

Market Commentary

Recap: On Tuesday, the oil market extended its rally after the European Union agreed to a partial and phased ban on Russian oil and China decided to lift some COVID-19 restrictions. On Monday, European Union leaders agreed in principle to cut 90% of oil imports from Russia. Once fully adopted, sanctions on crude will be phased in over six months and on refined products over eight months. Oil prices found further support as Shanghai announced an end to its COVID-19 lockdown, and will allow people in China's largest city to leave their homes and drive their cars starting on Wednesday. The oil market quickly traded a low of \$114.86 during Sunday night's session before the market continued on its upward trend during Monday's shortened session and into Tuesday's session. The market rallied over \$4.90 as it posted high of \$119.98 on Tuesday morning. However, the market later erased its gains and sold off to a new low of \$114.15 in afternoon trading amid a Wall Street Journal headline stating that OPEC was considering suspending Russia from the OPEC+ production deal. The July WTI contract settled down 40 cents at \$114.67, while the July Brent contract expired up \$1.17 at \$122.84. Meanwhile, the product markets ended the session higher, with the heating oil market settling up 8.80 cents at \$4.0909 and the RBOB market settling up 6.46 cents at \$4.0804.

Technical Analysis: The oil market is seen retracing some of its sharp losses on Wednesday and remain in a sideways trading range ahead of the weekly petroleum stock reports and Thursday's OPEC+ meeting, where the oil producers are expected to stick to their output increase of 432,000 bpd in July. Support is seen at its low of \$114.15, \$113.59, its 38% retracement level from a low of \$103.24 to a high of \$119.98, \$112.85, \$111.61, its 50% retracement level, \$110.27 and \$109.63, its 62% retracement level. Meanwhile, resistance is seen at \$115.45, \$117.87, \$118.80 and its high of \$119.98.

Fundamental News: The AAA reported that U.S. retail gasoline prices also reached a record national average of \$4.622/gallon as the Memorial Day weekend marked the start of the summer driving season.

The Wall Street Journal reported that OPEC is considering suspending Russia from the OPEC+ production agreement.

On Monday, European Union leaders agreed in principle to cut 90% of oil imports from Russia by the end of this year, resolving a deadlock with Hungary over the bloc's toughest sanction yet on Moscow since the invasion of Ukraine three months ago. The embargo would encompass 90% of all imports from Russia once Poland and Germany, which are also connected to the pipeline, stop buying it by the end of the year. The remaining 10% will be temporarily exempt from the embargo so that landlocked Hungary, which was the main holdout for a deal, along with Slovakia and the Czech Republic, which are all connected to the southern leg of the pipeline, has access which it cannot easily replace. A European Commission spokesperson said the European Union's sanctions against seaborne imports of Russian oil will be imposed with a phase-in period of six months for crude oil and eight months for refined products. That timeline would kick in once the sanctions are formally adopted, with EU country ambassadors aiming to adopt them this week, after EU leaders agreed in principle to the sanctions at a summit on Monday.

The head of the International Energy Agency, Fatih Birol, said Europe could face fuel shortages this summer due to squeezed oil markets. He said "When the main holiday season starts in Europe and the U.S., fuel demand will rise. Then we could see shortages: for example with diesel, petrol or kerosene, particularly in Europe." He also warned that the current energy crisis was "much bigger" than the oil shocks of the 1970s and that it would also last longer. He said we now have a simultaneous oil crisis, gas crisis and an electricity crisis.

Early Market Call - as of 8:35 AM EDT

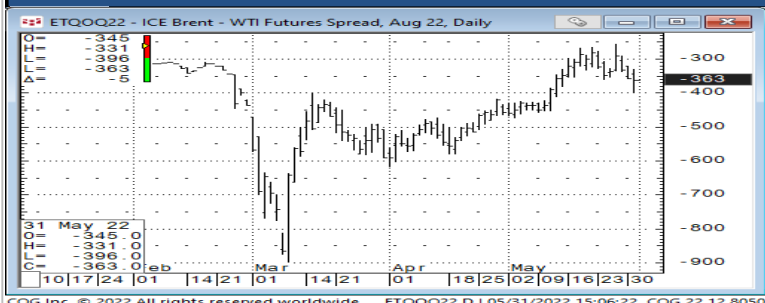
WTI - July \$116.38, up \$1.70
 RBOB - July \$4.0366, up 12.04 cents
 HO - June \$4.0943, up 15.93 cents

All NYMEX | Prior Settlements

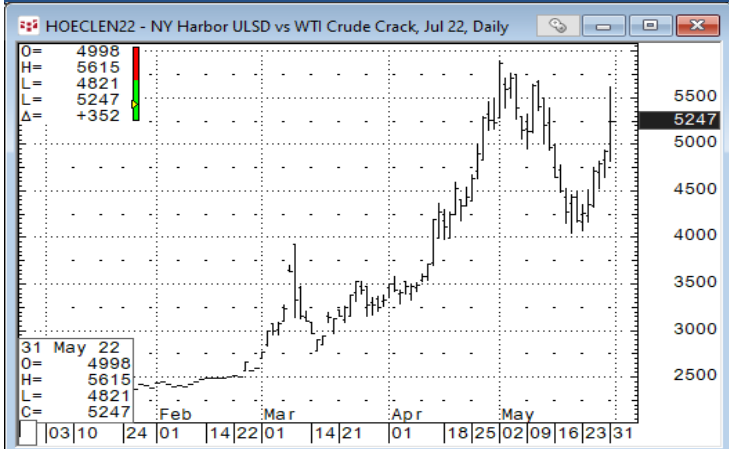
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jun-22	4.0909	0.0880	0.3091
Jul-22	3.9350	0.0297	0.2807
Aug-22	3.8469	0.0223	0.2676
Sep-22	3.7780	0.0229	0.1987
Oct-22	3.7053	0.0258	0.2370
Nov-22	3.6227	0.0273	0.2164
Dec-22	3.5355	0.0287	0.1953
Jan-23	3.4528	0.0238	0.1716
Feb-23	3.3628	0.0139	0.1456
Mar-23	3.2651	0.0014	0.1178
Apr-23	3.1646	-0.0123	0.0913
May-23	3.0809	-0.0332	0.0583
Jun-23	3.0098	-0.0514	0.0314
Jul-23	2.9661	-0.0606	0.0162
Aug-23	2.9285	-0.0667	0.0023
Sep-23	2.9008	-0.0702	-0.0072
Oct-23	2.8786	-0.0731	-0.0133

Sprague HeatCurve October 2022-April 2023		Close	Change
Crude - WTI	July Brent-WTI Spread \$8.17	\$114.6700	-\$0.4000
Crude - Brent		\$122.8400	\$1.1700
Natural Gas		\$8.1450	-\$0.5820
Gasoline		\$4.0804	\$0.0646

ICE August Brent-WTI Spread



July Heating Oil Crack Spread



July RBOB Crack Spread

