

Market Commentary

All NYMEX | Prior Settlements

Recap: The slide in oil prices that began last week continued throughout Tuesday's session after it was reported that Saudi Arabia made deep cuts to crude oil contract prices for Asia. State run oil group, Saudi Aramco announced on Sunday it will cut October official selling prices for all crude grades sold to Asia, its largest buying region, by at least \$1 a barrel. Strength in the U.S. dollar also added pressure. October WTI fell 94 cent or 1.4%, to settle at \$68.35 a barrel, while Brent for November delivery slipped 53 cents, or 0.7%, to settle at \$71.69 a barrel. Petroleum products also dipped, with October RBOB down 1.1%, to \$2.13 a gallon, down four of the past five sessions. October heating oil lost 1.8%, settling at \$2.12 a gallon.

Market Outlook: At this point, traders are grappling with an array of news currently affecting the oil market. Production in the Gulf of Mexico is still hindered by the effects of Hurricane Ida. At the end of last week, oil and gas production remained shut in, with 1.7 million barrels, or 93%, of daily crude output suspended. Expectations are that production will come back on line during the course of the week, while refinery operations are expected to come back over the next two week. While gasoline demand was showing signs of growth in the U.S.; the spread of the Delta variant of the coronavirus has raised some eyebrows, as the impact on the global economy remains unknown. Meanwhile, OPEC+ agreed to stick to a policy from July of phasing out record output cuts by adding 400,000 barrels per day a month to the market. Then, over the weekend, came news of deep price cuts to Asia by the Saudis. Considering all the aforementioned, we believe that crude oil markets will remain range bound in the near future. Our upside target for WTI remains \$74, with support holding down around the \$65 area. October WTI is approaching the neckline that can be depicted on an inverse head and shoulders pattern. This is typically a bullish formation, so should prices hold above the neckline, we would anticipate a run at \$74.

Fundamental News: The head of Russia's Lukoil, Vagit Alekperov, said that oil prices of \$65-\$75 were "comfortable" for consumers and that the OPEC+ group of leading oil-producing nations was striving to maintain that price range by regulating output. In an interview with the Kommersant newspaper published on Tuesday, he said cuts on oil output would depend on market conditions.

According to preliminary Vortexa data, U.S. imports of gasoline and blending components from Europe and the Baltics are expected to reach about half a million tons this week, the highest since late May, as Hurricane Ida cut refinery processing in the U.S. Gulf energy hub. Imports along the route in the week ending September 5th reached around 426,000 tons.

At least 570,000 tons of diesel has been booked on tankers so far in September for exports from Europe to the North and South America and West Africa. Meanwhile, diesel exports from the U.S. Gulf Coast to Europe are set to reach 166,000 tons so far in September, compared with 300,000 tons in August.

The Bureau of Safety and Environmental Enforcement said more than 80% of oil production in the Gulf of Mexico remains shut in after Hurricane Ida, more than a week after the storm made landfall and hit critical infrastructure in the region. Energy companies have been struggling to resume production after Ida damaged platforms and caused onshore power outages. About 1.44 million bpd of oil production, or 79%, remains shut, while another 1.74 bcf/d of natural gas output, or 78%, was offline. A total of 79 oil and gas production platforms remain evacuated, down from the 288 originally evacuated. The Department of Energy said five refineries in Louisiana remained shut on Monday, accounting for about 1 million bpd of refinery capacity, or about 6% of the total U.S. operable refining capacity.

Early Market Call - as of 8:15 AM EDT

WTI - Oct \$69.40, up \$1.05

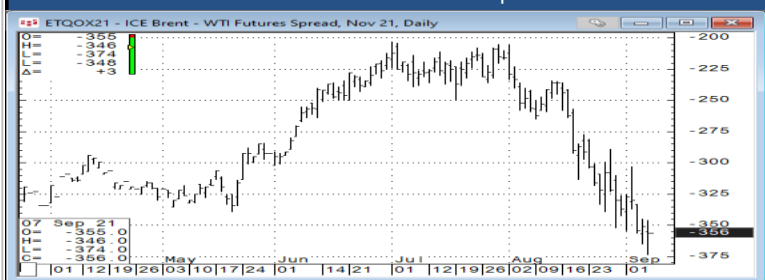
RBOB - Oct \$2.1581, up 2.81 cents

HO - Oct \$2.1416, up 2.00 cents

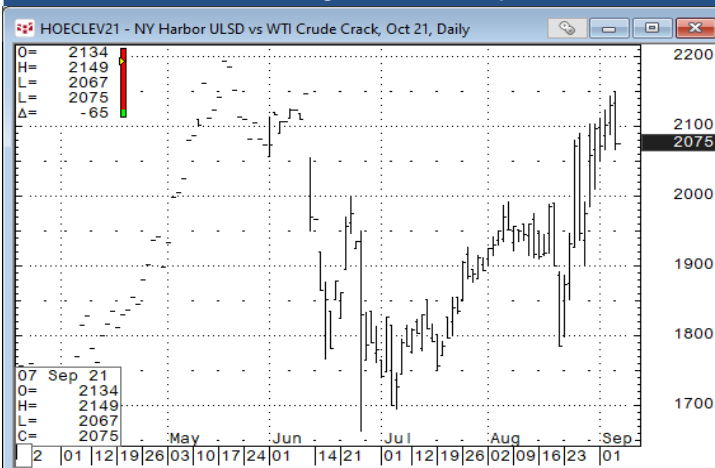
| Month | ULSD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
| | Close | Change | One Week |
| Oct-21 | 2.1216 | -0.0378 | -0.0086 |
| Nov-21 | 2.1172 | -0.0366 | -0.007 |
| Dec-21 | 2.1126 | -0.0353 | -0.0065 |
| Jan-22 | 2.1078 | -0.0343 | -0.0062 |
| Feb-22 | 2.1002 | -0.0334 | -0.0054 |
| Mar-22 | 2.0877 | -0.0328 | -0.0048 |
| Apr-22 | 2.0697 | -0.0325 | -0.004 |
| May-22 | 2.0569 | -0.0325 | -0.0036 |
| Jun-22 | 2.0478 | -0.0323 | -0.0035 |
| Jul-22 | 2.0457 | -0.0319 | -0.0035 |
| Aug-22 | 2.0452 | -0.0314 | -0.0032 |
| Sep-22 | 2.0457 | -0.0311 | -0.0027 |
| Oct-22 | 2.0468 | -0.0308 | -0.0025 |
| Nov-22 | 2.0467 | -0.0307 | -0.0028 |
| Dec-22 | 2.045 | -0.0305 | -0.0031 |
| Jan-23 | 2.044 | -0.0303 | -0.0034 |
| Feb-23 | 2.0378 | -0.03 | -0.0032 |

| Sprague HeatCurve October 2021-April 2022 | | Close | Change |
|---|------------|-----------|-----------|
| Crude - WTI | Nov Brent- | \$68.1300 | -\$0.9400 |
| Crude - Brent | WTI Spread | \$71.6900 | -\$0.5300 |
| Natural Gas | \$3.56 | \$4.5680 | -\$0.1440 |
| Gasoline | | \$2.1300 | -\$0.0240 |

ICE November Brent-WTI Spread



October Heating Oil Crack Spread



October RBOB Crack Spread

