

## Market Commentary

## All NYMEX | Prior Settlements

**Recap:** The rally in oil prices came to a halt on Thursday after the EIA reported an almost 6 million barrel increase in U.S. gasoline stocks, which bulls in the market insisted will not be a rally-killer in a market focused on global demand and supply disruptions. Over the past three weeks, U.S. gasoline inventories blossomed to record of almost 24 million barrels amid seasonally weak demand that contrasts with the rally in global crude oil prices. This suggests that demand for gasoline has fallen since the end of holiday travels for the 2021 year-end. Over the past eight weeks, U.S. gasoline inventories have increased about 37 million barrels. The global rally in crude prices coincides with years of under-investment in new oil exploration and production, with the impact showing now as demand normalizes two years into the coronavirus pandemic. On top of the shortage in new oil, there is also the deliberate squeeze on regular output by producer alliance OPEC+ which continues to withhold from the market an estimated 4 million barrels daily from cuts of some 10 million barrels per day carried out during the height of the COVID triggered demand destruction. On its expiration day, the February WTI fell 6 cents, or nearly 0.1%, to end at \$86.90 a barrel. The most actively traded March contract, which is now the front month, lost 25 cents, or 0.3%, to settle at \$85.55 a barrel. March Brent shed 6 cents, or nearly 0.1%, to settle at \$88.38 a barrel. Brent remains up almost 2.5% for the week, after hitting a seven-year high of \$89.48 earlier in Thursday's session. February RBOB rose 0.2% to \$2.462 a gallon, but February heating oil lost 0.8% to \$2.672 a gallon.

**Technical Analysis:** The drop in oil prices on Thursday is not surprising, as we have expected it. The \$80 level below should remain a key area of support. Although we remain supportive of this market, we are not discounting any pull-back in prices. Once again, as we have previously said, we are comfortable buying on dips as long as we hold above \$80. We expect this market to make a move on the upward trending line and would add to any length above this level.

**Fundamental News:** The IEA said global oil inventories fell by more than 600 million barrels last year. However, based on its estimates of supply and demand, the decrease should have only been 400 million barrels. There is normally a gap between the two, but the 200 million barrel discrepancy means the oil market could be tighter than previously believed. The gap could be the result of underreporting of demand or over-reporting production.

Mykhailo Podolyak, an adviser to Ukrainian President Volodymyr Zelenskiy's office, said Ukraine sees no deviation from U.S. policy in a remark by U.S. President Joe Biden that Russia could bear a lower cost for an "incursion" rather than for an "invasion" of Ukraine. He said Ukraine welcomed the fact that Biden had signaled that there would be a coordinated Western response in the event of Russia making a move on Ukraine. Russian officials have denied planning an attack, but the Kremlin has massed troops near Ukraine's borders, a buildup the West says could be preparation for a war to prevent Ukraine from ever joining the NATO security alliance. Biden's top diplomat, Antony Blinken, travelled to Kyiv in a show of support for Ukraine this week. He flew to Berlin for more talks on Thursday and met with German, French and British ministers and is due to meet Russian Foreign Minister Sergei Lavrov in Geneva on Friday. White House National Economic Council Director, Brian Deese, said any sanctions imposed on Russia over its aggression toward Ukraine would not particularly expose the U.S. economy, although the Biden administration is focused on any possible impact on oil. White House spokesperson, Jen Psaki, said the U.S. will work in lockstep with Ukraine if Russia invades. Meanwhile, European Commission President Ursula von der Leyen, who heads the EU executive, said Europe would respond to a new attack "with massive economic and financial sanctions."

**Early Market Call - as of 8:15 AM EDT**

WTI - Feb \$84.33, \$1.22  
 RBOB - Feb \$2.4349, down 2.73 cents  
 HO - Feb \$2.6501, down 2.17 cents

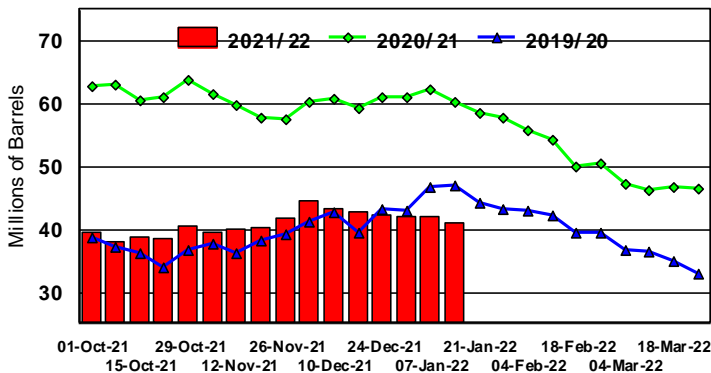
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-22	2.6718	-0.0205	0.0633
Mar-22	2.6284	-0.0080	0.0716
Apr-22	2.5661	0.0021	0.0694
May-22	2.5317	0.0049	0.0672
Jun-22	2.5123	0.0051	0.0681
Jul-22	2.4990	0.0051	0.0681
Aug-22	2.4891	0.0056	0.0671
Sep-22	2.4831	0.0066	0.0611
Oct-22	2.4777	0.0077	0.0668
Nov-22	2.4719	0.0093	0.0667
Dec-22	2.4647	0.0106	0.0660
Jan-23	2.4564	0.0114	0.0648
Feb-23	2.4415	0.0118	0.0631
Mar-23	2.4216	0.0120	0.0615
Apr-23	2.3969	0.0120	0.0592
May-23	2.3769	0.0119	0.0571
Jun-23	2.3619	0.0128	0.0567

Sprague HeatCurve October 2022-April 2023		\$2.4478	
		Close	Change
Crude - WTI	Mar Brent- WTI Spread \$2.83	\$85.5500	-\$0.2500
Crude - Brent		\$88.3800	-\$0.0600
Natural Gas		\$3.8020	-\$0.2290
Gasoline		\$2.4622	\$0.0052

EIA Working Gas Storage Report				
	14-Jan-22	07-Jan-22	Change	14-Jan-2021
East	669	730	-61	686
Midwest	770	835	-65	835
Mountain	151	159	-8	178
Pacific	201	204	-3	275
South Central	1,019	1,088	-69	1,062
Salt	308	330	-22	300
Nonsalt	711	759	-48	761
Total	2,810	3,016	-206	3,036

## Weekly EIA Petroleum Status Report for the Week Ending January 14, 2022

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Up 515,000 barrels  
 Cushing, OK Crude Stocks Down 1.314 million barrels  
**Gasoline Stocks** Up 5.873 million barrels  
**Distillate Stocks** Down 1.431 million barrels  
**Refinery % Operated** 88.1%, Down 0.3%

### PADD #1

Distillate Stocks (in million bbls)	Week Ending Jan 14, 2021	Week Ending Jan 7, 2021	Week Ending Jan 15, 2021
New England	6.1	6.7	11.9
Central Atlantic	21.9	21.3	34.3
Total PADD #1	41.0	41.9	60.4
Distillate Imports (thousands b/d)	274	207	455

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