

Market Commentary

Recap: On Tuesday, the oil market traded within its recent trading range after the market sold off early in the session and later retraced its earlier losses. The crude market continued to trade lower and extended its previous losses on demand concerns after a Hong Kong court ordered the liquidation of China's property developer Evergrande. The real estate crisis in China fueled concerns over its oil demand. The market sold off to a low of \$75.85 early in the session. However, the market bounced off its low and retraced all of its losses. The crude market traded back over the \$78.00 level amid concerns surrounding the conflict escalation in the Middle East after a drone attack launched by Iran-backed militia killed U.S. service members in Jordan over the weekend. U.S. President Joe Biden announced that he made a decision on how to respond to the drone attack, although he did not elaborate on his decision. Also, earlier in the morning, Saudi Aramco said it received a directive from the government to maintain its maximum sustainable capacity at 12 million bpd and not continue increasing its capacity to 13 million bpd, which would leave the country with a lower production buffer in the future in the event of supply shocks. The oil market posted a high of \$78.14 in afternoon trading. The March WTI contract settled up \$1.04 at \$77.82 and the March Brent contract settled up 47 cents at \$82.87. The product markets ended the session mixed, with the heating oil market settling down 2.71 cents at \$2.8068 and the RB market settling up 3.22 cents at \$2.2607.

Technical Analysis: The oil market on Wednesday will remain driven by the headlines regarding the situation in the Middle East. The Pentagon suggested that the U.S. will respond to the recent attacks on U.S. forces in the region, despite the announcement by Iran-aligned Kataib Hezbollah of a suspension of all military operations against U.S. troops. The crude market will also look towards the weekly petroleum stocks reports for further direction. The inventory reports are expected to show draws across the board, with draws of over 2 million barrels expected in crude stocks. The crude market is seen finding resistance at its high of \$78.14, \$79.29, \$79.56, \$79.65 and \$80.08. Further upside is seen at \$81.07 and \$82.04. Meanwhile, support is seen at \$75.85, \$75.16, \$73.94, \$73.41 followed by \$72.56 and \$72.10.

Fundamental News: A Department of Energy document showed that the U.S. is seeking to buy about 3 million barrels of U.S. produced sour crude for the SPR for delivery in June.

U.S. President Joe Biden said he has made up his mind on how to respond to a drone attack that killed U.S. service members in Jordan. He did not elaborate on his decision, which came after consultations with top advisers at the White House. He said the U.S. does not need a wider war in the Middle East, echoing comments from other officials that the U.S. does not want a war with Iran. Meanwhile, White House national security spokesman John Kirby said the U.S. could have a tiered response to the drone attack that killed three U.S. service members in Jordan that could involve multiple actions rather than a single action.

J.P. Morgan said the spreading conflict in the Middle East remains the most visible and growing risk for energy markets.

The Kremlin, when asked about potential U.S. strikes on Iranian interests, said tensions in the Middle East were high and that steps were needed to de-escalate rather than destabilize the wider region.

The U.S. State Department said the U.S. will not renew an expiring general license for Venezuela's oil and gas sector unless there is political progress between President Nicolas Maduro's government and the opposition.

Saudi Aramco said it would cut its planned maximum sustainable oil production capacity to 12 million bpd, down from 13 million bpd. A source said the move in no way reflects a change of view on future oil demand scenarios nor stems from any technical issue, but was simply a directive from the government.

Early Market Call - as of 9:35 AM EDT

WTI - March \$76.84, down 98 cents

RBOB - February \$2.2364, down 2.43 cents

HO - February \$2.7850, down 2.18 cents

All NYMEX | Prior Settlements

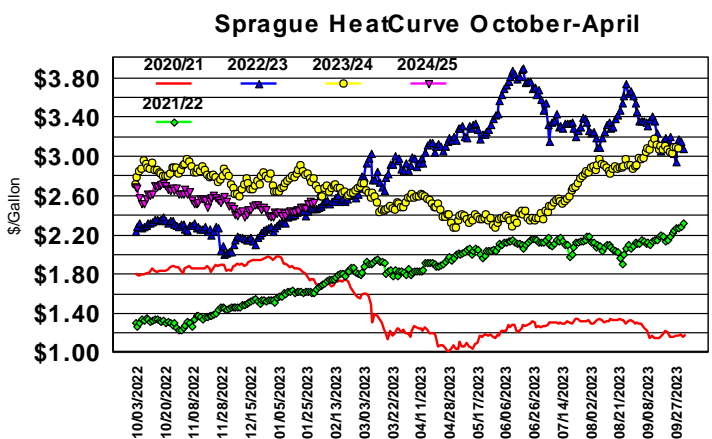
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Feb-24	2.8068	-0.0271	0.1155
Mar-24	2.7766	-0.0200	0.1132
Apr-24	2.7152	-0.0076	0.1120
May-24	2.6525	0.0013	0.0999
Jun-24	2.6033	0.0102	0.0903
Jul-24	2.5813	0.0162	0.0857
Aug-24	2.5693	0.0200	0.0809
Sep-24	2.5675	0.0220	0.0767
Oct-24	2.5686	0.0215	0.0740
Nov-24	2.5625	0.0210	0.0703
Dec-24	2.5483	0.0206	0.0645
Jan-25	2.5351	0.0199	0.0594
Feb-25	2.5200	0.0190	0.0548
Mar-25	2.4997	0.0178	0.0501
Apr-25	2.4745	0.0170	0.0469
May-25	2.4553	0.0157	0.0436
Jun-25	2.4394	0.0143	0.0409

Sprague HeatCurve October 2024-April 2025			\$2.5293
		Close	Change
Crude - WTI	Mar Brent-WTI Spread \$5.05	\$77.8200	\$1.0400
Crude - Brent		\$82.8700	\$0.4700
Natural Gas		\$2.0770	\$0.0230
Gasoline		\$2.2607	\$0.0322

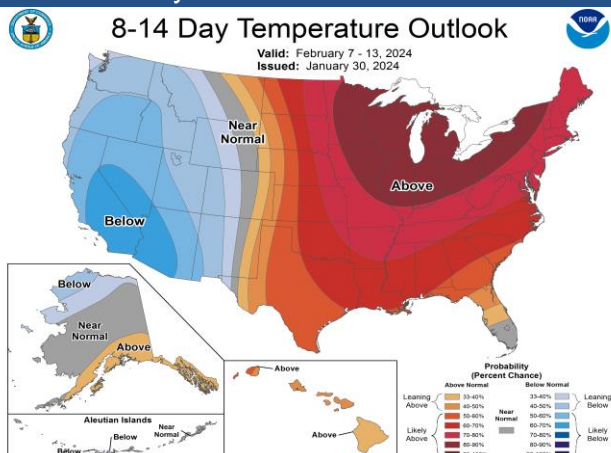
API Report for the Week Ending January 26, 2024

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Down 2.5 million barrels	Down 2.3 million barrels
Gasoline Stocks	Up 600,000 barrels	Down 450,000 barrels
Distillate Stocks	Down 2.1 million barrels	Down 700,000 barrels
Refinery Runs		Up 1.1%, at 86.6%

Sprague HeatCurve October-April



8-14 Day Weather Forecast



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