

Market Commentary

Recap: The oil market posted an outside trading day, with thin volume trading on Monday following the long Christmas holiday weekend. The market breached its previous low of \$73.39 and posted a low of \$73.13 in overnight trading as Denmark's Maersk said on Sunday it planned to resume shipments through the Red Sea "as soon as operationally possible" after a U.S.-led force was deployed to protect vessels from attacks by Houthi rebels. However, the market bounced off its low and rallied over 3% to a high of \$76.18 by mid-day. The market was well supported following the news that a British maritime authority said explosions in the Red Sea off the coast of Yemen were reported on Tuesday after sightings of unmanned aircraft and missiles in two separate incidents. The oil market was also supported by optimism that the U.S. Federal Reserve would soon start cutting interest rates, which would help increase global economic growth and fuel demand. The February WTI contract later erased some of its sharp gains ahead of the close and settled up \$2.01 at \$75.57. The February Brent contract settled up \$2 at \$81.07. Meanwhile, the product markets also settled in positive territory, with the heating oil market settling up 76 points at \$2.6688 and the RB market settling up 2.82 cents at \$2.1583.

Technical Analysis: The oil market will likely retrace some of its sharp gains on Wednesday before it continues to trend higher on the geopolitical tensions in the Middle East. The crude market is seen finding resistance at its high of \$76.18, \$76.81 followed by more distant upside at \$79.67. Meanwhile, support is seen at \$75.05, \$73.95, its low of \$73.13 and \$73.05. Further support is seen at \$72.44, \$72.14, \$72.08, \$71.11, followed by \$70.99, \$70.64, \$69.82 and \$67.98.

Fundamental News: The U.S. Department of Energy said the U.S. has finalized contracts to purchase three million barrels of oil for the Strategic Petroleum Reserve.

A British maritime authority said explosions in the Red Sea off the coast of Yemen were reported on Tuesday after sightings of unmanned aircraft and missiles in two separate incidents. United Kingdom Maritime Trade Operations Authority said two unmanned aircraft were observed before two explosions occurred 5 nautical miles from a vessel located 50 nautical miles west of Hodeidah on Yemen's west coast. In an apparent separate incident, explosions were heard and missiles were seen 4 nautical miles from a vessel 60 nautical miles from Hodeidah. It was not immediately clear if the incidents involved the same vessel, which the authority did not identify. In both incidents the vessel and crew were reported to be safe.

Yemen's Houthi military spokesman Yahya Sarea said the group launched an attack with missiles on a MSC United commercial ship in the Red Sea after it rejected three warning calls. He also said the group carried out drone attacks on the southern Israeli city of Eilat "and other areas in occupied Palestine."

Germany's Hapag-Lloyd will decide on Wednesday how it will proceed with its Red Sea routes after suspending shipments there in response to safety concerns. Several firms stopped transiting the Red Sea after attacks earlier in December against ships, disrupting global trade through the Suez Canal. On Monday, Denmark's Maersk said it was preparing to resume shipping operations in the Red Sea and the Gulf of Aden, citing the deployment of a U.S.-led military operation designed to ensure the safety of commerce in the area.

France's CMA CGM is planning a gradual increase in the number of vessels transiting through the Suez Canal.

Early Market Call - as of 11:00 AM EDT

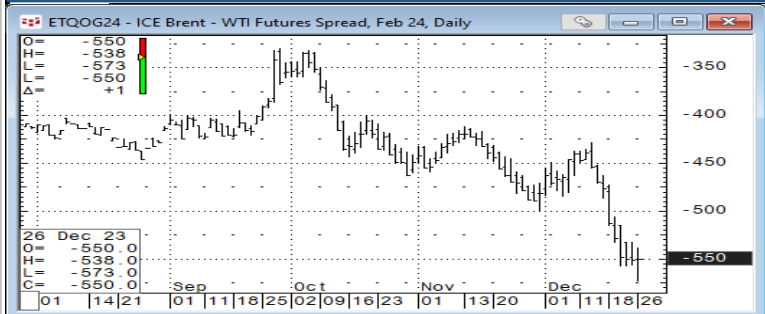
WTI - February \$74.89, down 68 cents
 RBOB - January \$2.1846, up 2.79 cents
 HO - January \$2.6707, up 19 points

All NYMEX | Prior Settlements

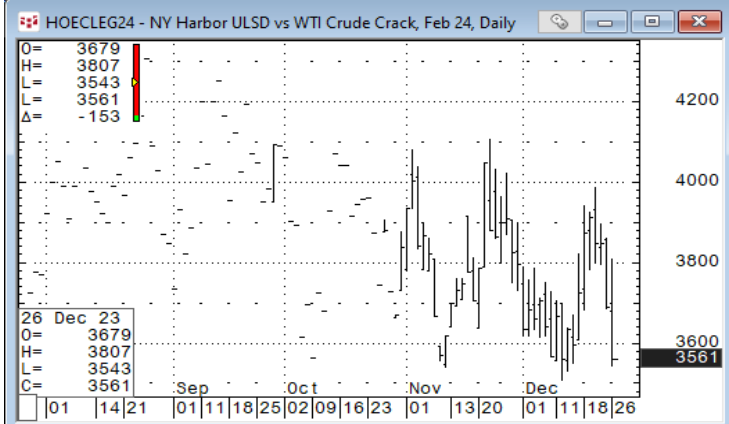
| Month | ULSD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
| | Close | Change | One Week |
| Dec-23 | 2.6688 | 0.0076 | -0.0480 |
| Jan-24 | 2.6467 | 0.0109 | -0.0427 |
| Feb-24 | 2.6085 | 0.0132 | -0.0391 |
| Mar-24 | 2.5614 | 0.0140 | -0.0353 |
| Apr-24 | 2.5279 | 0.0183 | -0.0319 |
| May-24 | 2.5049 | 0.0226 | -0.0281 |
| Jun-24 | 2.4975 | 0.0244 | -0.0276 |
| Jul-24 | 2.4940 | 0.0243 | -0.0286 |
| Aug-24 | 2.4959 | 0.0234 | -0.0293 |
| Sep-24 | 2.4981 | 0.0229 | -0.0297 |
| Oct-24 | 2.4951 | 0.0227 | -0.0295 |
| Nov-24 | 2.4872 | 0.0229 | -0.0294 |
| Dec-24 | 2.4790 | 0.0224 | -0.0296 |
| Jan-25 | 2.4699 | 0.0224 | -0.0287 |
| Feb-25 | 2.4570 | 0.0224 | -0.0291 |
| Mar-25 | 2.4383 | 0.0223 | -0.0302 |
| Apr-25 | 2.4248 | 0.0222 | -0.0309 |

| Sprague HeatCurve October 2024-April 2025 | | | \$2.4750 |
|---|------------|-----------|-----------|
| | | Close | Change |
| Crude - WTI | Feb Brent- | \$75.5700 | \$2.0100 |
| Crude - Brent | WTI Spread | \$81.0700 | \$2.0000 |
| Natural Gas | \$5.50 | \$2.5500 | -\$0.0600 |
| Gasoline | | \$2.1583 | \$0.0282 |

ICE February Brent-WTI Spread



February Heating Oil Crack Spread



February RBOB Crack Spread

