

Market Commentary

Recap: Oil futures rebounded on Tuesday, with U.S. prices finishing at their highest level in five weeks after OPEC's de facto leader, Saudi Arabia, said it would increase supply curbs in June, while other members of the oil-producing group said they want to extend the deep cuts reached in April for a longer period than originally agreed. Traders were also optimistic that the easing of coronavirus restrictions would lead to an increase in demand. June WTI rose as much as 8.6%, to a session high of \$26.23 a barrel before paring gains to settle at \$25.78, up \$1.64, or 6.8%. July Brent added 35 cents, or 1.2%, to \$29.98 a barrel. June RBOB fell by 0.6% to 91.85 cents a gallon. June heating oil declined 3.5% to 83.84 cents a gallon.

Technical Analysis: It appears crude oil traders expect the market to be closer to balance in the next few months as production cuts are implemented and the global transport system emerges from a coronavirus lockdown. Contango market conditions in the June20/Dec20 spread for WTI has narrowed \$10.47, or 68.4%, to -\$4.82 in recent days from more than -\$15 in late April. The near-record contango reflected expectations tank space would become entirely full at some point during May or June if inventories continued rising at the same rate. Since then, however, the contango has forced a rapid market rebalancing by restraining production by U.S. shale firms and members of the expanded OPEC+ group of exporting countries. June WTI experienced a short covering rally, giving this spot contract enough momentum to settle above \$25. If this market can maintain strength, we would look for a move toward \$28.36 and above that at \$30. To the downside, support is set at \$25 and below that at \$23.

Fundamental News: US President, Donald Trump, said that the outlook for US energy companies was improving following Saudi Arabia's decision to cut its oil output.

The EIA stated in its Short Term Energy Outlook that US oil demand is expected to fall by 2.2 million bpd in 2020 to 18.3 million bpd as the coronavirus pandemic restricts movement across the world and cuts fuel demand. It expects gasoline demand to fall to an average of 7 million bpd in the second quarter from 8.6 million bpd in the first quarter and gradually increase to 8.7 million bpd in the second half of the year. US distillate demand is forecast to fall by 600,000 bpd in the first quarter to 3.3 million bpd in the second quarter. US crude oil output is forecast to average 11.7 million bpd in 2020, down 500,000 bpd on the year and in 2021 oil production is expected to fall further, declining by about 790,000 bpd to 10.9 million bpd compared with a previous forecast of a decline of 730,000 bpd. The EIA expects world oil demand in 2020 to fall by 8.1 million bpd to 92.6 million bpd, compared with a previous forecast for a fall of 5.2 million bpd. Global oil demand in 2021 is expected to increase by 7 million bpd. Meanwhile, global supply is expected to fall by 5.4 million bpd to 95.2 million bpd this year, compared with the agency's previous estimate for a decline of 1.2 million bpd. The forecast that Brent crude oil prices will average \$34/barrel in 2020, down from an average of \$64/barrel in 2019. The EIA forecast that Brent prices will average \$48/barrel in 2021, up \$2 from its previous forecast. OPEC+ sources stated that OPEC and its allies want to maintain existing oil cuts beyond June. OPEC and its allies agreed in April to cut output by 9.7 million bpd for May and June. The producers are then expected to scale back the cuts to 7.7 million bpd from July until December. A source stated that the ministers want to keep the same oil production cuts now, which are about 10 million bpd, after June. OPEC+ is scheduled to meet in early June to decide on its output policy.

Russia's Energy Minister, Alexander Novak, and US Energy Secretary, Dan Brouillette, discussed measures to stabilize oil markets during a phone conversation on Tuesday.

Early Market Call - as of 8:20 AM EDT

WTI - June \$25.67, down 10 cents
RBOB - June \$.8988, down 1.97 cents
HO - June \$.8486, up 1.02 cents

All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Jun-20	0.8384	-0.0303	0.0576
Jul-20	0.8775	-0.0250	0.0576
Aug-20	0.9151	-0.0222	0.0579
Sep-20	0.9507	-0.0195	0.0575
Oct-20	0.9817	-0.0175	0.0595
Nov-20	1.0057	-0.0158	0.0622
Dec-20	1.0227	-0.0137	0.0633
Jan-21	1.0395	-0.0122	0.0626
Feb-21	1.0540	-0.0108	0.0611
Mar-21	1.0651	-0.0101	0.0609
Apr-21	1.0717	-0.0094	0.0604
May-21	1.0841	-0.0096	0.0585
Jun-21	1.0979	-0.0098	0.0562
Jul-21	1.1173	-0.0095	0.0551
Aug-21	1.1350	-0.0093	0.0546
Sep-21	1.1491	-0.0090	0.0544
Oct-21	1.1609	-0.0089	0.0538

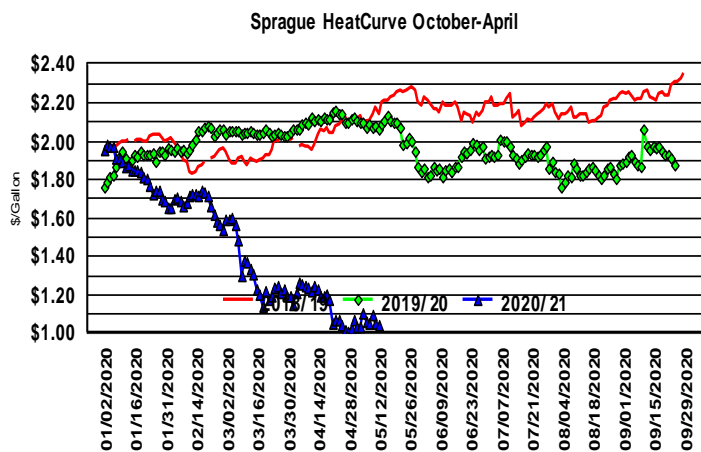
Sprague Heat Weighted Strip October -April 20/2021 \$1.038

Other Front Month NYMEX	Close	Change
Crude - WTI	\$26.3300	\$1.2500
Crude - Brent	\$29.9800	\$0.3500
Natural Gas	\$1.7200	-\$0.1060
Gasoline	\$0.9185	-\$0.0057

API Report for the Week Ending May 8, 2019

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Up 7.6 million barrels	Up 4.3 million barrels
Cushing, OK Crude Stocks	Down 2.3 million barrels	Up 1.8 million barrels
Gasoline Stocks	Down 1.9 million barrels	Down 2.3 million barrels
Distillate Stocks	Up 4.7 million barrels	Up 3.2 million barrels
Refinery Runs	Down 234,000 bpd	Up 0.7%
Crude Imports	Up 141,000 bpd	

Sprague HeatCurve October-April



NYMEX June/Dec WTI



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