Market Commentary

Recap: Oil prices fell dramatically on Thursday after U.S. President Donald Trump threatened new tariffs on Chinese imports starting September 1. Prices, which were already experiencing their first loss in six days, fell by as much as 8.5% ahead of the day's settlement period. September WTI fell $4.99, to a session low of $53.59 a barrel and October Brent slipped $5.03, to a low of $56.02 a barrel. On Wednesday, the U.S. Federal Reserve dampened hopes for a string of interest rate cuts, signaling that it might not be as aggressive as traders had expected.

Traders have been grappling with rising U.S. output amid worries about a global economic slowdown. Losses were slightly pared, with September WTI settling at $53.95 a barrel, down $4.63, or 7.9%, the biggest daily percentage drop for a spot month since February 2015. Brent for October delivery settled at $56.50 a barrel, down $4.55, or 6.99%, to post the largest percentage drop for a spot contract since February 2016. September RBOB fell by 11.3 cents, or 6%, to $1.7499 a gallon and September heating oil lost 11.8 cents, or 6%, to $1.8529 a gallon.

Technical Analysis: From a technical standpoint, WTI failed miserably on Thursday, following several days of constructive trading. September WTI picked up steam below $56.48 and $56.46, the 10 and 50-day moving averages respectively. The push below these two technical numbers triggered sell stops resting below, accelerating the down move. Given how hard and fast this market fell, we would look for a bit of a recovering, with a test back up at the $55.00. Above $55.00, additional resistance is set at $56.50. To the downside, support is set at $53.59 and below that at $52.65.

Fundamental News: US President Donald Trump said he would impose an additional 10% tariff on $200 billion worth of Chinese imports starting on September 1, as talks between the two countries continue. In a string of tweets, President Trump also faulted China for not following through on promises to buy more American agricultural products and personally criticized China’s President, Xi Jinping, for failing to do more to cut sales of synthetic opioid fentanyl. Genescape reported that crude oil stocks held in Cushing, Oklahoma in the week ending Tuesday, July 30th fell by 696,585 barrels and by 1,503,206 barrels from Friday, July 26th to 50,485,303 barrels.

Royal Dutch Shell is not taking any British-flagged tankers through the Strait of Hormuz amid increased tensions with Iran. Shell’s Chief Executive, Ben van Beurden, said if Royal Dutch Shell does use a British-flagged vessel in the future, it will be accompanied by the Royal Navy as a precaution. On Tuesday, BP said it had not taken any of its own tankers through the Strait of Hormuz since a July 10th attempt by Iran to seize one of its vessels.

Iran’s President, Hassan Rouhani, accused the US of “childish behavior” and acting out of fear for the consequence or reliance upon any opinions, statements, projections and analyses presented herein or for any omission or error in fact.