

## Market Commentary

**Recap:** Oil prices jumped as much as 6% on Thursday after Iran shot down a U.S. military drone near the Strait of Hormuz, raising fears of a military confrontation between the two countries. August WTI rose \$3.40, or 6.2%, to \$57.37 a barrel by 11:02 a.m. EST, while August Brent surged 4.8%, to a high of \$64.82 a barrel. The Strait of Hormuz provides a key passage for the flow of oil and any threats in that area could have a negative effect on supplies. Also adding support to prices were expectations that the U.S. Federal Reserve could cut interest rates at its next meeting, stimulating growth. The aforementioned comes on the heels of a larger than expected decrease in U.S. crude oil inventories and the possibility that OPEC would continue to hold back on output. July WTI went off the board trading at \$56.65 a barrel, up \$2.89, or 5.38%, while August futures settled at \$57.07 a barrel, up \$3.10, or 5.7%. Brent for August delivery settled at \$64.45 a barrel, up \$2.63, or 4.25%. July RBOB rose 2.9% to \$1.786 a gallon. July heating oil rose 3% to \$1.884 a gallon.

**Technical Analysis:** August WTI broke above \$55.00, the top of the congestion pattern we have been writing about. Based upon this breakout, the projected upside target would be \$59.19. The push through \$55.00, a key area of resistance, more than likely triggered buy stops set above the market, adding length to the market. Given how fierce the up move was, we would look for a bit of a pull back, which allow for additional buying. As long as we remain above \$55.00, we would hold onto long positions, looking for the upside target of this move. Resistance is set at \$57.70 and above that at \$59.30. Support is set at \$56.60 and \$55.00.

**Fundamental News:** Iran on Thursday shot down a US military drone that it said was flying over one of its southern provinces on the Gulf, increasing fears of military conflict as the US seeks to isolate Iran over its nuclear and regional activities. Sepah News, the website of Iran's Revolutionary Guards Corps, said the "spy" drone was brought down over the southern Iranian province of Hormozgan, which is on the Gulf. A US official said the drone was a US Navy MQ-4C Triton and that it had been shot down in international air space over the Strait of Hormuz. The US military confirmed that the incident was an unprovoked attack on a US surveillance asset in international airspace.

US President, Donald Trump, said Iran's shooting down of a US military drone could have been a mistake.

US House of Representative Speaker, Nancy Pelosi, said the Iranian situation is dangerous but added that the US has no appetite to go to war with Iran.

OPEC sources stated that Gulf OPEC producers will keep their July oil production within their OPEC target despite the current output cut agreement expiring at the end of June.

Russia's Transneft said more contaminated oil had been found at a section of the Druzhba pipeline from Belarus to Poland. Oil flows to Poland through the Druzhba pipeline resumed on Thursday following a suspension on Wednesday evening due to the discovery of contaminated oil.

Separately, Belarusian state oil firm Belneftekhim said that no new contaminated oil had been found in tests on Belarusian territory and that it was looking into an isolated discovery of contaminated oil by Poland's pipeline operator.

Nigerian National Petroleum Corp said the country's oil production, including condensates, is currently averaging 2.3 million bpd, up from 2.1 million bpd at the end of last year, despite the country's pledge to cut production under the OPEC and non-OPEC output cut agreement. Under the deal, Nigeria promised to limit its production to 1.69 million bpd from its October baseline of 1.74 million bpd.

**Early Market Call - as of 7:30 AM EDT**

WTI - Aug \$57.28, up 20 cents

RBOB - July \$1.8488, up 6.3 cents

HO - July \$1.9195, up 3.49 cents

## All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Jul-19	\$1.8843	\$0.0549	\$0.0777
Aug-19	\$1.8914	\$0.0558	\$0.0764
Sep-19	\$1.9007	\$0.0572	\$0.0776
Oct-19	\$1.9095	\$0.0578	\$0.0774
Nov-19	\$1.9165	\$0.0581	\$0.0769
Dec-19	\$1.9221	\$0.0587	\$0.0775
Jan-20	\$1.9258	\$0.0589	\$0.0773
Feb-20	\$1.9229	\$0.0586	\$0.0766
Mar-20	\$1.9158	\$0.0584	\$0.0756
Apr-20	\$1.9032	\$0.0577	\$0.0746
May-20	\$1.8941	\$0.0565	\$0.0729
Jun-20	\$1.8888	\$0.0552	\$0.0718
Jul-20	\$1.8898	\$0.0538	\$0.0705
Aug-20	\$1.8917	\$0.0523	\$0.0692
Sep-20	\$1.8941	\$0.0509	\$0.0680
Oct-20	\$1.8955	\$0.0496	\$0.0668
Nov-20	\$1.8968	\$0.0485	\$0.0659

### Sprague HeatCurve Oct 2019-Apr 2020

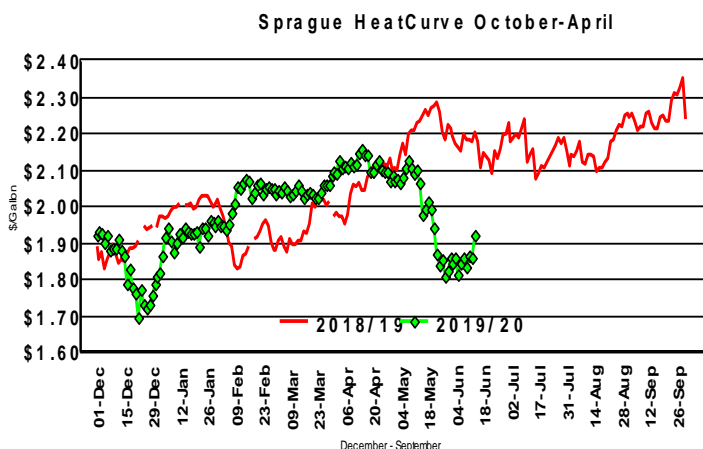
\$1.9188

Other Front Month NYMEX	Close	Change
Crude - WTI	\$57.0700	\$3.1000
Crude - Brent	\$64.4500	\$2.6300
Natural Gas	\$2.1850	-\$0.0910
Gasoline	\$1.7863	\$0.0508

### EIA Working Gas Storage Report

	14-Jun-19	07-Jun-19	Change	Year Ago
East	472	440	32	402
Midwest	503	469	34	397
Mountain	118	111	7	127
Pacific	234	227	7	245
South Central	875	842	33	824
Salt	264	256	8	257
Nonsalt	612	586	26	567
Total	2,203	2,088	115	1,994

## Sprague HeatCurve October-April



## ICE August Brent-WTI Spread

