

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil futures extended their gains on Wednesday, supported by the OPEC+ decision to stick to its plan to gradually restore supply to the market, as nuclear talks between the U.S. and Iran appear to be slowing. A reported fire at an Iranian refinery added to the upside momentum. With traders expecting a gradual recovery in demand, the decision by OPEC+ was not enough to temper their enthusiasm. WTI futures rose to their highest level in more than a year, with the July contract trading as high as \$69 a barrel. This spot contract settled at \$68.83 a barrel, up \$1.11, or 1.6%, the highest spot month settlement since October 22, 2018. Brent for August delivery added \$1.10, or 1.6%, to settle at \$71.35 a barrel.

There's rising optimism around refined-product demand amid anticipation of a busy summer-driving season as travel restrictions ease in the U.S., and abroad. Further drops in gasoline and diesel inventories would support the recent run-up in crack spreads, with gasoline up almost \$1 a barrel and diesel \$2 higher vs. the past month. There's still room for some skepticism, as refined-product exports remain weak and a high level of inventories in Southeast Asia continue to push more European gasoline to the U.S. East Coast. July RBOB climbed 1.1%, to \$2.19 a gallon, while July heating oil added 1.7%, to settle at \$2.11 a gallon.

Market Outlook: Wednesday's activity added to the break out that began on Tuesday, with WTI gapping higher on the opening. It looked like we were headed for an inside trading day until a late session run up pulled the July WTI to a fresh session high of \$69. Right now, the biggest downside risk is the return of Iranian oil on the open market, but it is not posing an immediate threat. Evidence of demand increasing down the curve can be seen in the Dec21/Dec22 spread, which surpassed 2018 and 2019 level. We would look for continued strength, with \$70 remaining our near term upside objective, with additional resistance set at \$71.80. Support is set at \$66 and below that at the psychological support level of \$65.

Fundamental News: Morgan Stanley increased its long-term forecasts for Brent and WTI prices, as it sees increasing pressure on publicly listed oil companies to lower carbon emissions. The bank increased its long-term forecasts for Brent and WTI by \$10/barrel to \$60/barrel and \$57.50/barrel, respectively.

The IEA's Executive Director, Fatih Birol, said the oil and gas industry is set to increase investments in clean energy this year but it will not be enough to put the world on a path to limit a dangerous increase in global temperatures. He said greater resources have to be mobilized and directed to clean energy technologies to put the world on track to reach net-zero emissions by 2050.

U.S. Gulf Coast refined fuels bound for Mexico in May increased by 37% on the month to 18.7 million barrels or 600,000 bpd, with the Colonial Pipeline shutdown prompting suppliers to divert fuel to Mexico as an alternative to shipping to U.S. East Coast customers.

OPEC+, which on Tuesday decided to stick to an earlier decision to go ahead with production increases over the next two months, now sees the oil market tightening further than previously anticipated. Under their existing plan, OPEC+, will add 700,000 bpd in June and 840,000 bpd in July. The group is due to return the remaining 5.8 million bpd of their cut by April 2022, and will hold monthly meetings until then to set their policy. OPEC+ data shows the group is now more upbeat about the pace of re-balancing in the oil market than they were a month ago, despite headwinds facing the market from high coronavirus cases in India and elsewhere. One wildcard that could shift balances is the return of Iranian barrels to the market if an agreement on lifting sanctions is reached.

Early Market Call - as of 8:55 AM EDT

WTI - July \$68.98, up 15 cents
 RBOB - July \$2.1938, down 3 points
 HO - July \$2.1094, up 23 points

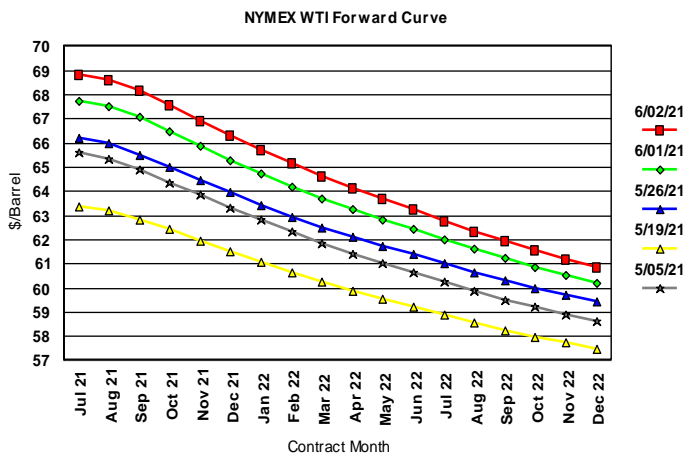
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-21	\$2.1071	\$0.0356	\$0.0632
Aug-21	\$2.1093	\$0.0360	\$0.0641
Sep-21	\$2.1118	\$0.0363	\$0.0643
Oct-21	\$2.1131	\$0.0364	\$0.0648
Nov-21	\$2.1131	\$0.0363	\$0.0650
Dec-21	\$2.1121	\$0.0361	\$0.0652
Jan-22	\$2.1099	\$0.0357	\$0.0642
Feb-22	\$2.1036	\$0.0354	\$0.0632
Mar-22	\$2.0930	\$0.0349	\$0.0620
Apr-22	\$2.0781	\$0.0343	\$0.0601
May-22	\$2.0686	\$0.0335	\$0.0583
Jun-22	\$2.0606	\$0.0323	\$0.0558
Jul-22	\$2.0588	\$0.0321	\$0.0551
Aug-22	\$2.0577	\$0.0319	\$0.0547
Sep-22	\$2.0573	\$0.0317	\$0.0543
Oct-22	\$2.0569	\$0.0311	\$0.0522
Nov-22	\$2.0569	\$0.0309	\$0.0518

Sprague HeatCurve October 2021-April 2022			\$2.1043
		Close	Change
Crude - WTI	Aug Brent-WTI Spread \$2.52	\$68.8300	\$1.1100
Crude - Brent		\$71.3500	\$1.1000
Natural Gas		\$3.0750	-\$0.0290
Gasoline		\$2.1941	\$0.0237

API Report for the Week Ending May 28, 2021

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Down 5.36 million barrels	Down 3.3 million bbls
Cushing, OK Crude Stocks	Up 741,000 barrels	
Gasoline Stocks	Up 2.51 million barrels	Down 1.1 million bbls
Distillate Stocks	Up 1,585 million barrels	Down 1.6 million arrels
Refinery Runs		Up 1%
Crude Imports		

WTI Forward Curve



WTI Dec 2021-Dec2022

