

Market Commentary

Recap: The oil market on Wednesday continued on its upward trend despite an unexpected build in crude stocks, as the dollar fell to a six-week low ahead of the Federal Reserve's decision on interest rates in the afternoon. The May WTI contract, on its first day as the spot contract, posted a low of \$68.89 in overnight trading before it bounced off that level and continued to trade higher. The crude market traded to \$70.87, as it retraced more than 38% of its move from a high of \$80.94 to a low of \$64.12, despite the EIA reporting an unexpected build of 1.1 million barrels in crude stocks. U.S. crude stocks have built during 12 of the past 13 weeks, increasing inventories to the highest level since May 2021. The market paused before it traded to a one-week high of \$71.10 following the Federal Reserve's decision to raise interest rates by 25 basis points. The Fed set its benchmark overnight interest rate in the 4.75%-5.00% range, the highest level since September 2007. The May WTI contract settled up \$1.23 at \$70.90, while the May Brent contract settled up \$1.37 at \$76.69. The oil market continued to trend higher in the post settlement period, with the WTI contract rallying to a high of \$71.31. The product markets ended the session over 5 cents higher, with the heating oil market settling up 5.01 cents at \$2.7403 and the RB market settling up 5.43 cents at \$2.5932.

Technical Analysis: The oil market is seen continuing on its upward trend following the Fed decision and its indication that it was on the verge of pausing further increases in interest rates. It also stated that U.S. banking system is "sound and resilient", remarks that seemed to reassure investors. The market is seen finding resistance at \$70.60, its high of \$70.87, \$72.70, \$74.67 and \$75.02. Further upside is seen at \$77.56. Meanwhile, support is seen at \$68.89, \$66.90 and \$64.36. More distant support is seen at \$62.31, \$61.74 and \$60.00.

Fundamental News: The EIA reported that U.S. East Coast refinery utilization fell in the latest week to the lowest level since February 2021. U.S. East coast refinery runs fell to 68% in the week ending March 17th from 77.8% in the previous week. Meanwhile, U.S. crude oil inventories increased by 1.117 million barrels on the week to 481.2 million barrels, the highest level since May 2021. U.S. East Coast crude oil inventories fell by 35,000 barrels to 6.53 million barrels last week, the lowest level on record while, U.S. Gulf Coast crude oil inventories increased by 2.6 million barrels on the week to 275.2 million barrels, the highest level since April 2021.

Three OPEC+ delegates said the producer group is likely to stick to its deal on output cuts of 2 million bpd until the end of the year, even after a banking crisis sent crude prices lower. OPEC+ is scheduled to hold a virtual meeting of its ministerial committee, which includes Russia and Saudi Arabia, on April 3rd before a full ministerial meeting in Vienna on June 4th.

Industry analysts said that as U.S. refiners modify operations to reflect declining domestic motor fuels demand in the next decade, they will seek to maximize diesel and biofuels production for exports. A rationalization of global refining capacity along with Russia's continued war in Ukraine has encouraged U.S. refiners to prioritize distillates as global diesel inventories declined and demand increased. At its peak last year, U.S. refiners were exporting a record 1.57 million bpd of distillate fuel, with profit margins topping \$70/barrel, more than double that of gasoline. Analysts at Tudor, Pickering and Holt said that while distillate margins have fallen to around \$31.35/barrel, they remain double the five-year average. John Auers, managing director of Refined Fuels Analytics, said those profits will encourage downstream companies globally to invest in producing diesel and other products. He said "The refineries that will be most at risk in the future will be those that are geared to produce more gasoline." He forecasts that total middle distillates demand will increase by 10.8 million bpd or 32% by 2045, with diesel growing by 4.8 million bpd and jet fuel by 6 million bpd.

Early Market Call - as of 8:15 AM EDT

WTI - May \$70.50, down 40 cents
 RBOB - April \$2.5991, up 59 points
 HO - April \$2.7196, down 2.07 cents

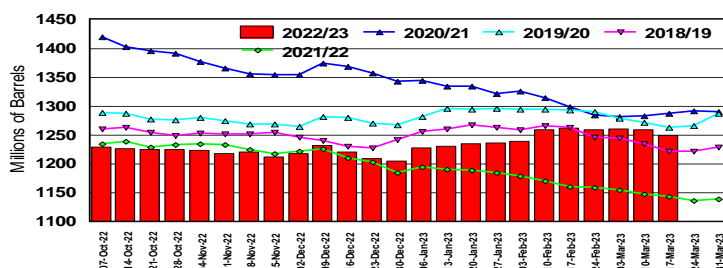
All NYMEX | Prior Settlements

Month	USLD (HO)	Prior Settle	Change In
	Close	Change	One Week
Apr-23	2.7403	0.0501	0.1354
May-23	2.6063	0.0334	0.0998
Jun-23	2.5300	0.0265	0.0752
Jul-23	2.5062	0.0251	0.0691
Aug-23	2.5007	0.0237	0.0683
Sep-23	2.5012	0.0224	0.0662
Oct-23	2.5015	0.0209	0.0650
Nov-23	2.4992	0.0195	0.0638
Dec-23	2.4934	0.0186	0.0626
Jan-24	2.4898	0.0174	0.0608
Feb-24	2.4834	0.0158	0.0586
Mar-24	2.4717	0.0143	0.0571
Apr-24	2.4538	0.0124	0.0552
May-24	2.4443	0.0107	0.0518
Jun-24	2.4366	0.0092	0.0493
Jul-24	2.4340	0.0082	0.0490
Aug-24	2.4321	0.0079	0.0495

Sprague HeatCurve October 2023-April 2024

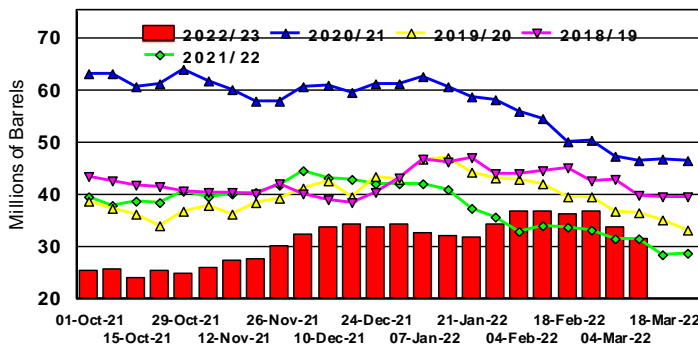
	Close	Change
Crude - WTI	\$70.9000	\$1.2300
Crude - Brent	\$76.6900	\$1.3700
Natural Gas	\$2.1710	-\$0.1770
Gasoline	\$2.5932	\$0.0543

Total U.S. Oil Stocks Excluding SPR



Weekly EIA Petroleum Status Report for the Week Ending March 17, 2023

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 1.55 million barrels
 Cushing, OK Crude Stocks Down 1.916 million barrels
Gasoline Stocks Down 2.061 million barrels
Distillate Stocks Down 2.537 million barrels
Refinery % Operated 88.2%, up 2.2%

PADD #1

Distillate Stocks (in million bbl)	Week Ending Mar 17, 2023	Week Ending Mar 10, 2023	Week Ending Mar 18, 2022
New England	4.3	4.6	5.6
Central Atlantic	16.0	17.3	12.3
Total PADD #1	31.6	33.8	28.5
Distillate Imports (thousands b/d)	186	146	117