

Market Commentary

Recap: Oil prices rose on Monday, as optimism around China relaxing its COVID-19 restrictions outweighed fears of a global recession that would weigh on energy demand. Spreading Covid-19 in China is creating worries about demand for commodities like oil, but the announcement of the US buying oil for its strategic reserves provided support for prices today. China, the world's top crude oil importer, is experiencing its first of three expected waves of COVID-19 cases after Beijing relaxed mobility restrictions but said it plans to step up support for the economy in 2023. WTI for January delivery gained 90 cents per barrel, or 1.21% to \$75.19, with the February contract, the soon to be front month contract \$75.39, up 92 cents. Brent Crude for February delivery gained 76 cents per barrel, or 0.96% to \$79.80. Gasoline for January delivery gained 4.53 cents per gallon, or 2.12% to \$2.1776, while ULSD for January delivery lost 6.64 cents per gallon, or 2.13% to \$3.0535.

Technical Analysis: WTI remains to the downside and with the holidays upon us, we do not see this changing anytime soon. Volume typically wanes during this time of year and as result, we would not expect to see a significant move in either direction. Basis the February contract, Resistance is set at \$76.67, \$77.96 and \$79.28. On the downside, support is seen at \$74.06, \$72.74 and \$71.45.

Fundamental News: Sales of U.S. crude to other nations are now a record 3.4 million bpd, with exports of about 3 million bpd of refined products like gasoline and diesel fuel. The United States is also the leading liquefied natural gas exporter, where growth is expected to increase in coming years. However, the United States consumes 20 million bpd of crude, the most in the world, and its output has never exceeded 13 million bpd. Last month, U.S. government data showed net U.S. crude oil imports fell to 1.1 million bpd, the lowest level since record keeping began in 2001. That is down sharply from five years ago, when the United States imported more than 7 million bpd. Factors changing that equation this year include sanctions hurting Russia's exports of oil and natural gas following its invasion of Ukraine, and Washington's release of oil from emergency reserves to combat increasing gasoline prices. To become a net exporter of crude, the United States needs either to increase production or curtail consumption. U.S. petroleum demand is expected to increase 0.7% to 20.51 million bpd next year, so that means production would have to rise. The United States became the world's largest exporter of liquefied natural gas during the first half of 2022, surpassing Qatar and Australia, on the back of demand from Europe and surging prices. Matt Smith, analyst at Kpler said LNG exports likely will continue to increase into 2023 as Europe scrambles to refill storage depleted this winter.

Citi Research said "We revise down our price outlook for crude oil." It sees Brent oil prices at \$80/barrel and WTI at \$75/barrel next year. It sees weak demand, more amply supply from Russia and OPEC+ than markets expected, keeping oil prices pressured. It says OPEC+ cuts and U.S./China SPR buying could provide a soft floor at \$70/barrel for oil. It projects global oil demand growth at 1.2 million bpd with real global GDP growth of 1.9%, with risks skewed to the downside.

IIR Energy said U.S. oil refiners are expected to shut in about 244,000 bpd of capacity in the week ending December 23rd, increasing available refining capacity by 354,000 bpd. Offline capacity is expected to fall to 70,000 bpd in the week ending December 30th.

TC Energy Corp said its Keystone pipeline spill recovery rates have the potential to slow due to the upcoming cold weather in the area. As of December 18th, the company has recovered an estimated 7,233 barrels of crude oil from the creek.

Early Market Call - as of 8:40 AM EDT

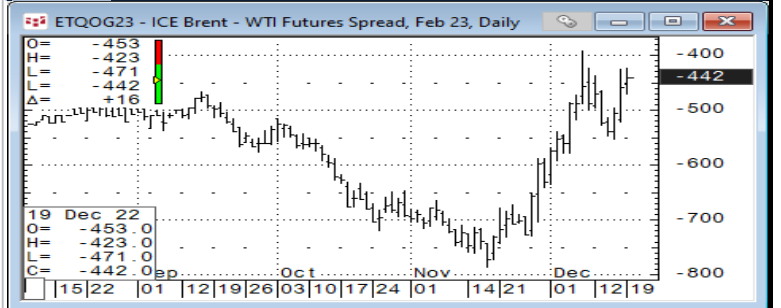
WTI - January \$75.92, up 73 cents
 RBOB - January \$2.20, up 2.24 cents
 HO - January \$3.0814, up 2.79 cents

All NYMEX | Prior Settlements

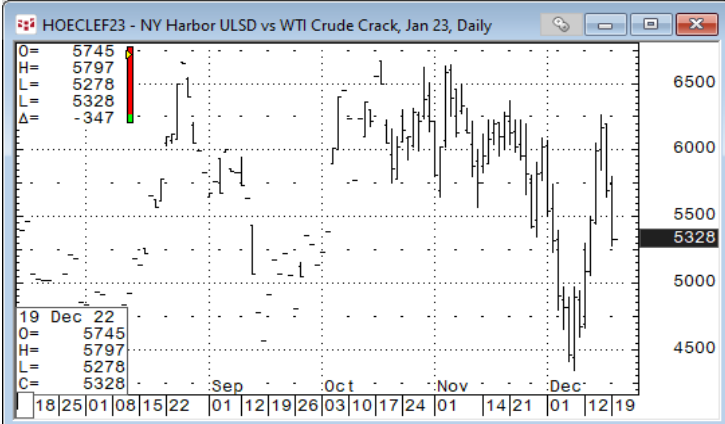
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-23	3.0535	-0.0664	0.085
Feb-23	3.0179	-0.0567	0.0782
Mar-23	2.9288	-0.0415	0.0619
Apr-23	2.8319	-0.0296	0.0452
May-23	2.7688	-0.0195	0.038
Jun-23	2.7331	-0.0104	0.0343
Jul-23	2.7176	-0.0041	0.0287
Aug-23	2.7068	-0.0024	0.021
Sep-23	2.7022	-0.0019	0.0173
Oct-23	2.696	-0.0011	0.0133
Nov-23	2.6861	-0.0003	0.0086
Dec-23	2.6739	0.0006	0.004
Jan-24	2.664	0.0033	0.0017
Feb-24	2.6512	0.004	-0.0008
Mar-24	2.6322	0.0039	-0.0015
Apr-24	2.6065	0.0032	-0.0021
May-24	2.5938	0.0032	-0.0038

Sprague HeatCurve October 2023-April 2024		Close	Change
Crude - WTI	Feb Brent- WTI Spread \$4.42	\$75.3800	\$0.9200
Crude - Brent		\$79.8000	\$0.7600
Natural Gas		\$5.8510	-\$0.7490
Gasoline		\$2.1776	\$0.0453

ICE February Brent-WTI Spread



January Heating Oil Crack Spread



January RBOB Crack Spread

