

Market Commentary

Recap: Oil futures rallied on Wednesday, with both WTI and Brent reaching seven year highs. Prices were supported by tight supplies and rising political tensions between Russia and Ukraine which added to concerns about further disruption in an already tight market. Producers continue to struggle to restore production to pre-pandemic levels as global supplies continue to decline. Geopolitical tensions have only added to worries. OPEC+ is having trouble meeting monthly production targets as it restores supply to markets after drastic cuts in 2020, and the United States is more than a million barrels short of its record level of daily output. WTI for March delivery rose \$1.75, or 2%, to settle at \$87.35 a barrel. March Brent climbed \$1.76, or 2%, at \$89.96 a barrel, after tapping a high at \$90.47. February RBOB climbed 2.6% to \$2.523 a gallon and February heating oil tacked on 2.8%, to \$2.744 a gallon.

Technical Analysis: Brent oil hits \$90 intraday for the first time since 2014 after a weekly EIA report that showed total US inventories of crude oil and fuels, including the government's strategic reserves, fell to 1.78B barrels, the lowest since June 2014. The weekly report also shows a bullish, 100k-barrel-per-day decline in US crude oil production, to 11.6M bpd. The report's headline number, US crude-oil inventories, was actually bearish as it showed a 2.4M-barrel week-on-week rise compared to expectations for a fall. But investors are focusing on the overall crude-and-fuel decline, and are also leaning bullish due to rising geopolitical risks. WTI has not been this high since October 2014, where a gap was formed based upon a daily spot continuation chart. That gap is between the range of \$87.94 and \$88.79. With the show of strength seen on Wednesday, we would expect to see this gap become filled. Above the \$88.79 level, there is psychological resistance set at \$90.

Fundamental News: According to Goldman Sachs Group, oil and gas flows are not likely to be significantly impacted from the tensions building in Ukraine. Goldman's global head of commodities research, Jeff Currie, said a sanctions-driven disruption would be "mutually-assured destruction" as "it's not in the interest of anybody to stop the flows of energy through Ukraine". However, there could be some upside for prices, with an increase of about \$2/barrel for oil and \$4/MMBtu for natural gas.

Commerzbank said that if oil shipments from Russia are disrupted, the market can expect oil price of well over \$100/barrel, at least in the short term. The bank said the possibility justifies a risk premium on the oil price, which is considered to be at least \$5/barrel. It stated that even without the Ukraine crisis, less oil than expected may reach the market from Russia in the next few months as Russia struggles to implement the production increase agreed with OPEC+.

Bloomberg reported that the delegates of OPEC and its allies are likely to adhere to its plan of a modest increase in oil output at its meeting next week. Officials from about half of the group's members said OPEC+ will probably ratify an increase of 400,000 bpd for March. However, whether the group will actually be able to add this volume to the market is unclear. The increase in production halted during the pandemic has started to run into capacity constraints, with many members failing to reach their targets for reasons ranging from lack of investment to militant unrest.

IIR Energy reported that U.S. oil refiners are expected to shut in 593,000 bpd of capacity in the week ending January 28th, cutting available refining capacity by 115,000 bpd. Offline capacity is expected to fall to 553,000 bpd in the week ending February 4th.

Early Market Call - as of 8:30 AM EDT

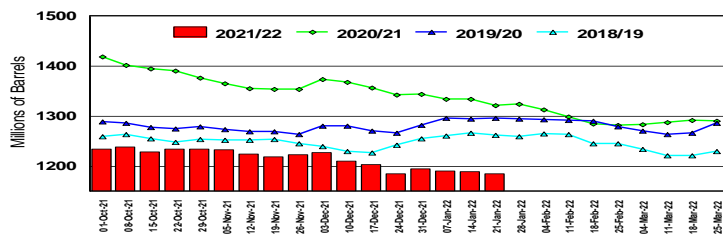
WTI - Feb \$87.84, up 47 cents
RBOB - Feb \$2.5481, up 2.52 cents
HO - Feb \$2.7798, up 3.58 cents

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-22	2.7440	0.0749	0.0517
Mar-22	2.6919	0.0627	0.0555
Apr-22	2.6195	0.0533	0.0555
May-22	2.5759	0.0477	0.0491
Jun-22	2.5495	0.0431	0.0423
Jul-22	2.5307	0.0397	0.0368
Aug-22	2.5190	0.0387	0.0355
Sep-22	2.5133	0.0389	0.0298
Oct-22	2.5079	0.0383	0.0379
Nov-22	2.5004	0.0367	0.0378
Dec-22	2.4907	0.0344	0.0366
Jan-23	2.4809	0.0327	0.0359
Feb-23	2.4664	0.0315	0.0367
Mar-23	2.4475	0.0303	0.0379
Apr-23	2.4234	0.0295	0.0385
May-23	2.4042	0.0288	0.0392
Jun-23	2.3898	0.0280	0.0407

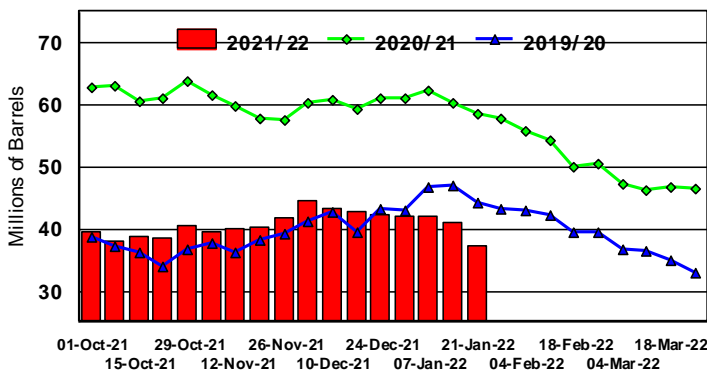
Sprague HeatCurve October 2022-April 2023		\$2.4739
	Close	Change
Crude - WTI	\$87.3500	\$1.7500
Crude - Brent	\$89.9600	\$1.7600
Natural Gas	\$4.2770	\$0.2240
Gasoline	\$2.5229	\$0.0634

Total U.S. Oil Stocks Excluding SPR



Weekly EIA Petroleum Status Report for the Week Ending January 21, 2022

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 2.377 million barrels
Cushing, OK Crude Stocks Down 1.823 million barrels
Gasoline Stocks Up 1.297 million barrels
Distillate Stocks Down 2.798 million barrels
Refinery % Operated 87.7%, Down 0.4%

PADD #1

Distillate Stocks (in million bbls)	Week Ending Jan 21, 2021	Week Ending Jan 14, 2021	Week Ending Jan 22, 2021
New England	5.5	6.1	11.3
Central Atlantic	19.7	21.9	33.4
Total PADD #1	37.2	41.0	58.6
Distillate Imports (thousands b/d)	154	274	433