

## Market Commentary

**Recap:** After falling by almost 5% on Tuesday, oil futures bounced right back, gaining more than 5% after a ship ran aground in the Suez Canal, raising worries that the incident could tie up crude shipments. Oil futures were already on the rise after the EIA reported a rebound in U.S. refining activity, suggesting U.S. refiners have mostly recovered from the cold snap. This transit point is key one for the movement of several commodities, but this particular situation is a temporary one, and once the situation is rectified, we should see tankers start to move. WTI for May delivery added \$3.42, or 5.9%, to settle at \$61.18 a barrel, while May Brent rose \$3.62 a barrel, or almost 6%, to settle at \$64.41 a barrel. April RBOB added 4.9%, to close at \$1.99 a gallon, and April heating oil rose 4.4%, to \$1.83 a gallon.

**Technical Analysis:** Oil futures received a boost, as refiners in the Gulf of Mexico come back online after the deep freeze and are now entering turnaround season, which will most likely lead to a lower trend in crude oil inventories. Wednesday's move attracted basement bargain hunters, which most likely exacerbated the move. The May WTI gathered steam above \$58.81, the 50-day moving average, giving it enough momentum to surpass \$60. This level will attract a lot of attention, with breaks below it pulling in sellers. Should this market get back above \$63, we would expect to see a rash of buying. There is now a double top at \$61.35 and a double bottom at \$57.25.

**Fundamental News:** IIR Energy reported that U.S. oil refiners are expected to shut in 2.7 million bpd of capacity in the week ending March 26<sup>th</sup>, increasing available refining capacity by 642,000 bpd from the previous week. Offline capacity is expected to fall to 2.4 million bpd in the week ending April 2<sup>nd</sup>.

The OPEC+ decision earlier this month to hold output mostly steady is looking like it was the right decision as a new wave of lockdowns around the world are likely to cut demand. Four OPEC+ sources said they expect a similar decision to the last meeting when it meets on April 1<sup>st</sup>. The UAE's Energy Minister this week said that OPEC+ was unlikely to produce more oil than the market could handle. Another reason for caution is increasing Iranian oil exports. Iran has managed to increase its shipments in recent months despite U.S. sanctions.

An official at marine agent, GAC, said a container ship that was stranded in the Suez Canal for more than a day is still grounded and canal authorities are working to refloat it. Separately, oil analytics firm Vortexa said ten tankers carrying 13 million barrels of crude could be affected after a container ship that ran aground in the Suez Canal.

Crude oil inventories in the Amsterdam-Rotterdam-Antwerp region fell by 250,000 barrels in the week ending March 19<sup>th</sup> to 57.5 million barrels.

According to energy company executives polled by the Federal Reserve Bank of Dallas, activity and spending in U.S. oil fields is increasing this year as the industry recovers. Executives are cautious about the potential for Biden administration oil and gas policy changes or the threat that the Organization of the Petroleum Exporting Countries and partners could easily return oil to the global market. Survey respondents expect a U.S. oil price of \$61/barrel by year-end. Companies reported a break-even price \$50/barrel, \$1 higher than last year, to drill in the Permian Basin.

**Early Market Call - as of 8:50 AM EDT**

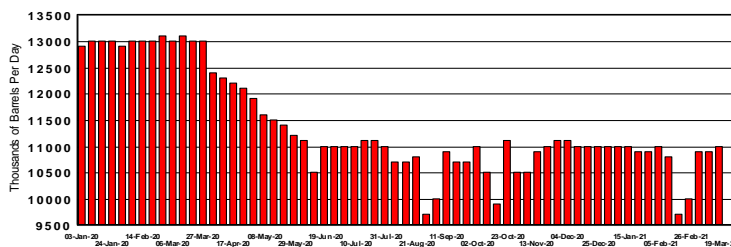
WTI - May \$59.17, down \$2.01  
 RBOB - Apr \$1.9318, down 5.72 cents  
 HO - Apr \$1.7761, down 4.95 cents

## All NYMEX | Prior Settlements

| Month  | ULSD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
|        | Close     | Change       | One Week  |
| Apr-21 | 1.8256    | 0.0767       | 0.0805    |
| May-21 | 1.8265    | 0.0763       | 0.0803    |
| Jun-21 | 1.8276    | 0.0757       | 0.0784    |
| Jul-21 | 1.8298    | 0.0754       | 0.0763    |
| Aug-21 | 1.8318    | 0.0746       | 0.0746    |
| Sep-21 | 1.8349    | 0.0737       | 0.0729    |
| Oct-21 | 1.8381    | 0.0731       | 0.0711    |
| Nov-21 | 1.8408    | 0.0720       | 0.0697    |
| Dec-21 | 1.8419    | 0.0707       | 0.0679    |
| Jan-22 | 1.8441    | 0.0694       | 0.0666    |
| Feb-22 | 1.8444    | 0.0684       | 0.0647    |
| Mar-22 | 1.8401    | 0.0673       | 0.0629    |
| Apr-22 | 1.8300    | 0.0659       | 0.0600    |
| May-22 | 1.8248    | 0.0645       | 0.0572    |
| Jun-22 | 1.8219    | 0.0631       | 0.0547    |
| Jul-22 | 1.8246    | 0.0623       | 0.0526    |
| Aug-22 | 1.8269    | 0.0617       | 0.0506    |

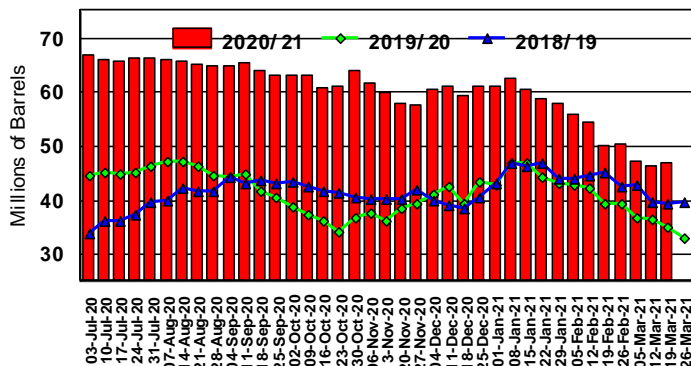
| Sprague HeatCurve October 2021-April 2022 |                                    | Close     | Change   |
|---|------------------------------------|-----------|----------|
| Crude - WTI                               | May Brent-<br>WTI Spread<br>\$3.23 | \$61.1800 | \$3.4200 |
| Crude - Brent                             |                                    | \$64.4100 | \$3.6200 |
| Natural Gas                               |                                    | \$2.5180  | \$0.0100 |
| Gasoline                                  |                                    | \$1.9890  | \$0.0926 |

### U.S. Domestic Crude Production



## Weekly EIA Petroleum Status Report for the Week Ending March 19, 2020

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Up 1.912 million barrels  
 Cushing, OK Crude Stocks Down 1.935 million barrels  
**Gasoline Stocks** Up 204,000 barrels  
**Distillate Stocks** Up 3.806 million barrels  
**Refinery % Operated** 81.6%, Up 5.5%

#### PADD #1

| Distillate Stocks (in million bbls) | Week Ending Mar 19, 2021 | Week Ending Mar 12, 2021 | Week Ending Mar 20, 2020 |
|-------------------------------------|--------------------------|--------------------------|--------------------------|
| New England                         | 9.1                      | 9.8                      | 6.7                      |
| Central Atlantic                    | 25.2                     | 24.3                     | 17.6                     |
| Total PADD #1                       | 46.8                     | 46.3                     | 35.0                     |
| Distillate Imports (thousands b/d)  | 615                      | 512                      | 104                      |