

## Market Commentary

**Recap:** Oil futures fell on Thursday in a volatile trading session as the impact of tighter U.S. crude oil supplies due to a winter storm in the U.S. was outweighed by fears that Federal Reserve interest rate hikes and China's rising COVID cases would crimp demand. February WTI fell 80 cents, or 1% to \$77.49 a barrel, while Brent for February delivery lost \$1.22, or 1.5% to settle at \$80.98 a barrel. Both WTI and Brent had risen by a \$1 a barrel earlier in the session. The gains were trimmed after the release of U.S. economic data showed the number of people filing new claims for unemployment benefits increased less than expected last week and the economy rebounded faster than previously estimated in the third quarter. Petroleum products also fell, with January RBOB falling 0.70 cents, or 0.31% to \$2.2488 per gallon and January heating oil losing 0.81 cents, or 0.26% to \$3.1314 per gallon.

**Technical Analysis:** The promising economic data increased concerns the Federal Reserve was more likely to increase rate hikes in a move that could slow the economy and dampen fuel demand. Airlines have also cancelled nearly 2,000 flights scheduled for Thursday and Friday, as powerful Arctic cold front is slated to bring blizzard conditions across several parts of the U.S.; also crimping demand for fuel. We expect traders to keep a watchful eye on the damage this storm may cause and the U.S. dollar which rose on Thursday. On the technical side, the 10-day moving average is trending slightly higher, while the 50-day moving average is drifting lower. The last time these two averages crossed paths, it was to the downside. Thursday, WTI came up to test the 50-day moving average but then backed off. Given the fact that we expect lighter volume due to the Christmas and New Year holidays, we would not look for this market to make any drastic move in either direction. Support is set at \$76.32, \$75.24, 73.45, with resistance seen at \$79.19, \$80.98 and 82.06.

**Fundamental News:** U.S. energy companies this week added oil and natural gas rigs for the first time in four weeks. Baker Hughes reported that the oil and gas rig count increased by three to 779 in the week ending December 22<sup>nd</sup>. U.S. oil rigs increased by two to 622 this week, while gas rigs increased by one to 155.

Europe is on track to import the largest amount of Russian diesel since March this month as a February 5<sup>th</sup> European Union ban on Russian oil products fast approaches. According to Vortexa, European countries have imported 850,000 bpd of diesel from Russia so far in December, including from Baltic and Black Sea ports. It is up by 10% from November and the highest since March, when imports exceeded 885,000 bpd.

Late Wednesday, the U.S. Treasury Department said that shipments facing the G7's upcoming price cap on oil products such as diesel and gasoline from Russia will have a grace period to arrive at their destination. It stated that cargoes of oil products that load before February 5<sup>th</sup> and are unloaded at the port of destination before April 1<sup>st</sup> will not be subject to the price cap.

The number of Americans filing new claims for unemployment benefits increased less than expected last week, while the economy rebounded faster than previously estimated in the third quarter. The U.S. Labor Department reported that initial claims for state unemployment benefits increased by 2,000 to a seasonally adjusted 216,000 in the week ending December 17<sup>th</sup>. The claims report showed the number of people receiving benefits after an initial week of aid fell by 6,000 to 1.672 million in the week ending December 10<sup>th</sup>. Meanwhile, a second report from the Commerce Department confirmed the economy rebounded in the third quarter after contracting in the first half of the year. GDP increased at a 3.2% annualized rate last quarter. That was revised up from the 2.9% pace reported last month. The economy had contracted at a 0.6% rate in the second quarter.

**Early Market Call - as of 8:55 AM EDT**

WTI - February \$79.34 Up 1.85

RBOB - January \$2.2934 Up 0.0446

HO - January \$3.2276 Up 0.0962

## All NYMEX | Prior Settlements

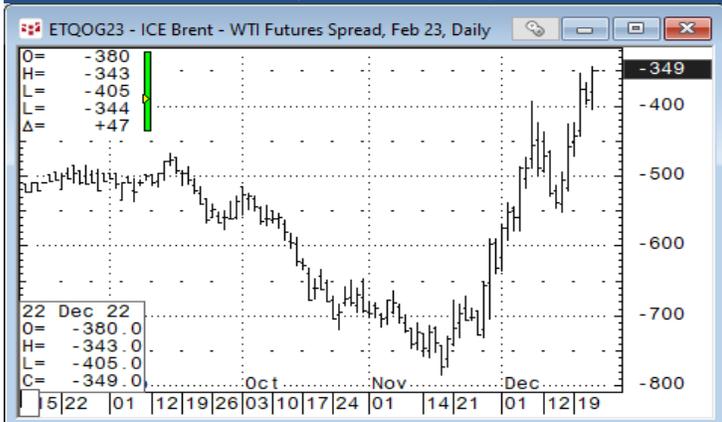
Month	USLD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-23	3.1314	-0.0081	-0.152
Feb-23	3.0954	-0.0134	-0.1192
Mar-23	3.0133	-0.0203	-0.0819
Apr-23	2.9131	-0.028	-0.0613
May-23	2.8411	-0.0358	-0.0483
Jun-23	2.7961	-0.041	-0.0379
Jul-23	2.7745	-0.0433	-0.0307
Aug-23	2.7618	-0.0433	-0.028
Sep-23	2.7554	-0.0432	-0.026
Oct-23	2.7469	-0.0434	-0.024
Nov-23	2.7347	-0.0443	-0.022
Dec-23	2.7202	-0.0455	-0.0203
Jan-24	2.7096	-0.0445	-0.0169
Feb-24	2.6966	-0.0444	-0.016
Mar-24	2.6777	-0.044	-0.0155
Apr-24	2.6527	-0.0432	-0.0152
May-24	2.6388	-0.0444	-0.0154

Sprague HeatCurve October 2023-April 2024		Close	Change
Crude - WTI	Feb Brent- WTI Spread \$3.49	\$77.4900	-\$0.8000
Crude - Brent		\$80.9800	-\$1.2200
Natural Gas		\$4.9990	-\$0.3330
Gasoline		\$2.2488	-\$0.0070

## EIA Working Gas Storage Report

	16-Dec-22	09-Dec-22	Change	16-Dec-21
East	789	822	-33	810
Midwest	974	1002	-28	966
Mountain	178	186	-8	190
Pacific	186	203	-17	249
South Central	1199	1199	0	1,155
Salt	340	337	3	333
Nonsalt	858	862	-4	821
Total	3325	3412	-87	3,370

## ICE February Brent-WTI Spread



## 8-14 Day Temperature Outlook

