FROM: GCC PETROLEUM
Office: 620-276-8301

March 7, 2024

Today's Market News

EIA Energy Stocks: U.S. crude oil stockpiles last week rose less than expected as refining rates picked up sharply, but fuel inventories slumped more than forecast, data from Energy Information Administration (EIA) showed on Wednesday. Crude inventories rose for a sixth week in a row, building by 1.4 million barrels to 448.5 million barrels in the week ended March 1, the EIA said. Analysts had forecast in a Reuters poll a 2.1 million-barrel rise. Refinery crude runs rose by 594,000 barrels per day (bpd) to 15.3 million bpd. Refinery utilization rates jumped by 3.4 percentage points to 84.9% of total capacity, the highest in six weeks, the data showed. Gasoline stocks fell by 4.5 million barrels in the week to 239.7 million barrels, the EIA said, compared with expectations for a 1.6 million-barrel draw. Distillate stockpiles, which include diesel and heating oil, fell by 4.1 million barrels in the week to 117 million barrels, versus expectations for a 665,000 barrel drop, the EIA data showed.

Fed: The Federal Reserve Chair Jerome Powell indicated that interest rates ill likely come down this year, though the central bank is moving cautiously. Powell told the House Financial Services Committee Wednesday that the Fed needs to see “a little more data” before moving on rates, though he expects the central bank will begin loosening policy this year as it gains more confidence that inflation is under control. In prepared remarks, the Fed chairman said the central bank thinks rates have peaked. Lower interest rates typically stimulate the economy, which leads to more demand for crude. Tamas Varga, an analyst at oil broker PVM, told clients in a note Tuesday that uncertainty surrounding interest rate cuts is “public enemy No. 1” of a protracted oil rally.

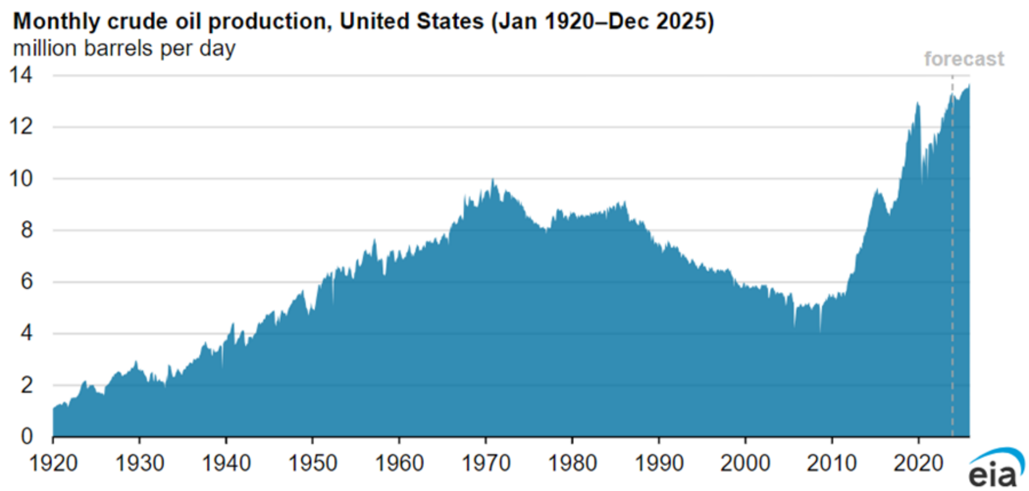
Red Sea: Rising geopolitical tensions due to the Israel-Hamas conflict and Houthi attacks on Red Sea shipping have supported oil prices in 2024, although concern about economic growth has weighed. Yemen's Iran-backed Houthis vowed on Sunday to continue targeting British ships in the Gulf of Aden following the sinking of the Rubymar cargo ship. Their Red Sea attacks have disrupted global shipping, forcing firms to re-route to longer and more expensive journeys around southern Africa, and stoked fears that the Israel-Hamas war could spread to destabilize the wider Middle East.

Market Overview: Oil prices are moving slightly lower today. Recent Chinese data was encouraging, as the country reported a 5.1% increase in crude imports during the first two months of 2024 compared to the previous year. Refiners boosted oil purchases to meet fuel sales during the Lunar New Year holiday. In the US, commercial crude stocks increased by 1.27 million barrels in the week ending the 1st March. Oil Researchers had projected an increase of 4.3 million barrels. The rise in refinery utilization by 3.4 percentage points contributed to a lower stock build. Nevertheless, gasoline inventories fell by 4.46 million barrels, while distillates fell by 4.13 million barrels.

Energy Highlights

Please call your account manager for a larger chart.

More productive wells spur U.S. crude oil production higher



Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, February 2024

U.S. crude oil production averaged 13.3 million barrels per day (b/d) in December 2023, following sustained productivity increases at new wells, according to our latest Petroleum Supply Monthly (PSM). U.S. crude oil production has increased to record highs since 2010 and has risen even more quickly in recent months. These record highs have come despite declining U.S. drilling activity because the new wells are more efficient. Since first surpassing the previous record in August 2023, U.S. crude oil production has increased another 2%, exceeding the pre-pandemic November 2019 peak by 0.3 million b/d. The number of new wells brought on line by drilling activity has historically been the key determinant of whether crude oil production increases or decreases. However, advances in horizontal drilling and hydraulic fracturing technologies have increased well productivity, enabling U.S. producers to extract more crude oil from new wells drilled while maintaining production from legacy wells. Our Drilling Productivity Report (DPR) shows more production from a combination of increasing new well production and higher sustained legacy well production. We define new well production as crude oil extracted during the first 12 months of production, while legacy production is crude oil extracted after the initial 12 months. The share of legacy production since 2021 has remained stable, and production from new wells has continued to increase.

Contract	NYMEX as of 7:50 AM			Support	Resistance
FEB24RBOB	↓	0.0054	2.5485	2.4342	2.6338
FEB24 HO	↓	0.0026	2.6638	2.6150	2.7860
FEB24 WTI	↓	0.39	78.73	71.41	80.00