

Market Commentary

Recap: Oil futures fell almost 2% on Monday, as talk of a rate hike by the US Federal reserve led to a risk-off selling fury by investors, who fear that a rate hike may come sooner than expected. Equities also tumbled, while the dollar rose, adding pressure on crude oil prices. So far, oil prices are up more than 10% this year on concerns over tightening supplies and OPEC+ now struggling to hit a targeted monthly output increase of 400,000 barrels per day. Despite the selloff, markets remained supported by a raft of factors, most notably concerns about a Russian invasion of Ukraine that could disrupt energy flows and continued tensions in the Middle East. The US State Department has ordered family members of US embassy staff in Kyiv to leave and the White House Jan. 24 said it is considering deploying troops to the Baltic States. WTI for March delivery fell \$1.83, or nearly 2.2%, to settle at \$83.31 a barrel, the lowest front-month finish since Jan. 13. March Brent lost \$1.62, or 1.8%, at \$86.27 a barrel, the lowest since Jan. 14. NYMEX February RBOB settled 4.44 cents lower at \$2.3980/gal and February ULSD declined 6.38 cents to \$2.6274/gal.

WTI cash February/March roll narrowed to the lowest levels in nearly a month ahead of planned spring refinery turnarounds coming up in the Midwest that would reduce crude demand. The roll, which reflects supply-demand balance, reached plus 90c/bbl. after starting the day at plus 80-85c, according to data compiled by Bloomberg. When the NYMEX February contract expired on Jan. 20, it was valued at \$1.35 over the March futures. Further, inventories at the Cushing, Okla., and storage were seen as healthy, despite two weeks of declines. Cash roll, which trades in a three-day window after the settlement of the front-month futures contract, allows traders to roll their long positions forward.

Technical Analysis: It looks like the inability of WTI to break above \$85 led to the pullback in prices, which is not surprising given the fact that prices may have gotten a bit ahead of themselves. The pullback should offer value as we continue to see issues with production. Trading thus far appears to be driven by fear and supported by strength in the dollar. We could see this market dipping down toward the \$80 level before reversing back to the upside. There is support above the \$80 mark set at \$83.37 and below that at \$81.90

Fundamental News: Asharq Business reported that Saudi Aramco CEO, Amin Al Nasser, said that the demand for oil is nearing pre-pandemic levels. He also reiterated that producers globally are investing too little in supply. Saudi Arabia plans to increase its daily crude production capacity to 13 million barrels from 12 million barrels by 2027. He also said that Aramco will continue to look at asset sales regardless of the price of oil.

Barclays raised its average oil price forecasts by \$5/barrel for this year, aided by extremely tight inventories, shrinking spare capacity and a relatively mild effect of COVID-19 infections on demand. The bank raised its 2022 average price forecasts to \$85/barrel and \$82/barrel for Brent and WTI, respectively and said the risks to the price outlook were skewed to the upside, on elevated geopolitical risks amid shrinking spare capacity. It said "We remain constructive on oil prices... This is due primarily to a larger deficit estimate for Q4 21, leading to a lower-than-expected starting point for inventories this year and a slightly smaller surplus estimate for H1 22."

BofA sees Brent crude heading to \$120/barrel by mid-year on low inventories and declining spare capacity.

According to Credit Suisse Strategists, being long on oil is a hedge against geopolitical tensions in Ukraine and macroeconomic risks because a surge in prices may take central banks more hawkish. It sees a high risk of oil going to \$100/barrel or higher.

Early Market Call - as of 8:25 AM EDT

WTI - Mar **\$83.34**, up 3 cents

RBOB - Feb **\$2.4101**, up 1.21 cents

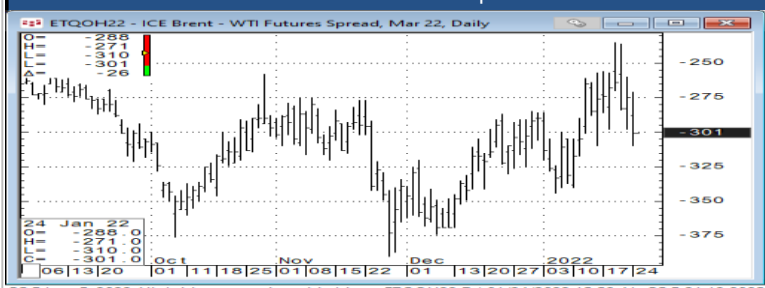
HO - Feb **\$2.6201**, down 73 points

All NYMEX | Prior Settlements

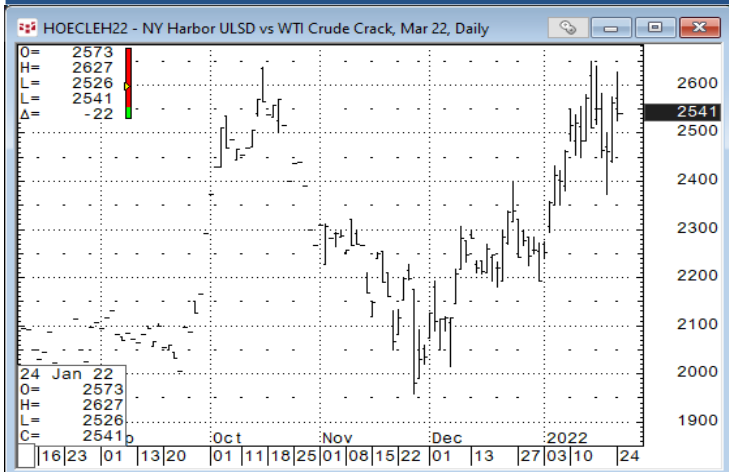
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-22	\$2.6274	-\$0.0638	-\$0.0069
Mar-22	\$2.5854	-\$0.0519	-\$0.0006
Apr-22	\$2.5156	-\$0.0483	-\$0.0075
May-22	\$2.4769	-\$0.0457	-\$0.0127
Jun-22	\$2.4570	-\$0.0443	-\$0.0118
Jul-22	\$2.4432	-\$0.0435	-\$0.0121
Aug-22	\$2.4337	-\$0.0426	-\$0.0126
Sep-22	\$2.4286	-\$0.0418	-\$0.0177
Oct-22	\$2.4242	-\$0.0410	-\$0.0105
Nov-22	\$2.4185	-\$0.0405	-\$0.0094
Dec-22	\$2.4111	-\$0.0404	-\$0.0092
Jan-23	\$2.4035	-\$0.0400	-\$0.0092
Feb-23	\$2.3900	-\$0.0392	-\$0.0091
Mar-23	\$2.3721	-\$0.0382	-\$0.0086
Apr-23	\$2.3489	-\$0.0372	-\$0.0091
May-23	\$2.3312	-\$0.0365	-\$0.0088
Jun-23	\$2.3189	-\$0.0349	-\$0.0063

Sprague HeatCurve October 2022-April 2023		\$2.3959
	Close	Change
Crude - WTI	\$83.3100	-\$1.8300
Crude - Brent	\$86.2700	-\$1.6200
Natural Gas	\$4.0270	\$0.0280
Gasoline	\$2.3980	-\$0.0444

ICE March Brent-WTI Spread



March Heating Oil Crack Spread



March RBOB Crack Spread

