

Market Commentary

Recap: Oil prices regained footing on Thursday from steep falls in the previous two sessions, as investors returned their focus to tight supplies even as fears persisted over the demand outlook amid risks of a global recession. Not even the unexpected 8.2 million barrel rise in U.S. crude oil inventories could keep prices down, as stockpiles for both gasoline and distillates fell more than expected. Gasoline inventories declined by 2.5 million barrels. At current levels, gasoline inventories are about 8% below the five-year average for this time of the year. Meanwhile, domestic oil production remained unchanged at 12.1 million bpd. This is a bullish development for oil markets as it shows that domestic oil producers are not ready to increase production at a fast pace despite high oil prices. August WTI gained \$4.20 per barrel, or 4.26% to \$102.73. Brent for September delivery added \$3.96, or 3.93%, to settle at \$104.65 a barrel. As far as gasoline goes, prices at the pump have retreated from June's never-before-seen levels but remain stubbornly high. Some relief could be in sight. U.S. gasoline futures have dropped more than 11% this week, following a decline in oil prices as recession fears spark concerns around a drop-off in demand. Other factors that could send gas prices higher again include a hurricane or any refining-related issues, with refineries already running near peak capacity. RBOB Gasoline for August delivery gained 18.38 cents per gallon, or 5.68% to \$3.4204, while August heating oil gained 26.33 cents per gallon, or 7.72% to \$3.6739.

Technical Analysis: WTI's failure to hold below the key psychological level of \$100 reignited the bull run. Thursday's trading shows that WTI oil remains stuck in the \$100 - \$120 range. The recent attempt to settle below the \$100 level was unsuccessful, and WTI oil quickly moved back into the previous trading range. August WTI rose toward \$104.50, the 38% retracement provide by the March high of \$130.50 and the December low of \$62.43, but failed to trade above it. At this point we would look for another attempt to take out this level, with a successful move opening up the opportunity to test the 10-day moving average, which is currently set at \$106.44. It's hard to be overly bearish on oil prices as the Brent monthly spreads remain in wide backwardation, indicating tight supplies. Prompt-month prices are higher than those in future months in a backwardated market. While recession fears have put significant pressure on the price of oil in recent days, oil markets remain tight. At this point, there are no signs of demand destruction. In addition, domestic oil production is not very sensitive to high prices. Looking forward, some Wall Street firms believe oil prices will regain prior highs, which would mean only temporary relief at the pump. Goldman Sachs is calling for Brent crude, the international oil benchmark, to hit \$140 this summer. It traded at \$106.35 on Thursday. Meanwhile Citi has been an oil bear for some time and on Tuesday said Brent could hit \$65 by the end of the year should the economy tip into recession. Traders will remain focused on global economic outlook in the upcoming trading sessions as a potential recession remains the key threat to oil markets. Japan has recently announced that it is dealing with the seventh wave of coronavirus, so healthcare news will also need monitoring.

Fundamental News: The EIA reported that U.S. SPR crude stocks fell by 5.8 million barrels in the week ending July 1st to 492.03 million barrels, the lowest level since December 1985. U.S. crude oil stocks increased by 8.2 million barrels to 4123.8 million barrels. The EIA also reported that U.S. exports of total petroleum products increased last week to a record high. Product exports increased to nearly 7 million bpd. Meanwhile, product supplied of jet fuel increased to 1.8 million bpd, the highest since December 2019.

Russian Deputy Foreign Minister, Sergei Ryabkov, said that plans to introduce price caps on Russian oil will "collapse" and Russia will find ways to ensure revenues for its budget.

Early Market Call - as of 8:20 AM EDT

WTI - August \$102.38, down 35 cents

RBOB - August \$3.3862, down 3.42 cents

HO - Augusts \$3.5860, down 8.79 cents

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-22	3.6739	0.2633	-0.1566
Aug-22	3.5939	0.2473	-0.2366
Sep-22	3.5246	0.2297	-0.1740
Oct-22	3.4588	0.2154	-0.1669
Nov-22	3.3952	0.2025	-0.1539
Dec-22	3.3481	0.1923	-0.1346
Jan-23	3.2975	0.1835	-0.1152
Feb-23	3.2401	0.1735	-0.0942
Mar-23	3.1820	0.1665	-0.0720
Apr-23	3.1335	0.1652	-0.0597
May-23	3.0871	0.1639	-0.0520
Jun-23	3.0576	0.1602	-0.0494
Jul-23	3.0293	0.1582	-0.0457
Aug-23	2.9975	0.1567	-0.0422
Sep-23	2.9577	0.1541	-0.0432
Oct-23	2.9186	0.1446	-0.0435
Nov-23	2.8858	0.1349	-0.0396

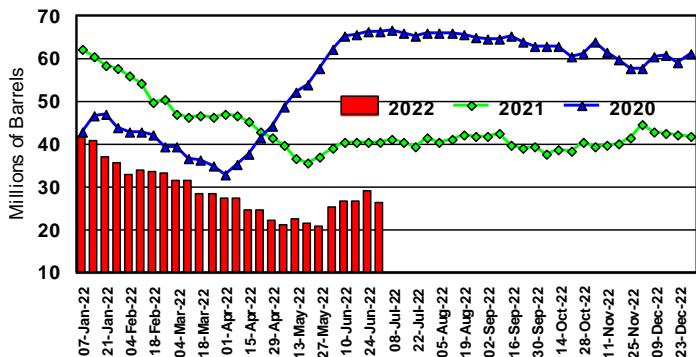
Sprague HeatCurve October 2022-April 2023		Close	Change
Crude - WTI	Aug Brent-WTI Spread \$5.40	\$99.2500	\$4.2700
Crude - Brent		\$104.6500	\$3.9600
Natural Gas		\$6.2970	\$0.7870
Gasoline		\$3.4204	\$0.1838

EIA Working Gas Storage Report

	01-Jul-22	24-Jun-22	Change	01-Jul-21
East	482	461	21	520
Midwest	562	535	27	636
Mountain	138	134	4	176
Pacific	240	235	5	246
South Central	890	886	4	993
Salt	233	242	-9	287
Nonsalt	657	644	13	706
Total	2311	2251	60	2,572

Weekly EIA Petroleum Status Report for the Week Ending July 1, 2022

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 8.2 million barrels
 Cushing, OK Crude Stocks Up 69,000 barrels
Gasoline Stocks Down 2.5million barrels
Distillate Stocks Down 1.3 million barrels
Refinery % Operated 94.5%, down 0.5%

PADD #1

Distillate Stocks (in million bbls)	Week Ending July 1, 2022	Week Ending June 24, 2022	Week Ending July 1, 2021
New England	2.8	3.2	7.0
Central Atlantic	12.1	11.6	20.5
Total PADD #1	26.5	29.1	40.4
Distillate Imports (thousands b/d)	47	81	114