

## Market Commentary

**Recap:** The oil market continued to rally a three-month high on Tuesday after the market was steady early in the session. The market traded higher ahead of the release of the weekly petroleum stocks reports, which are expected to show draws across the board in crude and product stocks. The crude market looked ready to post an inside trading day early in the session as it posted a range from \$79.08 to \$78.29 in overnight trading. However, the market extended its gains to over \$1 as it rallied to a high of \$79.90, a level not seen since April 19<sup>th</sup>, ahead of the close. The market was also well supported amid signs of tighter supplies and the news of officials in China promising to increase economic policy support. The September WTI contract settled up 89 cents at \$79.63 and the September Brent contract settled up 90 cents at \$83.64. The product markets settled in mixed territory, with the heating oil market settling up 71 points at \$2.7776 and the RB market settling down 4.18 cents at \$2.8533.

**Market Analysis:** The oil market will likely seek further direction from the weekly petroleum stocks reports. It will continue on its upward trend if the reports show the expected draws in stocks, with a 2 million barrel draw expected in crude inventories. The market will also seek further direction from the Federal Reserve's interest rate decision due out on Wednesday afternoon and any comments about future rate hikes. Resistance is seen at its high of \$79.90, \$81.18, \$81.48, \$82.27 and \$82.71. The market is seen finding support at its low of \$78.29, \$77.54, \$76.83, \$76.44 and \$76.12. Further support is seen at \$75.69, \$74.72 and \$73.82 - \$73.78.

**Fundamental News:** U.S. diesel, heating oil and jet fuel stockpiles have failed to recover from the 10-year lows hit last year when high prices caused the Biden administration to consider a ban on fuel exports, leaving the markets vulnerable to supply shocks when demand increases toward the end of the summer. While diesel prices have fallen by 30% year-on-year, tight supplies could spell trouble if the U.S. and global economy strengthens going into the final quarter of the year. According to the latest EIA data, distillate fuel inventories are still near 10 year lows, at just over 118 million barrels. Refinery issues has prevented distillate fuel inventories from growing, as they typically do during the summer. According to data from IIR Energy, overall, unplanned outages in June averaged about 550,000 bpd, nearly double June 2022's unscheduled shutdown of near 290,000 bpd of capacity. The increased costs of carrying inventories due to higher interest rates have also reduced refiner demand to fill up the storage tanks, and has encouraged traders to drain inventories where they can. U.S. refiners are instead sending diesel to Europe, whose refiners have been running at lower capacity and are also in need of supplies to replace Russian fuel that is now sanctioned.

A gasoline-producing fluid catalytic cracker at Exxon Mobil Corp's 522,500 bpd Baton Rouge, Louisiana refinery is likely to be shut for up to four weeks for repairs. Sources stated that the 110,000 bpd fluid catalytic cracking unit was shut on Thursday and preparations for the repair work were completed on Sunday. Exxon has yet to determine the exact cause of the unit's shutdown and initial work will focus on determining what brought the unit down.

Colonial Pipeline Co is allocating space for Cycle 44 on Line 1, its main gasoline line from Houston, Texas to Greensboro, North Carolina. The current allocation is for the pipeline segment north of Collins, Mississippi.

The Philadelphia Federal Reserve Bank's non-manufacturing business conditions index for July stood at 1.4, up from -16.6 in June. Its non-manufacturing firm-level business activity index increased to 2 in July from -7.5 in June and its non-manufacturing new orders index increased to -13.3 in July from -16.2 in June.

The Federal Reserve of Richmond's monthly manufacturing index fell to -9 in July from -8 in June. Its manufacturing shipments index fell to -6 in July from -5 in June.

**Early Market Call - as of 8:20 AM EDT**

WTI - August \$78.68, down 95 cents  
 RBOB - August \$2.8851, up 3.18 cents  
 HO - August \$2.7982, up 2.06 cents

## All NYMEX | Prior Settlements

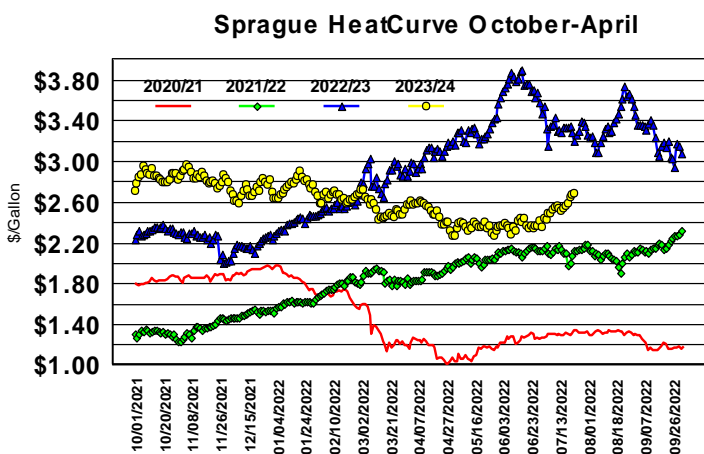
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-23	2.7776	0.0071	0.1782
Sep-23	2.7734	0.0094	0.1793
Oct-23	2.762	0.0112	0.1749
Nov-23	2.7394	0.0124	0.1649
Dec-23	2.7138	0.0128	0.1553
Jan-24	2.6952	0.0131	0.1473
Feb-24	2.6736	0.0134	0.1393
Mar-24	2.6456	0.0133	0.1313
Apr-24	2.6099	0.0125	0.1224
May-24	2.5846	0.0129	0.116
Jun-24	2.5648	0.014	0.1111
Jul-24	2.5543	0.0144	0.107
Aug-24	2.5472	0.0143	0.1039
Sep-24	2.5411	0.0144	0.1008
Oct-24	2.5363	0.0142	0.0979
Nov-24	2.5299	0.0148	0.0957
Dec-24	2.5224	0.016	0.0947

Sprague HeatCurve October 2023-April 2024		Close	Change
Crude - WTI	Aug Brent-WTI Spread \$4.01	\$79.6300	\$0.8900
Crude - Brent		\$83.6400	\$0.9000
Natural Gas		\$2.7300	\$0.0450
Gasoline		\$2.8533	-\$0.0418

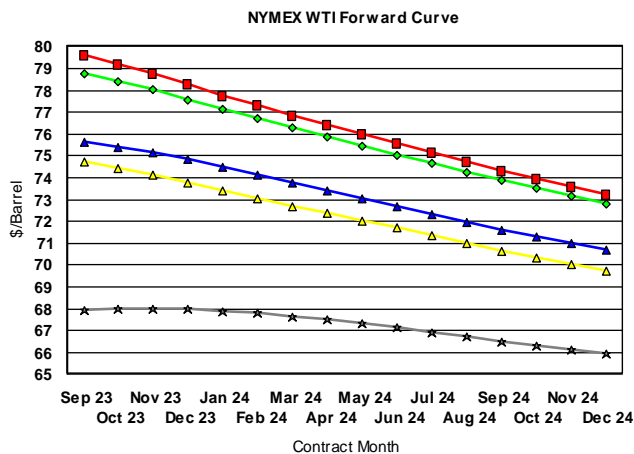
### API Report for the Week Ending July 21, 2023

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Up 1.3 million barrels	Down 2.3 million barrels
Gasoline Stocks	Down 1 million barrels	Down 1.7 million barrels
Distillate Stocks	Up 1.6 million barrels	Down 300,000 barrels
Refinery Runs		Up 0.4% at 94.7%

## Sprague HeatCurve October-April



## WTI Forward Curve



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