

Market Commentary

Recap: The oil market rallied higher on Monday amid the escalating tensions in the Middle East due to recent attacks on ships crossing the Red Sea. The market traded sideways within Thursday's trading range in overnight trading before it was well supported by news of BP pausing shipments through the Red Sea after attacks on vessels over the weekend. Yemen's Houthi forces have attacked several commercial ships crossing through the Bab el-Mandeb Strait in response to Israel's military operations in Gaza. Also, Russia said on Sunday that it may reduce its crude output this month by an additional 50,000 bpd or more. The oil market extended its gains to over \$2.80 as it rallied to a high of \$74.26 by mid-morning. It retraced more than 50% of its move from a high of \$79.60 to a low of \$67.71. However, the market retraced some of its earlier gains during the remainder of the session and traded back towards the \$72.00 level ahead of the close. The January WTI contract settled up \$1.04 at \$72.47 and the February Brent contract settled up \$1.40 at \$77.95. The product markets ended the session sharply higher, with the heating oil market settling up 5.2 cents at \$2.6728 and the RB market settling up 2.2 cents at \$2.1590.

Technical Analysis: The oil market continues to trade within its downward trend channel and will seek further direction from the developments regarding the attacks on ships crossing the Red Sea. The market is seen finding resistance at its high of \$74.26, \$75.03-\$75.06 and \$75.67. Meanwhile, support is seen at its lows of \$70.64, \$70.30, \$69.54 and \$67.71. More distant support is seen at \$67.05, \$66.80 and \$65.72.

Fundamental News: Increasing attacks by the Iran-aligned Yemeni Houthi militant group on ships in the Red Sea are disrupting maritime trade as leading global freight firms reroute around the Cape of Good Hope to avoid the Suez Canal. U.S. officials said multiple "projectiles" were fired from Houthi-controlled territory on Monday at a vessel in the southern Red Sea. U.S. Defense Secretary, Lloyd Austin, said Washington was building a coalition to address the Houthi threat and said defense ministers from the region and beyond would hold virtual talks on the issue on Tuesday. Several major freight companies, including MSC have begun to sail around Africa, adding costs and delays which are expected to be compounded over the coming weeks. Hapag-Lloyd and Maersk have also re-routed their ships. About 15% of world shipping traffic transits via the Suez Canal, the shortest shipping route between Europe and Asia. On Monday, BP temporarily paused all transits through the Red Sea following attacks over the weekend by Houthi forces. The company said "The safety and security of our people and those working on our behalf is BP's priority." Norwegian oil and gas firm Equinor said it has rerouted some vessels that had been heading towards the Red Sea following the attacks on other ships in the area. Also, Belgian oil tanker firm Euronav said it would avoid the Red Sea area until further notice amid the recent Houthi attacks on vessels. Norway's Frontline said its vessels will avoid passages through the Red Sea and the Gulf of Aden.

Goldman Sachs cut its price expectation for Brent crude in 2024 by \$10/barrel to between \$70 and \$90, saying strong production from the United States would moderate any upside in oil prices.

According to U.S. government data, U.S. crude exports, nearly all of which leave from the U.S. Gulf coast, averaged about 4 million bpd so far this year, about 500,000 more than last year's record as oil production increased to 13.2 million bpd. Matt Smith, an analyst with ship tracking firm Kpler, said "Flows bound for Asia are looking to finish the year strongly, particularly for cargoes heading to China." U.S. Gulf Coast crude inventories fell 1.2% to 247.9 million barrels last week, the third straight week of declines, in part due to strong exports. Storage utilization stood at about 63% of total working capacity along the coast, lower than average utilization in prior years. Another factor driving the increase in exports is an end-of-year tax on oil held in storage in Texas.

Early Market Call - as of 8:25 AM EDT

WTI - January \$72.50, up 3 cents

RBOB - January \$2.1438, down 1.52 cents

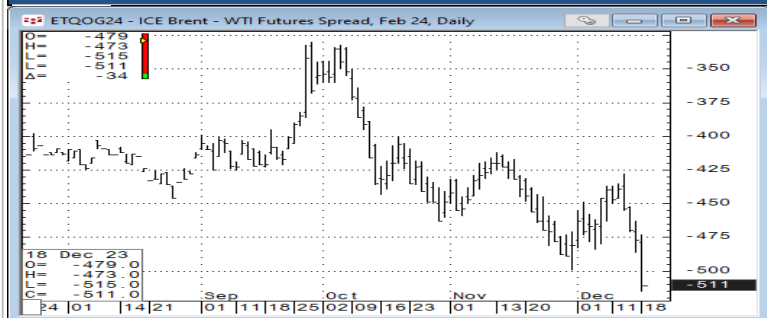
HO - January \$2.6659, down 69 points

All NYMEX | Prior Settlements

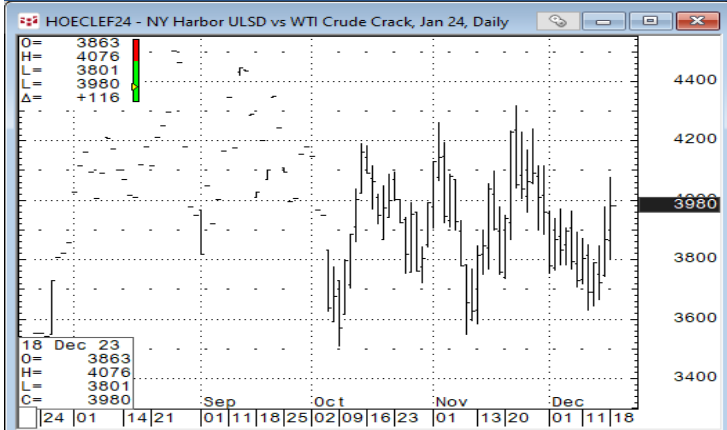
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Dec-23	2.6728	0.0520	0.0641
Jan-24	2.6509	0.0538	0.0720
Feb-24	2.6121	0.0529	0.0717
Mar-24	2.5635	0.0499	0.0657
Apr-24	2.5283	0.0462	0.0598
May-24	2.5045	0.0430	0.0539
Jun-24	2.4999	0.0420	0.0520
Jul-24	2.4989	0.0410	0.0513
Aug-24	2.5016	0.0397	0.0521
Sep-24	2.5041	0.0384	0.0517
Oct-24	2.5014	0.0369	0.0503
Nov-24	2.4942	0.0359	0.0487
Dec-24	2.4869	0.0345	0.0459
Jan-25	2.4781	0.0329	0.0435
Feb-25	2.4662	0.0308	0.0414
Mar-25	2.4489	0.0294	0.0406
Apr-25	2.4360	0.0268	0.0363

Sprague HeatCurve October 2024-April 2025			\$2.4829
		Close	Change
Crude - WTI	Feb Brent-WTI Spread \$5.13	\$72.8200	\$1.0400
Crude - Brent		\$77.9500	\$1.4000
Natural Gas		\$2.5030	\$0.0120
Gasoline		\$2.1590	\$0.0220

February ICE Brent-WTI Spread



January Heating Oil Crack Spread



January RBOB Crack Spread

