

Market Commentary

Recap: The oil market continued on its upward trend on Thursday in follow through strength seen on Wednesday amid concerns over the impact of sanctions on Russian crude output. The market was further supported by expectation of increasing demand in China that could give a boost to the overall global economic outlook. Overnight, the oil market traded mostly sideways, posting a low of \$77.10 before it continued to trend higher ahead of the release of the U.S. consumer inflation report. The market rallied to a high of \$79.16 following the CPI report, which showed consumer prices falling by 0.1% in December, the first decline since May 2020. The February WTI contract erased some of its gains and traded sideways once again, ending the session up 98 cents at \$78.39, the highest settlement so far this year. The market settled in positive territory for the sixth consecutive session, the longest streak of gains since February 4th. The March Brent contract settled up \$1.36 at \$84.03. Meanwhile, the heating oil market settled up 11 points at \$3.2190 and the RBOB market settled up 4.08 cents at \$2.4753.

Technical Analysis: The crude market will remain supported on Friday, ahead of the weekend. The market is seen finding resistance at its high of \$79.16, \$79.63, basis a trendline, followed by \$81.50, \$81.91, its 50% retracement level off a low of \$70.08 to a high of \$93.74, \$82.72 and \$83.34 and \$84.70, its 62% retracement level. Meanwhile, support is seen at \$77.85, its low of \$77.10, \$76.50, its previous lows of \$74.31, \$73.84, \$73.24 and \$72.46.

Fundamental News: The U.S. House of Representatives passed a bill to ban releases of oil from the U.S. Strategic Petroleum Reserve from being exported to China. The bill passed 331-97 in the House, which Republicans took narrow control of this month. Through October last year U.S. oil companies exported nearly 67 million barrels of oil to China. In 2020, the United States exported 176 million barrels to China.

Morgan Stanley expects the oil market to tighten during the third and fourth quarter of 2023, supported by a recovery in demand prompted by China reopening its borders, a recovery in aviation, risks to Russian supply, a slowdown in U.S. shale and the end to SPR releases. Morgan Stanley forecast a disruption to Russian oil supply "approaching 1 million bpd from current levels" due to the price caps. While, Morgan Stanley predicted Brent prices in the first quarter to remain range bound around \$80-85/barrel, it saw prices reaching \$110/barrel by the end of the year and noted "the supply ceiling is still not far away and inventories are outright low." Morgan Stanley forecast Brent averaging \$85/barrel in the first quarter of the year and increasing to \$90/barrel in the second quarter. The bank sees WTI averaging \$82.50/barrel in the first quarter and \$87.50/barrel in the second quarter.

PDVSA has assigned a third crude cargo to Chevron Corp under a U.S. authorization that restarted exports to the U.S. after a nearly four-year pause. Chevron received a U.S. license in November allowing it to revive its oil output and expand operations in Venezuela. The first Chevron-chartered tanker carrying Venezuelan crude oil departed on Tuesday and is set to deliver the crude next week to its Pascagoula, Mississippi refinery. The second and third tankers also are expected to deliver their cargoes this month.

Colonial Pipeline Co is allocating space for Cycle 5 shipments on Line 20, which carries distillates from Atlanta, Georgia to Nashville, Tennessee.

Equinor said Norway's Johan Sverdrup oilfield was producing at a reduced rate for a second consecutive day on Thursday following a power outage. The outage affected Sverdrup's Phase 2 development, although it was not immediately clear how big the output reduction was. Equinor said Sverdrup Phase 2, which began producing last month, had not yet ramped up to its full capacity of 185,000 bpd.

Early Market Call - as of 8:20 AM EDT

WTI - February \$78.56, up 17 cents
 RBOB - February \$2.4661, down 92 points
 HO - February \$3.2315, up 1.25 cents

All NYMEX | Prior Settlements

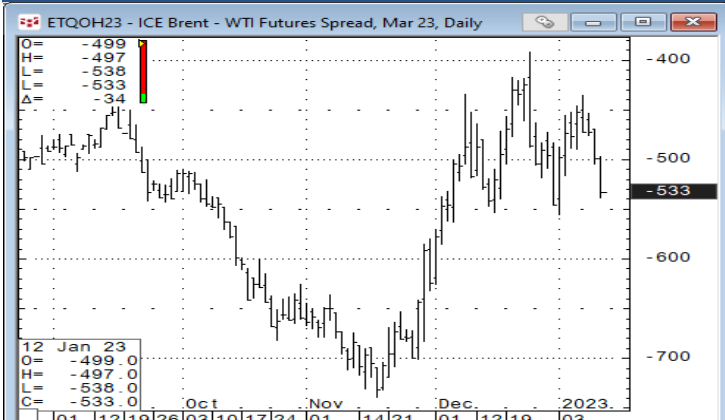
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-23	3.219	0.0011	0.2467
Mar-23	3.1198	0.0236	0.2273
Apr-23	2.9838	0.0295	0.1877
May-23	2.8957	0.032	0.1612
Jun-23	2.8442	0.0301	0.1423
Jul-23	2.8189	0.0276	0.129
Aug-23	2.8024	0.0265	0.1207
Sep-23	2.7936	0.0269	0.1174
Oct-23	2.784	0.0272	0.1146
Nov-23	2.7727	0.0274	0.1128
Dec-23	2.7597	0.0278	0.1116
Jan-24	2.7491	0.0269	0.1116
Feb-24	2.7374	0.0258	0.1112
Mar-24	2.7187	0.0255	0.1129
Apr-24	2.6924	0.0255	0.1144
May-24	2.6743	0.0252	0.114
Jun-24	2.6636	0.0245	0.1148

Sprague HeatCurve October 2023-April 2024			\$2.7443
		Close	Change
Crude - WTI		\$78.6500	\$0.9700
Crude - Brent		\$84.0300	\$1.3600
Natural Gas	#####	\$3.6950	\$0.0240
Gasoline	Jan-00	\$2.4753	\$0.0408

EIA Working Gas Storage Report

	06-Jan-2023	30-Dec-2022	Change	06-Jan-22
East	700	691	9	735
Midwest	823	839	-16	843
Mountain	153	157	-4	161
Pacific	160	165	-5	206
South Central	1067	1040	27	1,096
Salt	295	270	25	332
Nonsalt	772	770	2	764
Total	2902	2891	11	3,042

ICE March Brent-WTI Spread



8-14 Day Weather Outlook

