

## Market Commentary

**Recap:** Oil futures extended gains made on the first trading day of the year, as OPEC+ agreed to revive more halted production as the outlook for global oil markets improved, with demand largely withstanding the omicron variant of coronavirus. Global fuel consumption has been on the rise after the 2020 collapse. Travel has picked up, while factory activity across key Asian consuming countries continues to increase amid dwindling U.S. crude oil inventories. This has pushed Brent above \$80 and WTI toward \$80. March Brent added \$1.02, or 1.2% to settle at \$80.00 a barrel, while February WTI settled at \$76.99 a barrel, up 91 cents, or 1.2%. February RBOB closed up .0198 cents, to settle at \$2.2763 a gallon, while February heating oil settled at \$2.4095 a gallon, up .0521 cents.

**Market Outlook:** Although oil prices continue to climb, the price increase has its risks. Air travel had seen significant disruptions in the U.S. last week, with more than 1,300 flights canceled on Friday and an additional 1,000 flights on Saturday, as carriers struggle with staffing shortages related to coronavirus infections. China has also shown signs of weakening demand due to its "zero-COVID" approach and tough line on pollution. And while OPEC's analysts see a tighter first-quarter, a chunk of the surplus they previously anticipated has been deferred to later in the year. The group has said several times that it has the option of pausing or even reversing its scheduled supply increases if needed. That being said, we expect for oil prices to continue to climb, but also to encounter quite a bit of headwind along the way.

**Fundamental News:** On Tuesday, OPEC+ agreed to stick to its planned increase in oil output for February because it expects the Omicron coronavirus variant to have a short-lived impact on demand. The group of producers has raised its output target each month since August by 400,000 bpd. Current plans would see OPEC+ again raise the target by 400,000 bpd for February, leaving about 3 million bpd in cuts to unwind by September, in line with an agreement signed last July. While OPEC+ has increased its output target each month, actual production has lagged as some members struggle with capacity constraints. Last month, the IEA said OPEC+ producers missed their targets by 730,000 bpd in October and by 650,000 bpd in November. OPEC+ is scheduled to hold its next meeting on February 2<sup>nd</sup>.

The White House welcomed coordination with Saudi Arabia, the United Arab Emirates and OPEC+ in addressing price pressures. A spokesperson said the White House welcomed the decision by OPEC+ to continue increases in production which will help facilitate economic recovery.

The Abu Dhabi National Oil Company has informed some buyers in Asia that it will supply full contractual volumes of crude in March, steady from the previous month. This comes ahead of the OPEC+ meeting later on Tuesday.

China more than halved the volume of export quotas for refined fuel, predominantly gasoline, diesel and aviation fuel, under the first allotment for 2022, while raising the allowances for low-sulfur fuel oil by 30%. Quotas for refined fuel exports totaled 13 million tons under the batch, down 56% from 29.5 million tons for the first allotment of 2021. Separately, the government issued 6.5 million tons of quotas for exporting low-sulfur fuel oil, used primarily as marine bunker fuel. That was up 30% from the 5 million tons released in the first batch of 2021.

**Early Market Call - as of 8:25 AM EDT**

WTI - Feb \$76.99 Up 0.59  
 RBOB - Feb \$2.2874 Up 1.11  
 HO - Feb \$2.2432 Up 2.25

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-22	2.4095	0.0521	0.0485
Mar-22	2.3872	0.0471	0.0451
Apr-22	2.3587	0.0423	0.0399
May-22	2.3403	0.0398	0.0388
Jun-22	2.329	0.0389	0.0399
Jul-22	2.3226	0.0377	0.0404
Aug-22	2.3175	0.0362	0.0405
Sep-22	2.315	0.0349	0.038
Oct-22	2.3129	0.0339	0.0403
Nov-22	2.31	0.0332	0.0397
Dec-22	2.3058	0.0328	0.039
Jan-23	2.3014	0.0321	0.0387
Feb-23	2.2925	0.0312	0.0384
Mar-23	2.2795	0.0304	0.0383
Apr-23	2.2622	0.0296	0.038
May-23	2.2501	0.0285	0.0385
Jun-23	2.2403	0.0273	0.0381

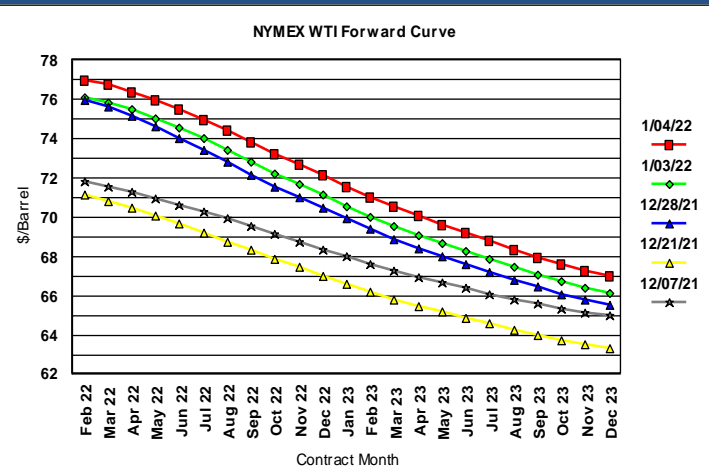
### Settlements

		Close	Change
Crude - WTI	Feb Brent- WTI Spread \$3.26	\$76.7400	\$0.8900
Crude - Brent		\$80.0000	\$1.0200
Natural Gas		\$3.7170	-\$0.0980
Gasoline		\$2.2763	\$0.0198

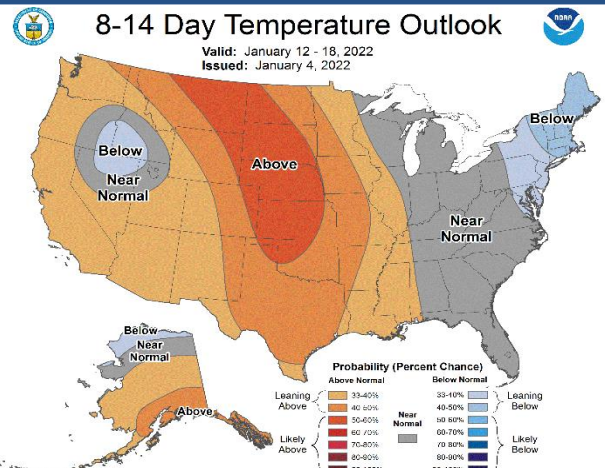
### API Report for the Week Ending December 31, 2021

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Down 6.4 million barrels	Down 3.3 million barrels
Cushing, OK Crude Stocks	Up 2.3 million barrels	
Gasoline Stocks	Up 7.1 million barrels	Up 1.8 million barrels
Distillate Stocks	Up 4.4 million barrels	Up 1.5 million barrels
Refinery Runs		Up 0.4%, 90.1%

## WTI Forward Curve



## 8-14 Day Weather Forecast



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