

Market Commentary

Recap: Oil futures posted sharp declines for the second straight sessions, marking their lowest level since January 3. The market has now fallen by 8.1% over the past two trading sessions and is only about \$1 higher from where it began the year. Global macro risks and energy policy risk across Europe continues to support the U.S. dollar, making oil more expensive in European markets already struggling with inflation and leading to further deterioration in oil demand outlooks. WTI for November delivery lost \$2.03 per barrel, or 2.58% to settle at \$76.71. November Brent fell \$2.09, or 2.45%, to settle at \$84.06 per barrel. Petroleum products finished mixed, with October RBOB gained 0.12 per gallon, or 0.05% to settle at \$2.3842, while October heating oil fell 10.8 cents per gallon, or 3.34% to settle at \$3.1291.

Technical Analysis: WTI tried to recapture the \$80 level but fell short of this goal. The underlying fundamentals proved too strong for this market to recover from Friday's oversold condition and as a result, November WTI fell further away from \$80. At this point, we are still looking for an attempt at \$75 and feel pretty confident that the market will achieve this level. We do not however, discount a rebound but given the amount of resistance that exists above, we would look for signs of exhaustion to be met with fresh rounds of short selling. Below \$75, additional support rests at \$70.35. On the upside, resistance is seen at \$80, \$83.60 and \$85.

Fundamental News: BP Plc said it is shutting in production at offshore oil platforms Na Kika and Thunder Horse in the U.S. Gulf of Mexico following forecasts indicating that Hurricane Ian will strengthen and move across the Gulf of Mexico in the next few days. It evacuated all personnel from its 130,000 bpd Na Kika platform as well as essential personnel from its 250,000 bpd Thunder Horse platform.

The United States warned Russia of "catastrophic consequences" if it uses nuclear weapons in Ukraine after Russia promised protection to Ukrainian regions it might annex following widely criticized referendums. U.S. National Security Adviser Jake Sullivan said the United States would respond to any Russian use of nuclear weapons against Ukraine and had spelled out to Moscow the "catastrophic consequences" it would face. Ukraine's President, Volodymyr Zelenskiy, said he did not believe Putin was bluffing when the Kremlin leader said Moscow would be ready to use nuclear weapons to defend Russia.

Vitol executives said oil markets are bracing for the largest shift in global trade flows ever as nearly 3 million bpd of Russian crude oil and products will have to be diverted to markets outside Europe and advanced economies when European Union sanctions take effect in the coming months. Vitol's Chief Executive Officer, Russell Hardy, said Russian oil would be rerouted to Asia and the Middle East while Asian production would be exported to Europe as a result of the changing trade flows. However, Vitol's Global Head of Research, Giovanni Serio, said about 2 million bpd of Russian crude and 1 million bpd of products will have to be routed somewhere else, putting a strain on the shipping sector.

Executives at an oil conference said global oil stocks are set to increase next year amid weakening demand and a stronger U.S. dollar, adding that OPEC will have to cut output to reduce supply if they want prices to remain supported.

Diesel imports into Europe are set to reach 5.4 million tons so far in September, with flows from the Middle East increasing to an all-time high of 2.8 million tons. Meanwhile, gasoline exports from Europe to North America were set to reach 750,000 tons in September compared with 960,000 tons in August.

Early Market Call - as of 8:20 AM EDT

WTI - November \$77.77 Up \$1.00

RBOB - October \$2.4569 Up \$0.0747

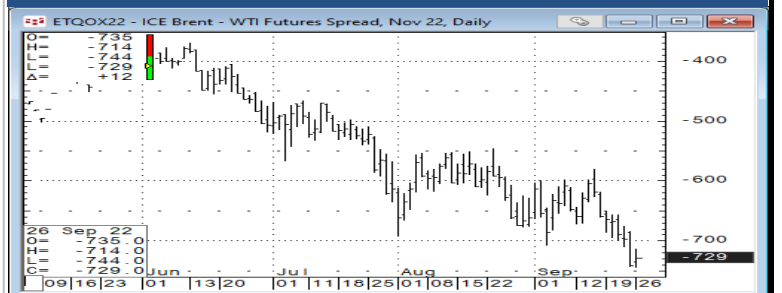
HO - October \$3.2525 Up 0.1234

All NYMEX | Prior Settlements

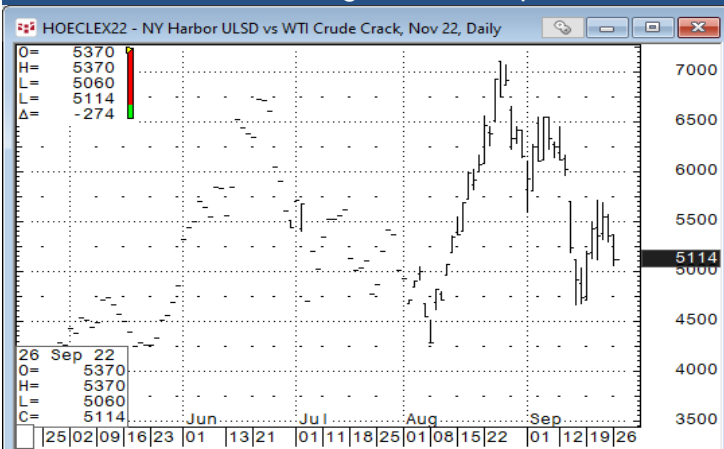
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Oct-22	3.1291	-0.108	-0.1817
Nov-22	3.0464	-0.1111	-0.2124
Dec-22	2.983	-0.1119	-0.2231
Jan-23	2.941	-0.1088	-0.22
Feb-23	2.8959	-0.1064	-0.2179
Mar-23	2.8386	-0.1046	-0.2163
Apr-23	2.7725	-0.1025	-0.214
May-23	2.7276	-0.1002	-0.2113
Jun-23	2.6977	-0.098	-0.2094
Jul-23	2.6878	-0.0953	-0.2071
Aug-23	2.679	-0.0925	-0.2047
Sep-23	2.669	-0.0882	-0.202
Oct-23	2.6595	-0.0818	-0.1995
Nov-23	2.6492	-0.0751	-0.1959
Dec-23	2.6389	-0.0713	-0.1921
Jan-24	2.6242	-0.0678	-0.1901
Feb-24	2.611	-0.0677	-0.1895

Sprague HeatCurve October 2022-April 2023		Close	Change
Crude - WTI	Nov Brent- WTI Spread	\$76.7100	-\$2.0300
Crude - Brent		\$84.0600	-\$2.0900
Natural Gas	\$7.35	\$6.9030	\$0.0750
Gasoline		\$2.3842	\$0.0012

ICE November Brent-WTI Spread



November Heating Oil Crack Spread



November RBOB Crack Spread

