

Market Commentary

Recap: Oil prices surged on Wednesday, after falling close to \$40.00 a barrel in WTI and \$50.00 a barrel in Brent the previous session. WTI traded up 9.8 percent, to a high of \$46.71 after losing 6.7 percent and closing at \$42.53 a barrel on Monday. Brent recaptured 8 percent of its losses, to trade at a high of \$54.98 a barrel, up 8.9 percent after losing 6.2 percent the previous session. Prices rallied after Russia's top energy official, Alexander Novak said he expects oil prices to become more stable in the first half of 2019, as he referenced joint efforts to cut back on output by OPEC and non-OPEC members. February WTI settled at \$46.22 a barrel, up \$3.69, or 8.6 percent, while Brent for February delivery tacked on \$4.00, or 7.93 percent, to settle at \$54.47 a barrel.

RBOB experienced its largest one day gain since March, with the January contract settling at \$1.3304 a gallon, up .0816, while January heating oil added .0714, to settle at \$1.7336 a gallon.

Technical Analysis: February WTI is closing in on \$47.28, the current 10-day moving average. A push above this level opens up for an opportunity to test \$50.00. Given how hard this market has fallen, a test at this level is not unlikely, but we believe that \$55.00 will provide great resistance. A break above this level will shift the tone of this market and therefore, we would expect to see a jump in buying activity. Support is set at \$44.00 and \$42.52.

Fundamental News: Russia's Energy Minister, Alexander Novak, said that oil prices, which fell by more than a third this quarter, would become more stable in the first half of 2019. He said there were no proposals for an extraordinary meeting with OPEC, and he attributed the fall in oil prices to macroeconomic factors. He said Russia will cut its output by about 230,000 bpd under the OPEC and non-OPEC output cut agreement. He said the deal can be changed if the market situation changes.

Kuwait's newly appointed oil minister, Khaled al-Fadhel, said his country supports all efforts aimed at stabilizing oil markets. He said Kuwait is committed to the recent OPEC, non-OPEC agreements made earlier this month, which include a production cut of about 1.2 million bpd for six months starting from January.

Iraq's Oil Minister, Thamer Ghadhban, said exports from Iraq's northern Kirkuk oilfields to the Turkish port of Ceyhan will remain at between 80,000 to 90,000 bpd as most of the crude produced is being diverted to feed refineries in the north. The head of Iraq's North Oil Company, Farid al-Jabir, said current production at the Kirkuk oilfields stands at about 370,000 bpd.

Iran's Oil Minister, Bijan Zanganeh, said private buyers of Iranian crude have had no problems exporting it, despite US sanctions targeting Iran's oil exports.

Kazakhstan's Energy Minister, Kanat Bozumbayev, said the country expects the participants in the OPEC and non-OPEC output cut agreement to stabilize prices in the first quarter of 2019 and make a joint statement next month in order to support the market. Kazakhstan plans to reduce its own output to 89.5 million tons next year from 90.3 million tons this year, due in part to planned maintenance shutdowns at its three largest oilfields, Kashagan, Karachaganak and Tengiz.

IIR Energy said US oil refiners are estimated to shut in 45,000 bpd of capacity in the week ending December 28th, increasing available refining capacity by 27,000 bpd from the previous week. IIR expects offline capacity to increase to 108,000 bpd in the week ending January 4th.

Early Market Call - as of 8:25 AM EDT

WTI - Feb \$45.59, down 63 cents

RBOB - Jan \$1.3148, down 1.39 cents

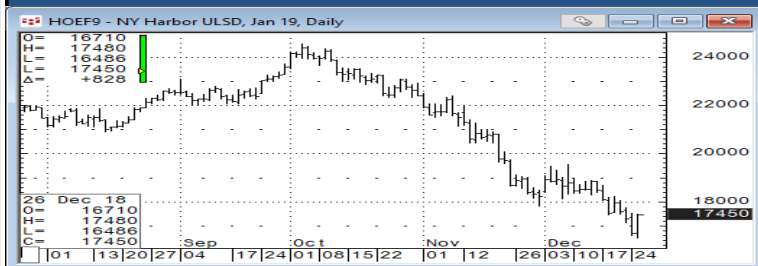
HO - Jan \$1.7244, down 1.05 cents

All NYMEX | Prior Settlements

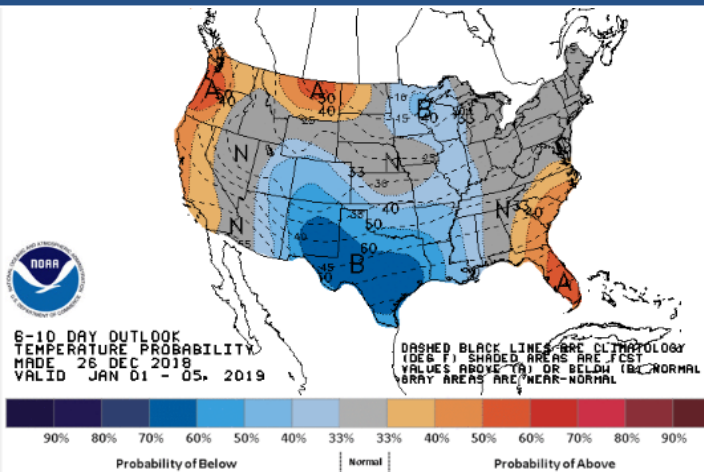
| Month | ULSD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
| | Close | Change | One Week |
| Jan-19 | \$1.7336 | \$0.0714 | -\$0.0718 |
| Feb-19 | \$1.7280 | \$0.0736 | -\$0.0687 |
| Mar-19 | \$1.7149 | \$0.0738 | -\$0.0675 |
| Apr-19 | \$1.7006 | \$0.0747 | -\$0.0657 |
| May-19 | \$1.6996 | \$0.0750 | -\$0.0639 |
| Jun-19 | \$1.7066 | \$0.0755 | -\$0.0617 |
| Jul-19 | \$1.7192 | \$0.0754 | -\$0.0601 |
| Aug-19 | \$1.7314 | \$0.0752 | -\$0.0591 |
| Sep-19 | \$1.7438 | \$0.0753 | -\$0.0585 |
| Oct-19 | \$1.7545 | \$0.0757 | -\$0.0583 |
| Nov-19 | \$1.7630 | \$0.0761 | -\$0.0584 |
| Dec-19 | \$1.7700 | \$0.0767 | -\$0.0582 |
| Jan-20 | \$1.7769 | \$0.0771 | -\$0.0575 |
| Feb-20 | \$1.7792 | \$0.0771 | -\$0.0569 |
| Mar-20 | \$1.7784 | \$0.0766 | -\$0.0568 |
| Apr-20 | \$1.7740 | \$0.0761 | -\$0.0566 |
| May-20 | \$1.7777 | \$0.0757 | -\$0.0545 |

| Other Front Month NYMEX | | Close | Change |
|-------------------------|------------|-----------|----------|
| Crude - WTI | Feb Brent- | \$46.2200 | \$3.6900 |
| Crude - Brent | WTI Spread | \$54.4700 | \$4.0000 |
| Natural Gas | \$8.25 | \$3.5430 | \$0.0760 |
| Gasoline | | \$1.3304 | \$0.0816 |

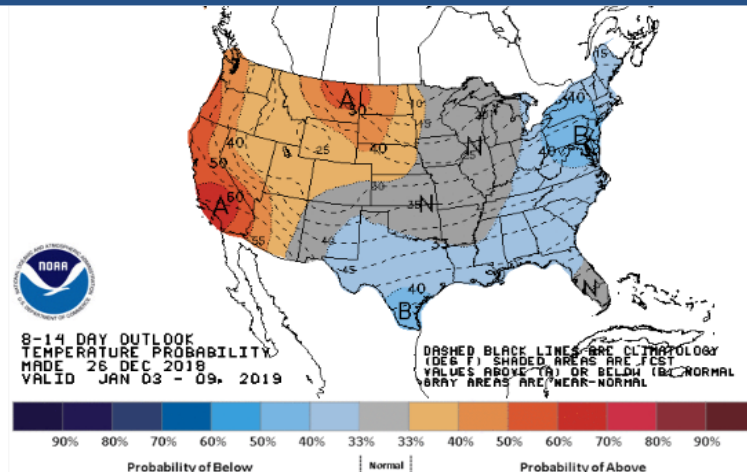
NYMEX January Heating Oil



NOAA 6-10 Day Temperature Outlook



NOAA 8-14 Day Temperature Outlook



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