

Market Commentary

Recap: WTI rose to its highest level in six weeks, on the back of recent pledges by OPEC and its allies to cut output, a surprise fall in U.S. crude oil stockpiles and as the IEA pointed to a tightening of supplies. Oil prices have been rising in recent days in response to Saudi Arabia's pledge to cut its output by an additional one million barrels per day. June WTI rose as much as 10.5%, to a session high of \$27.96, the highest level for a spot contract since April 15. Gains were severed, with this spot contract settling at \$27.56 a barrel, up \$2.27, or 9%. Brent for July delivery added \$1.94, or nearly 6.7%, to settle at \$31.13 a barrel. June RBOB rose nearly 7.3% to 91.45 cents a gallon, while June heating oil added 7.6% to 89.48 cents a gallon.

Technical Analysis: Once again, July WTI tested the 50-day moving average, but failed to settle above it. This spot contract is now wedged between the 10-day moving average, currently set at \$25.30 and \$27.68, the 50-day moving average. A cross of the shorter term average above the longer term will prompt a fresh round of technical buying. We are still of the belief that this market will struggle to the upside given the underlying fundamentals. Resistance is set at \$28.36 and \$30. To the down side support is set at \$25.30 and below that of \$23.

Fundamental News: The International Energy Agency said in its monthly report oil demand is still set for a record fall in 2020, while it cut its forecast for the drop citing easing lockdown measures. Oil demand in 2020 is expected to fall by 8.6 million bpd, the largest amount in history. It is down 690,000 bpd from a previous estimate. The IEA said that around 2.8 billion people will be living under confinement measures aimed at containing the coronavirus at the end of May, down from 4 billion in April. It also cited stronger-than-expected mobility in some European countries and the United States as well as higher Chinese demand as it recovers from the virus outbreak. The IEA stated that oil demand in April is expected to fall by 25.2 million bpd on the year, by 21.5 million bpd in May and by 13 million bpd in June. In regards to production, the IEA stated that producers outside the so-called OPEC+ grouping saw a fall in April output of 3 million bpd compared to the start of the year, led by the US and Canada. The IEA predicted that by the end of 2020, the United States would be the biggest single contributor to supply reductions, down 2.8 million bpd year on year. The IEA said that global oil supply is set to fall by 12 million bpd in May to a nine-year low of 88 million bpd. It also reported that OECD oil industry stocks for March increased by 68.2 million barrels to 2.961 billion barrels, 46.7 million barrels above the five-year average.

The IEA's Executive Director, Fatih Birol, said that recently announced oil output cuts by major Gulf Arab producers would likely not be enough to balance global markets as coronavirus lockdowns cut demand. He said oil producers may need to exert more efforts to lessen the coronavirus impact on the oil market since demand is not expected to recover quickly, given the amount of surplus and large volume of crude held in floating storage.

Genscape reported that crude oil stocks held in Cushing, Oklahoma in the week ending Tuesday, May 12th fell by 4,430,449 barrels and by 2,968,455 barrels from Friday, May 8th to 62,068,479 barrels.

The Commodity Futures Trading Commission warned that the oil market can move into negative territory again as it did on the eve of the May WTI crude contract's expiration and urged the futures industry to be prepared.

Early Market Call - as of 8:45 AM EDT

WTI - June \$28.54, up 98 cents

RBOB - June \$9.9489, up 3.44 cents

HO - June \$9.238, up 2.9 cents

All NYMEX | Prior Settlements

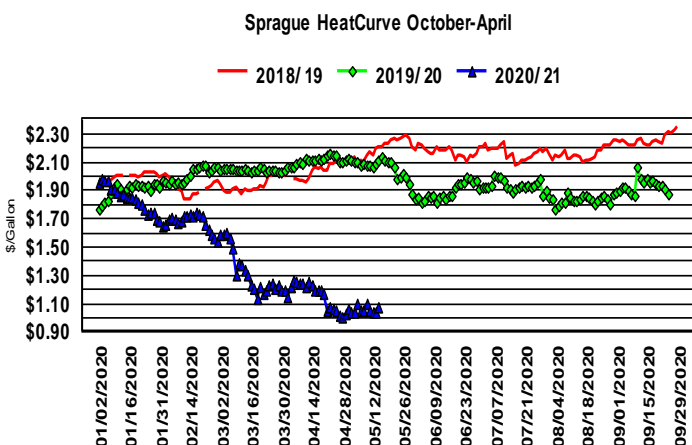
Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Jun-20	0.8948	0.0634	-0.0577
Jul-20	0.9299	0.0574	-0.0497
Aug-20	0.9627	0.0522	-0.0422
Sep-20	0.9948	0.0489	-0.0370
Oct-20	1.0227	0.0456	-0.0307
Nov-20	1.0444	0.0423	-0.0254
Dec-20	1.0601	0.0401	-0.0231
Jan-21	1.0760	0.0380	-0.0230
Feb-21	1.0896	0.0362	-0.0232
Mar-21	1.1000	0.0344	-0.0225
Apr-21	1.1066	0.0329	-0.0217
May-21	1.1179	0.0314	-0.0191
Jun-21	1.1310	0.0304	-0.0171
Jul-21	1.1501	0.0299	-0.0167
Aug-21	1.1675	0.0294	-0.0167
Sep-21	1.1814	0.0292	-0.0170
Oct-21	1.1928	0.0288	-0.0182

Sprague Heat Weighted Strip October -April 20/2021			\$1.0747
		Close	Change
Crude - WTI	June Brent-	\$27.8800	\$2.2000
Crude - Brent	WTI Spread	\$31.1300	\$1.9400
Natural Gas	\$3.25	\$1.6810	\$0.0650
Gasoline		\$0.9145	\$0.0618

EIA Working Gas Storage Report

	08-May-20	01-May-20	Change	Year Ago
East	452	424	28	321
Midwest	554	530	24	328
Mountain	117	111	6	81
Pacific	240	228	12	171
South Central	1,059	1,027	32	722
Salt	340	331	9	238
Nonsalt	719	695	24	484
Total	2,422	2,319	103	1,623

Sprague HeatCurve October-April



ICE July Brent-WTI Spread

