

Market Commentary

Recap: Oil prices fell more than 5% on Wednesday to fresh 7-month lows following an unexpected expansion in U.S. crude oil inventories and on heightened trade tensions between the U.S. and China. September WTI fell \$3.11, or 5.7%, to a session low of \$50.52 by 12:04 p.m. EST, while October Brent sank to a session low of \$55.88 a barrel, down \$3.08, or 5.1%. Losses were pared prior to the settlement period, with September WTI settling at \$51.09 a barrel, down \$2.54, or 4.74%, while October Brent settled at \$56.23 a barrel, down \$2.71, or 4.6%. September RBOB fell 3.9% to \$1.6203 a gallon, the lowest settlement since Feb. 26, while September heating oil fell 3.8% to \$1.7532 a gallon, the lowest since Jan. 3.

The trade conflict between the U.S. and China continues to dominate the oil market, as it could weaken the global economy and has the potential to significantly slow oil demand. This week, the EIA reduced its forecast for U.S. demand for crude oil and liquid fuels. The agency also cut its forecast for global crude and liquids consumption by 0.1% for both 2019 and 2020. Demand will continue to be the major factor in this market. While oil prices continue to fall, one supporting factor is that a dip in oil prices could hurt oil producers, especially in regions where production costs are high, thus limiting supply. Oil prices have fallen by more than 20% since hitting their 2019 peak in April.

Technical Analysis: September WTI broke below the ascending trend line, making this line now a level of resistance. With this spot contract breaking the trend line by 4.2% (technicians like a 3% break) one can say that the market is now in a down trend. We would like to see 2 consecutive days of settlements below the line before we become euphoric. Should WTI come up and touch the line and then reverse back to the downside, we would look to be a seller. If it should trade and settle back above the line, we would consider this a false breakout and at that point would look for the market to work back toward \$55.00. Resistance rests at the trend line set at \$53.46 and above that at \$55.00. To the downside, support is set at \$50.52 and below that at \$49.45.

Fundamental News: Oil prices retraced its losses in post-settlement trading on a report that Saudi Arabia is considering some options to halt the recent oil price drop.

An S&P Global Platts survey showed that OPEC's production in July fell by 210,000 bpd to 29.88 million bpd, despite output gains by six of its members. Compliance with production quotas rebounded in July to 117% from 105% in June, mainly because Saudi Arabia pumped below its quota, making up for Iraq's non-compliance. Saudi Arabia's production fell by 150,000 bpd to 9.7 million bpd.

Saudi Arabia's Energy Minister, Khalid al-Falih, and US Energy Secretary, Rick Perry, on Tuesday expressed mutual concern over threats targeting freedom of maritime traffic in the Gulf.

Pioneer Natural Resources expects just one area of the largest US shale field to be expanding output past 2025 as oil prices remain lower and many producers pull back drilling. The company's Chief Executive, Scott Sheffield, said oil prices would remain below \$55/barrel for the next three years, prompting a "significant fallback in Permian growth."

Russia's Energy Ministry reported that the country's oil output in July stood at 11.148 million bpd, slightly down from 11.155 million bpd in June. Russia's gas production was 54.66 billion cubic meters in July or 1.76 bcm/d compared with 54.38 billion cubic meters in June. Meanwhile, Russia's oil pipeline exports in July stood at 4.609 million bpd. Russian oil shipped by state pipeline monopoly Transneft to ports for export fell to 2.86 million bpd in July or 12.095 million tons from 3.133 million bpd in June.

Early Market Call - as of 8:05 AM EDT

WTI - Sep \$52.15, up \$1.06

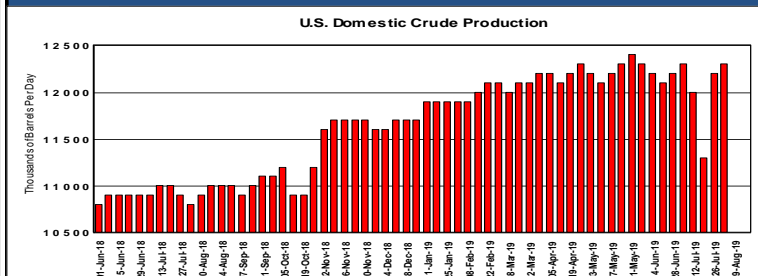
RBOB - Sep \$1.6405, up 2.07 cents

HO - Sep \$1.7657, up 1.26 cents

All NYMEX | Prior Settlements

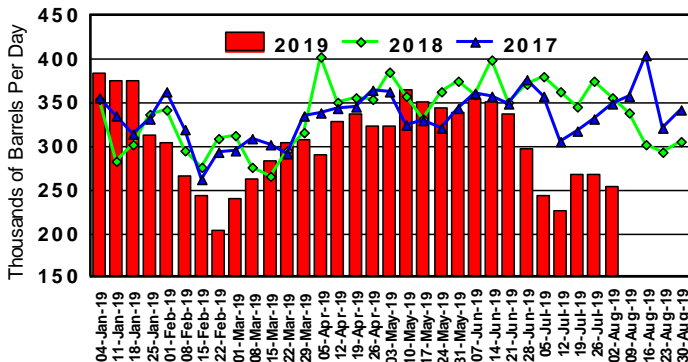
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Sep-19	1.7532	-0.0708	-0.2175
Oct-19	1.7593	-0.0699	-0.2179
Nov-19	1.7628	-0.0693	-0.2171
Dec-19	1.7652	-0.0688	-0.2149
Jan-20	1.7673	-0.0679	-0.2119
Feb-20	1.7634	-0.0673	-0.2084
Mar-20	1.7543	-0.0667	-0.2044
Apr-20	1.7417	-0.0658	-0.2008
May-20	1.7352	-0.0635	-0.1958
Jun-20	1.7323	-0.0610	-0.1907
Jul-20	1.7365	-0.0592	-0.1855
Aug-20	1.7413	-0.0581	-0.1813
Sep-20	1.7465	-0.0570	-0.1776
Oct-20	1.7502	-0.0562	-0.1744
Nov-20	1.7535	-0.0556	-0.1715
Dec-20	1.7551	-0.0544	-0.1682
Jan-21	1.7592	-0.0530	-0.1645

Sprague HeatCurve Oct 2019-Apr 2020		\$1.7608
Other Front Month NYMEX	Close	Change
Crude - WTI	Oct Brent- WTI Spread	\$51.0300
Crude - Brent		\$56.2300
Natural Gas	\$5.20	\$2.0830
Gasoline		\$1.6203
		-\$0.25600
		-\$2.7100
		-\$0.0280
		-\$0.0670



Weekly EIA Petroleum Status Report for the Week Ending August 2, 2019

Distillate Production PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 2.385 million barrels

Cushing, OK Crude Stocks Down 1.504 million barrels

Gasoline Stocks Up 4.437 million barrels

Distillate Stocks Up 1.529 million barrels

Refinery % Operated 96.4%, up 3.4%

PADD #1

Distillate Stocks (in million bbls)	Week Ending August 2, 2019	Week Ending July 26, 2019	Week Ending August 3, 2018
New England	6.7	6.3	5.9
Central Atlantic	27.1	26.4	21.0
Total PADD #1	46.3	45.2	39.7
Distillate Imports (thousands b/d)	242	60	123

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