

## Market Commentary

**Recap:** Oil futures turned to the upside on Monday on increasing supply concerns, as the EU is leaning towards banning Russian oil imports by the end of the year. Trader attention has shifted toward the prospect that a full embargo is unlikely to be seen for months and possibly by year's end given a need for most countries to line up alternative supply sources. While Western countries have refrained from buying Russian oil due to sanctions on those exports, the impact on global supply has been somewhat cushioned as India has been picking up heavily-discounted Russian cargoes. On the demand side, U.S. factory activity grew at its slowest pace in nearly two years in April, according to a survey from the Institute for Supply Management (ISM) on Monday. However, the ISM's index of national factory activity fell to a reading of 55.4 last month, which is still considered to be a mark of expansion. June WTI gained 48 cents, or 0.46%, to settle at \$105.17 a barrel, while Brent for June delivery closed up 44 cents, or 0.41%, to settle at \$107.58 a barrel. Petroleum products also gained with June RBOB tacking on 6.77 cents per gallon, or 1.97%, to \$3.5101 and June heating oil adding 18.77 cents, or 4.67%, to settle at \$4.2059 a gallon.

**Technical Analysis:** June WTI traded on both sides of unchanged, trending lower in mid-session trading, but gaining traction as concerns shifted to the supply side. With this front month contract regaining territory above the 50 and 10-day moving averages and \$105, the main trend of this market remains to the upside, with the possibility of reaching \$110 growing. On the downside, a break below \$103.80 opens up this market for a run at \$103.65.

**Fundamental News:** A top U.S. oil and natural gas trade group has come out against the passage of a bill that would open the OPEC oil production group and countries working with it to lawsuits for collusion on increasing petroleum prices. The American Petroleum Institute said in a letter that the legislation could create unintended negative consequences for the U.S. oil and natural gas industry, while likely having limited impact on the market concerns that drive the bill.

Two EU officials said the European Commission may spare Hungary and Slovakia from an embargo on buying Russian oil, now under preparation. The Commission is expected to finalize on Tuesday work on the next, and sixth package of EU sanctions against Russia over its actions in Ukraine, which would include a ban on buying Russian oil. Hungary, heavily dependent on Russian oil, has repeatedly said it would not sign up to sanctions involving energy. Slovakia is also one of the EU countries most reliant on Russian fossil fuels. One official said to keep the 27-nation bloc united, the Commission may offer Slovakia and Hungary "an exemption or a long transition period". Officials said the oil embargo is likely to be phased in anyway, most likely only taking full effect from the start of next year. The EU sanctions package is expected to be presented to ambassadors of EU governments on Wednesday.

According to Reuters, the increase in OPEC's oil output in April undershot the increase planned under a deal with allies, as declines in Libya and Nigeria offset supply increases by Saudi Arabia and other top producers. OPEC produced 28.58 million bpd in April, up 40,000 bpd from the previous month and short of the 254,000 bpd increase called for under the supply deal.

IIR Energy reported that U.S. oil refiners are expected to shut in 1.03 million bpd of capacity in the week ending May 6<sup>th</sup>, increasing available refining capacity by 294,000 bpd.

The U.S. EPA has sent a rule on U.S. biofuel blending mandates to the White House for final review. The EPA released a proposed rule in December on the blending volumes, which cover the years 2020, 2021 and 2022.

**Early Market Call - as of 10:45 AM EDT**

WTI - June \$104.21, down 97 cents

RBOB - June \$3.5273, up 1.73 cents

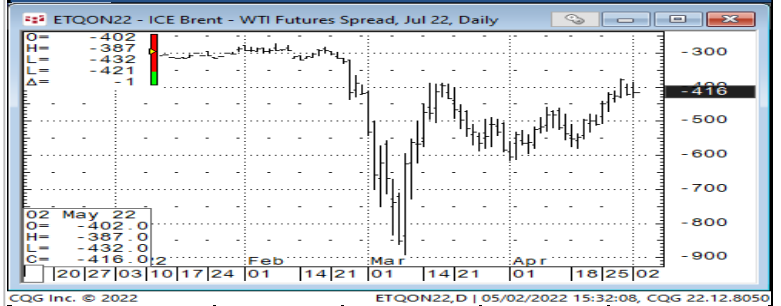
HO - June \$4.1212, down 8.47 cents

## All NYMEX | Prior Settlements

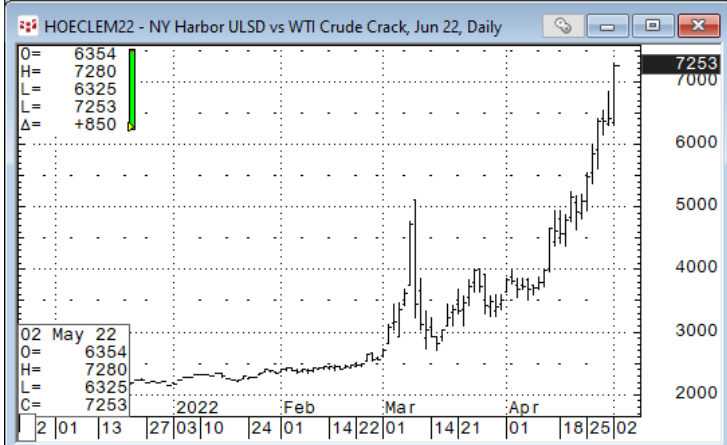
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jun-22	4.2049	0.1877	0.5508
Jul-22	3.8314	0.1339	0.3966
Aug-22	3.6099	0.1010	0.2972
Sep-22	3.4970	0.0797	0.1843
Oct-22	3.4090	0.0649	0.2159
Nov-22	3.3290	0.0533	0.1912
Dec-22	3.2542	0.0445	0.1680
Jan-23	3.1990	0.0389	0.1465
Feb-23	3.1454	0.0344	0.1231
Mar-23	3.0903	0.0316	0.1036
Apr-23	3.0322	0.0273	0.0868
May-23	2.9829	0.0230	0.0734
Jun-23	2.9417	0.0200	0.0631
Jul-23	2.9165	0.0198	0.0610
Aug-23	2.8958	0.0192	0.0587
Sep-23	2.8785	0.0187	0.0551
Oct-23	2.8622	0.0182	0.0523

Sprague HeatCurve October 2022-April 2023		Close	Change
Crude - WTI	July Brent-WTI Spread \$4.16	\$103.4200	\$0.4800
Crude - Brent		\$107.5800	\$0.4400
Natural Gas		\$7.4750	\$0.2310
Gasoline		\$3.5101	\$0.0677

### ICE July Brent-WTI Spread



## June Heating Oil Crack Spread



## June RBOB Crack Spread

