

## Market Commentary

**Recap:** Oil futures ended higher on Friday, with U.S. prices up nearly 10% for the week as OPEC members and allies tightened the reins on output cuts and some signs of improvement in the global economy brightened the outlook for energy demand. The OPEC+ decision boosted trader confidence that its members will further cut production in an effort to reach its targeted level. Complying with the 9.7 million barrel per day cut means another million barrels per day will be taken off the market. WTI for July delivery climbed 91 cents, or 2.3%, to settle at \$39.75 a barrel, after reaching a high of \$40.50. Front-month contract prices logged their highest finish since March 6, according to Dow Jones Market Data. For the week, they rose 9.6%. August Brent added 68 cents, or 1.6%, at \$42.19 a barrel, for a weekly advance of 8.9%. July RBOB added 1.1% to \$1.2716 a gallon, settling up 13% for the week. July heating oil tacked on 1.1% to \$1.2114 a gallon, for a weekly rise of 10%.

**Technical Analysis:** WTI had another positive week after finding support around the \$35 level. Coming into next week, we would look for a run at the \$41 level to fill the gap. We would expect to encounter quite a bit of resistance above the gap, which will work to slow the move to the upside. Resistance is up at \$41 and above that at \$43.30. To the downside, there is support set at \$38.12 and below that at \$35.

**Fundamental News:** The price structure for Brent and U.S. crude has caused storage to be drawn down, signaling a recovery in global markets and tighter supplies as major producers cut output to compensate for demand loss due to the coronavirus pandemic. On Thursday, Brent moved into backwardation, where oil for immediate delivery costs more than supply later. The premium at which Brent crude futures for August delivery are trading above September were as high as 15 cents on Friday. Short-term Brent swaps in the North Sea market, contracts for differences, have also moved into backwardation, suggesting a stronger physical market. This has encouraged storage to be drawn down. Rystad Energy's senior oil markets analyst, Paola Rodriguez Masiu, said "the floating storage, in particular in the (U.S.) Gulf Coast is already decreasing as buyers are opting for taking out the floating tankers rather than engaging into a new booking."

Baker Hughes reported that U.S. and Canadian energy firms cut the number of oil and natural gas rigs operating to a record low even as higher oil prices prompt some producers to start drilling again. The U.S. oil and gas rig count fell to a record low for a seventh consecutive week, falling by 13 to 266 in the week ending June 19<sup>th</sup>. That was 701 rigs, or 72%, below this time last year. U.S. oil rigs fell 10 to 189 this week, their lowest since June 2009, while gas rigs dropped by three to 75, their lowest on record according to data going back to 1987. In Canada, the oil and gas rig count fell four to an all-time low of 17 this week. That was 102 rigs, or 86%, below this time last year the prior year.

The Norwegian Petroleum Directorate said Norway's oil production fell in May from the previous month but still exceeded official forecasts by 0.9%. The country's crude oil output in May fell by 2.1% on the month from April to 1.74 million bpd. The output year-on-year was up by 38.1%, thanks among other things to a ramp-up of Equinor's Johan Sverdrup oilfield. Norway's daily natural gas output fell by 12.4% on the month, missing the official forecast by 8.4% and was down 15.4% from a year ago.

IIR Energy reported that U.S. oil refiners are expected to shut in about 4 million bpd of capacity in the week ending June 19<sup>th</sup>, increasing available refining capacity by 34,000 bpd from the previous week. Offline capacity is expected to fall below 4.0 million bpd in the week ending June 26<sup>th</sup>, and to decline further to 3.7 million bpd in the week ending July 3<sup>rd</sup>.

**Early Market Call - as of 9:35 AM EDT**

WTI - July \$39.87, up 4 cents

RBOB - July \$1.2681, down 35 points

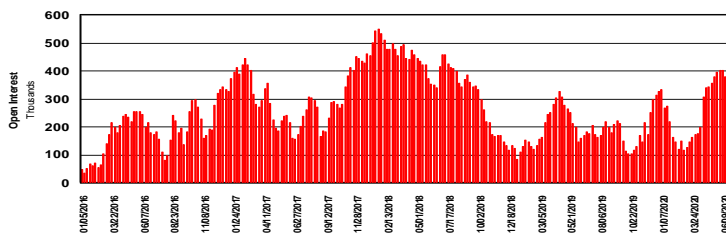
HO - July \$1.2156, up 42 points

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-20	1.2114	0.0128	-0.1100
Aug-20	1.2208	0.0099	-0.0969
Sep-20	1.2366	0.0091	-0.0901
Oct-20	1.2532	0.0092	-0.0851
Nov-20	1.2678	0.0100	-0.0816
Dec-20	1.2795	0.0109	-0.0788
Jan-21	1.2917	0.0115	-0.0763
Feb-21	1.3011	0.0116	-0.0736
Mar-21	1.3062	0.0114	-0.0703
Apr-21	1.3059	0.0110	-0.0670
May-21	1.3080	0.0102	-0.0639
Jun-21	1.3120	0.0095	-0.0607
Jul-21	1.3235	0.0092	-0.0579
Aug-21	1.3343	0.0091	-0.0555
Sep-21	1.3436	0.0089	-0.0530
Oct-21	1.3530	0.0088	-0.0510
Nov-21	1.3616	0.0087	-0.0496

Sprague Heat Weighted Strip October -April 20/2021		\$1.2893
	Close	Change
Crude - WTI	\$39.8300	\$0.7800
Crude - Brent	\$42.1900	\$0.6800
Natural Gas	\$1.6690	\$0.0310
Gasoline	\$1.2716	\$0.0139

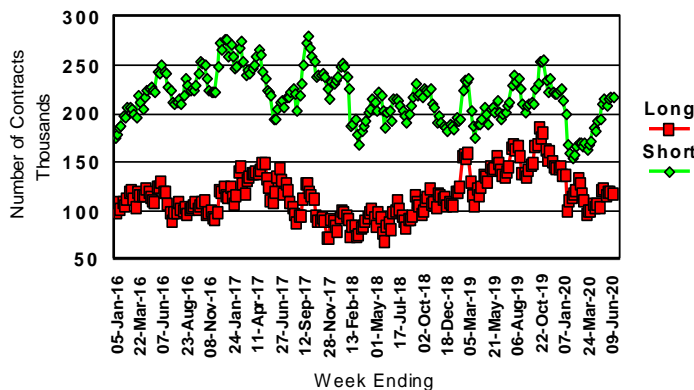
WTI Futures & Options: NYMEX & ICE Combined Managed Money Reportable Positions



## Commitments of Traders Report for the Week Ending June 16, 2020

### Producer/Merchant Heat Positons

CFTC Commitment of Traders Report



### Managed Money Heat Positons

CFTC Commitment of Traders Report

