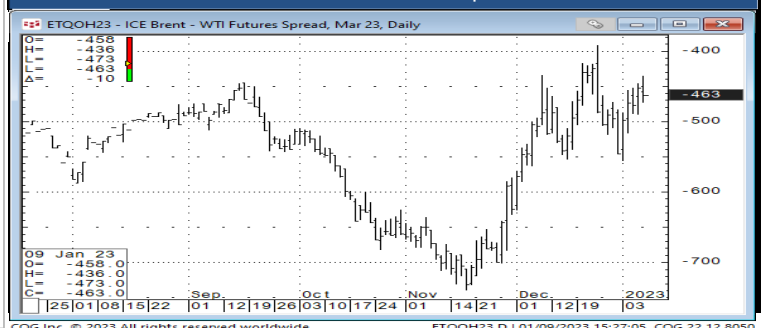
HO - February \$3.0505 up 1.45 cents

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-23	\$3.0360	\$0.0315	-\$0.2590
Mar-23	\$2.9534	\$0.0320	-\$0.2258
Apr-23	\$2.8395	\$0.0258	-\$0.2206
May-23	\$2.7670	\$0.0242	-\$0.2133
Jun-23	\$2.7285	\$0.0234	-\$0.2054
Jul-23	\$2.7151	\$0.0241	-\$0.1969
Aug-23	\$2.7069	\$0.0251	-\$0.1882
Sep-23	\$2.7031	\$0.0263	-\$0.1791
Oct-23	\$2.6986	\$0.0272	-\$0.1693
Nov-23	\$2.6915	\$0.0283	-\$0.1596
Dec-23	\$2.6824	\$0.0297	-\$0.1513
Jan-24	\$2.6743	\$0.0308	-\$0.1445
Feb-24	\$2.6645	\$0.0317	-\$0.1386
Mar-24	\$2.6478	\$0.0340	-\$0.1330
Apr-24	\$2.6226	\$0.0356	-\$0.1294
May-24	\$2.6061	\$0.0363	-\$0.1255
Jun-24	\$2.5971	\$0.0364	-\$0.1201

Sprague HeatCurve October 2023-April 2024 \$2.6690

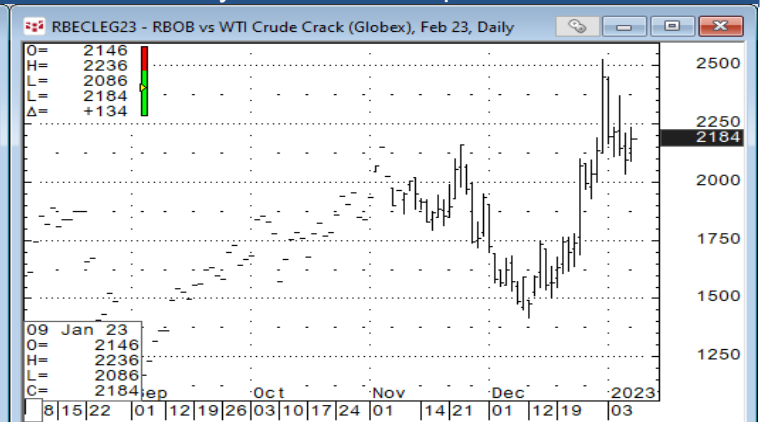
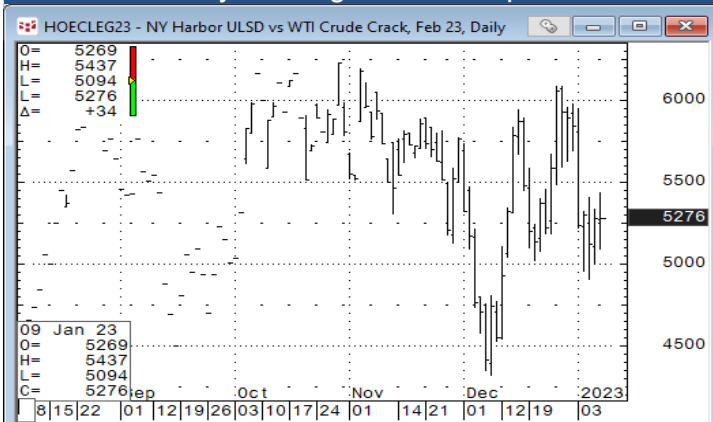
	Close	Change
Crude - WTI	\$74.9200	\$0.8800
Crude - Brent	\$79.6500	\$1.0800
Natural Gas	\$3.9100	\$0.2000
Gasoline	\$2.2929	\$0.0483

ICE March Brent-WTI Spread



February Heating Oil Crack Spread

February RBOB Crack Spread



CQG Inc. © 2023 All rights reserved worldwide HOECLEG23,D | 01/09/2023 15:27:55, CQG 22.12.8050 CQG Inc. © 2023 All rights reserved worldwide RBECLEG23,D | 01/09/2023 15:28:10, CQG 22.12.8050

This market update is provided for information purposes only and is not intended as advice on any transaction nor is it a solicitation to buy or sell commodities. Sprague makes no representations or warranties with respect to the contents of such news, including, without limitation, its accuracy and completeness, and Sprague shall not be responsible for the consequence or reliance upon any opinions, statements, projections and analyses presented herein or for any omission or error in fact.