

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil futures ended higher on Thursday, extending the previous day's gains made after the EIA reported a 7.6 million barrel draw in U.S. crude oil inventories. The larger than expected drop is being seen as an indication that demand is continuing to improve from pandemic lows, including a near-doubling of aviation fuel demand from a year earlier. Prices continue to reel on expectations for greater demand, especially in the U.S. as implied gasoline demand rose to over 10.3 million barrels per day, according to the EIA report. August WTI closed up 22 cents, or 0.3%, to settle at \$73.30 a barrel. Brent for August delivery added 37 cents, or 0.4%, to settle at \$75.56 a barrel. The most active September Brent crude contract added 31 cents, or 0.4%, at \$74.81 a barrel. July RBOB added 0.6% at \$2.28 a gallon, logging the highest front-month settlement since October 2014 July heating oil rose 0.1% to \$2.16 a gallon -- the highest since November 2018.

Technical Analysis: With longer term fundamentals remaining bullish, investors have been betting on the reopening of the global economy to continue to drive expectations for robust future demand. These expectations have helped to push out the Dec21/Dec22 WTI spread, which settled at \$6.22 on Thursday. Since dipping into negative territory during the pandemic, this spread has gained \$12.16 or 206% and is currently trading at a higher level than that of the past three years. Discounting total stocks for 2020 and allowing for 2017 instead, current crude oil stockpiles, excluding SPR, are 0.3% below that of the three year average. With crude oil prices on the rise, U.S. producers will most likely want to take advantage of this, adding more oil to the market. Then of course there is always OPEC+, which is meeting next week to discuss production levels and talks between Iran and the U.S. regarding sanctions against that country. Given all this, we are beginning to think this spread may have gotten ahead of itself and therefore could see it start to narrow a bit.

Fundamental News: Citi Research expects Brent crude oil prices to average \$77/barrel over the third quarter and \$78/barrel in the fourth quarter of this year. It continues to expect an undersupplied global oil market through the next quarter even if sanctions on Iran are suddenly lifted. It said it narrowed its 2022 forecast for Brent-WTI by \$1 to \$3/barrel on tight domestic crude balances and ample takeaway capacity out of Cushing.

Diesel arrivals from the U.S. Gulf Coast to Europe are set to reach 380,000 tons in June, the highest since October of last year. Diesel arrivals from Asia and the Middle East are expected to reach 1.76 million tons in June, slightly below May levels.

While the global market is calling out for a substantial increase in supplies, OPEC+ is expected to provide only a fraction of what consumers are demanding. The IEA and major importers, such as India are urging OPEC and its partners to fill a supply shortfall. Several of the cartel's officials have stated that opening the taps now would be a mistake when Iran is engaged in diplomatic talks that would result in a major revival in its exports. Saudi Arabia's Energy Minister, Prince Abdulaziz bin Salman, said he maintains a cautious stance but does not rule out action. He acknowledged that OPEC+ has a role in "taming and containing" inflation.

According to IHS Markit, some gasoline stations in at least six U.S. states are experiencing temporary fuel shortages because there are not enough tanker-truck drivers to deliver fuel. Fuel-hauling companies that reduced staff during the pandemic are struggling to hire back drivers that found jobs elsewhere, leaving Florida, Iowa, Ohio, Washington, Oregon and Colorado with fuel shortages at stations.

Early Market Call - as of 8:05 AM EDT

WTI - July \$73.37 up 6 cents
 RBOB - July \$2.2845 up 0.0043
 HO - July \$2.1679 up 0.0052

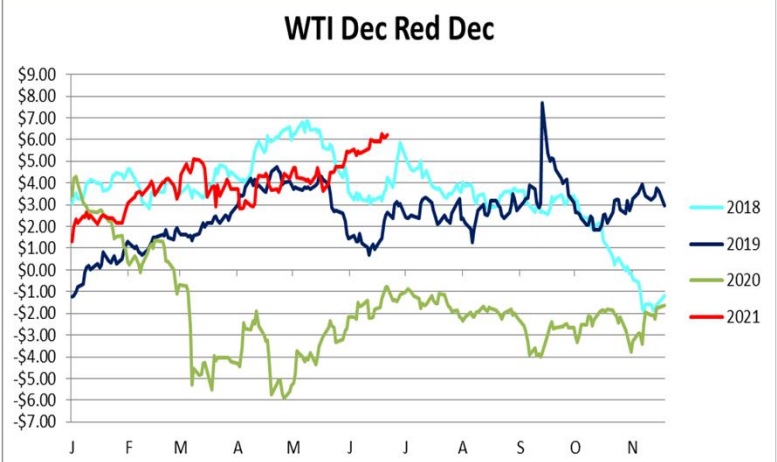
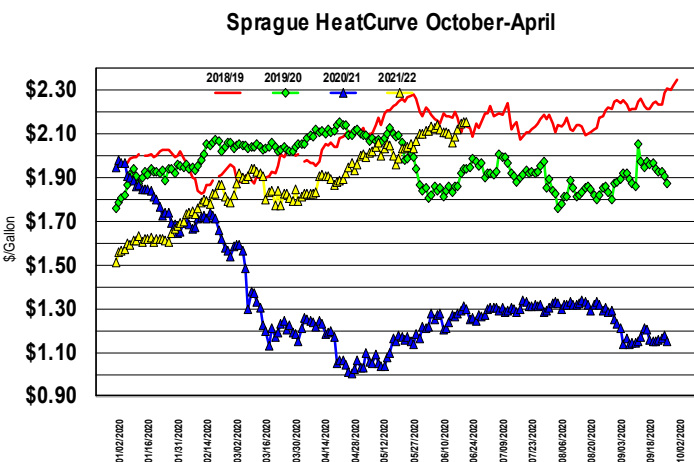
| Month | ULSD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
| | Close | Change | One Week |
| Jul-21 | 2.1623 | 0.0029 | 0.0955 |
| Aug-21 | 2.1650 | 0.0026 | 0.0956 |
| Sep-21 | 2.1675 | 0.0022 | 0.0950 |
| Oct-21 | 2.1681 | 0.0018 | 0.0941 |
| Nov-21 | 2.1673 | 0.0015 | 0.0936 |
| Dec-21 | 2.1656 | 0.0014 | 0.0935 |
| Jan-22 | 2.1633 | 0.0017 | 0.0930 |
| Feb-22 | 2.1576 | 0.0022 | 0.0928 |
| Mar-22 | 2.1454 | 0.0025 | 0.0919 |
| Apr-22 | 2.1283 | 0.0026 | 0.0910 |
| May-22 | 2.1148 | 0.0027 | 0.0897 |
| Jun-22 | 2.1045 | 0.0028 | 0.0890 |
| Jul-22 | 2.1013 | 0.0030 | 0.0880 |
| Aug-22 | 2.0991 | 0.0031 | 0.0872 |
| Sep-22 | 2.0975 | 0.0033 | 0.0856 |
| Oct-22 | 2.0963 | 0.0035 | 0.0859 |
| Nov-22 | 2.0950 | 0.0036 | 0.0852 |

| Sprague HeatCurve October 2021-April 2022 | | Close | Change |
|---|-----------------------------|-----------|----------|
| Crude - WTI | Aug Brent-WTI Spread \$2.26 | \$73.3000 | \$0.3700 |
| Crude - Brent | | \$75.5600 | \$0.3700 |
| Natural Gas | | \$3.4180 | \$0.0850 |
| Gasoline | | \$2.2809 | \$0.0140 |

| EIA Working Gas Storage Report | | | | |
|--------------------------------|-----------|-----------|--------|-------------|
| | 18-Jun-21 | 11-Jun-21 | Change | 18-Jun-2020 |
| East | 488 | 461 | 27 | 614 |
| Midwest | 595 | 570 | 25 | 712 |
| Mountain | 169 | 165 | 4 | 164 |
| Pacific | 239 | 236 | 3 | 298 |
| South Central | 991 | 995 | -4 | 1,206 |
| Salt | 295 | 299 | -4 | 370 |
| Nonsalt | 697 | 696 | 1 | 836 |
| Total | 2,482 | 2,427 | 55 | 2,995 |

Sprague Heat Curve October-April

WTI Dec 21-Dec 22 Spread



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