

Market Commentary

Recap: Oil prices ended lower on Tuesday, as the uptick in the number of coronavirus cases and its impact on demand continues to weigh on trader's minds. In early trading, the market popped due to a higher forecast for demand, and bullish jobs data, but prices gave up gains as focus returned to the spreading of the coronavirus. Expectations for a decline in U.S. crude oil inventories for a second week in a row, however, provided some support. A point worth mentioning is that the EIA report will cover data for the week ending July 3, which will encompass demand ahead of the long 4th of July weekend. For this reason, next week's report may reflect a clearer picture of the demand situation. August WTI fell by a penny, to settle at \$40.62 a barrel, while September Brent slipped 2 cents, to settle at \$43.08 a barrel. August RBOB rose 2.8% to \$1.275 a gallon, but August heating oil shed 0.1% to \$1.2433 a gallon.

Market Outlook

WTI continues to struggle above \$40, as it attempts to fill the gap up toward \$46.19, left when the coronavirus first hit. As long as the August contract can hold above the 10-day moving average, currently set at \$39.60, we remain cautiously optimistic that longs will hold onto their positions. Resistance set at \$42.17, the top of the gap for August. Above this level, additional resistance is set at \$46.19. Support is set at \$40.59 and below that at \$37.08 and \$35.

Fundamental News:

In its Short Term Energy Outlook, the EIA reported that it raised its 2020 world oil demand growth forecast by 190,000 bpd to 8.15 million bpd. World oil consumption is forecast to total 92.89 million bpd. However, it cut its oil demand growth estimate for 2021 by 190,000 bpd to 6.99 million bpd. The EIA reported that OPEC production in 2020 is expected to fall by 3.82 million bpd to 30.85 million bpd, while OPEC production in 2021 is expected to increase by 3.05 million bpd. It expects U.S. petroleum and other liquid fuel consumption to fall 2.1 million bpd to 18.34 million bpd in 2020, a smaller decline than its previous forecast for a fall of 2.4 million bpd. U.S. oil demand in 2021 is expected to increase by 1.6 million bpd to 19.94 million bpd, compared with a previous estimate for an increase of 1.4 million bpd. It reported that U.S. oil production is expected to fall by 600,000 bpd in 2020 to 11.63 million bpd, a smaller decline than the 670,000 bpd it forecast previously. For 2021, U.S. crude production is expected to fall by 620,000 bpd to an average of about 11.01 million bpd after falling under 11 million bpd during the second quarter. In regards to prices, the EIA expects monthly Brent spot prices will average \$41/barrel during the second half of 2020 and increase to an average of \$50/barrel in 2021, \$4/barrel and \$2/barrel higher than forecast in last month's report. WTI crude prices are expected to remain less than \$50/barrel through 2021.

A federal judge denied an initial request by owners of the Dakota Access oil pipeline that asked the court to reconsider its order to shut the 570,000 bpd line within a month. Energy Transfer said if its stay request was denied with the district court, it would pursue a stay and expedited appeal with U.S. Court of Appeals to delay the process of shutting the pipeline. Energy Transfer said it could take an estimated three months to empty the line, putting it in jeopardy of violating the court order.

Reuters reported Tuesday that Iran has reduced its crude production to its lowest level in four decades as its storage tanks and tanker fleet are almost completely at capacity. Iranian production was estimated at 1.9 million b/d in June, with exports of just 220,000 b/d.

Early Market Call - as of 8:30 AM EDT

WTI - Aug \$40.70, up 8 cents
 RBOB - Aug \$1.2745, down 2 points
 HO - Aug \$1.2471, up 37 points

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-20	1.2433	0.0016	-0.0568
Sep-20	1.2554	0.0018	-0.0518
Oct-20	1.2685	0.0013	-0.0464
Nov-20	1.2822	0.0012	-0.0430
Dec-20	1.2943	0.0014	-0.0417
Jan-21	1.3069	0.0011	-0.0409
Feb-21	1.3162	0.0005	-0.0398
Mar-21	1.3212	0.0005	-0.0381
Apr-21	1.3207	0.0008	-0.0364
May-21	1.3247	0.0017	-0.0361
Jun-21	1.3310	0.0025	-0.0361
Jul-21	1.3431	0.0029	-0.0358
Aug-21	1.3546	0.0033	-0.0357
Sep-21	1.3645	0.0036	-0.0354
Oct-21	1.3740	0.0039	-0.0349
Nov-21	1.3832	0.0042	-0.0346
Dec-21	1.3913	0.0045	-0.0344

Sprague Heat Weighted Strip October -April 20/2021			\$1.3043
		Close	Change
Crude - WTI	Aug Brent- WTI Spread \$2.38	\$40.7000	-\$0.0300
Crude - Brent		\$43.0800	-\$0.0200
Natural Gas		\$1.8760	\$0.0460
Gasoline		\$1.2750	\$0.0342

API Report for the Week Ending July 3, 2019

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Up 2 million barrels	Down 3.4 million barrels
Cushing, OK Crude Stocks	Up 2.2 million barrels	Down 153,330 barrels
Gasoline Stocks	Down 1.8 million barrels	Up 100,000 barrels
Distillate Stocks	Down 900,000 barrels	Down 100,000 barrels
Refinery Runs	Up 241,000 bpd	Up 0.5%
Crude Imports	Up 567,000 bpd	

Sprague HeatCurve October-April

September Brent - WTI Spread

