

Market Commentary

Recap: Oil futures climbed to their highest level in 10 weeks after the EIA reported U.S. crude oil inventories fell by 5 million barrels for the week ending May 15, marking the second straight week of declines. Both Brent and WTI rose more than 5% during the session, but gains were capped by worries over the economic fallout from the coronavirus pandemic. Demand for fuel is slightly recovering as lockdowns ease, and initial shipping data show strong compliance with production cuts from OPEC and its allies. July WTI rose \$1.53, or 4.8%, to settle at \$33.49 a barrel, the highest settlement for a spot month since March 10. Brent for July delivery added \$1.10, or 3.2%, to finish at \$35.75 a barrel, the highest spot month settlement since March 11. June RBOB gave up earlier gains to finish 0.1% lower at \$1.0438 a gallon, while June heating oil added nearly 1.8% to 99.06 cents a gallon.

Technical Analysis: Technical traders have gotten some positive signs as for the first time since December the 10-day moving average crossed above the 50-day moving, while the RSI's have also crossed to the upside, but in over bought territory. But, perhaps traders would like to see deeper declines in production, as inventory levels are quite high. While we would not discount a continued push to fill the gap up toward \$42, we expect to see a fight. Resistance is set at \$34.72, and \$40.11 the 38% and 50% retracements set by the January high of \$62.75 and the April low of \$17.27. To the downside, support is at \$32 and below that at \$27.50.

Fundamental News: OPEC's Secretary General, Mohammad Barkindo, said OPEC is encouraged by a rally in oil prices and strong adherence to its latest output cut. Oil prices have more than doubled since reaching a 21-year low below \$16/barrel in April. So far in May, OPEC+ has cut its oil exports by about 6 million bpd, suggesting a strong start in complying with the deal. OPEC+ is meeting virtually on June 10th, when it will have a full month's worth of data on compliance, to review the agreement.

Russia's oil and gas condensate production fell to 9.42 million bpd on May 1st to May 19th as a global deal on reducing output took effect. That was down from 11.35 million bpd in April and from 9.43 million bpd on May 1st to May 14th. Russia's gas condensate accounts for 700,000 to 800,000 bpd of the country's combined liquids production, so output of just oil was about 8.72 million bpd. It is close to its OPEC+ quota of 8.5 million bpd of oil.

The Norwegian Petroleum Directorate said the country's oil production in April increased by 4.5% on the month and by 30.1% on the year to 1.78 million bpd. Production increased mainly due to the ramp-up of Equinor's Johan Sverdrup oilfield. Norway's natural gas output fell by 13% on the month and by 10.6% on the year to 9 billion cubic meters.

IIR Energy reported that US oil refiners are expected to shut in about 3.4 million bpd of capacity in the week ending May 22nd, increasing available refining capacity by 782,000 bpd from the previous week. Offline capacity is expected to fall to 2.9 million bpd in the week ending May 29th.

The US EPA has not yet decided whether to grant requests from the oil refining industry to reduce biofuel blending mandates this year. The oil industry and several state governors had asked the EPA to issue a nationwide waiver to cut back the blending mandates to cut regulatory costs on refining companies, as they struggle with low fuel demand caused by the economic fallout of the coronavirus pandemic.

Early Market Call - as of 8:25 AM EDT

WTI - July \$34.23, up 74 cents

RBOB - June \$1.0627, up 1.89 cents

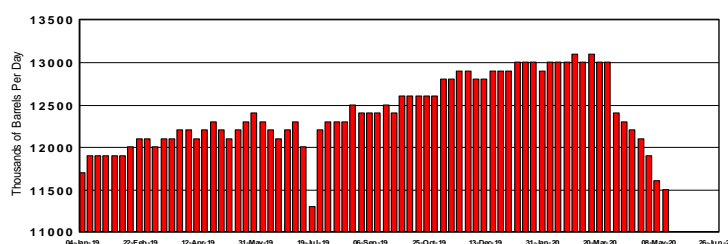
HO - June \$1.0076, up 1.7 cents

All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Jun-20	0.9906	0.0170	-0.1592
Jul-20	1.0369	0.0244	-0.1644
Aug-20	1.0744	0.0276	-0.1639
Sep-20	1.1077	0.0290	-0.1618
Oct-20	1.1327	0.0292	-0.1556
Nov-20	1.1519	0.0288	-0.1498
Dec-20	1.1661	0.0281	-0.1461
Jan-21	1.1810	0.0280	-0.1430
Feb-21	1.1940	0.0281	-0.1406
Mar-21	1.2042	0.0286	-0.1386
Apr-21	1.2094	0.0282	-0.1357
May-21	1.2165	0.0262	-0.1300
Jun-21	1.2255	0.0253	-0.1249
Jul-21	1.2415	0.0246	-0.1213
Aug-21	1.2563	0.0240	-0.1182
Sep-21	1.2680	0.0236	-0.1158
Oct-21	1.2777	0.0234	-0.1137

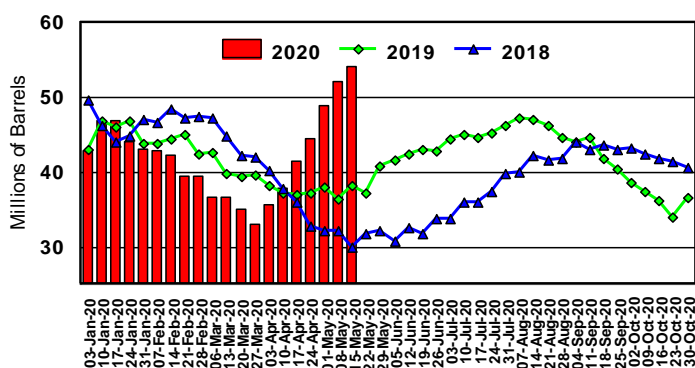
Sprague Heat Weighted Strip October -April 20/2021			\$1.1801
		Close	Change
Crude - WTI	June Brent-WTI Spread \$2.26	\$33.4900	\$1.5300
Crude - Brent		\$35.7500	\$1.1000
Natural Gas		\$1.7710	-\$0.0590
Gasoline		\$1.0438	-\$0.0014

U.S. Domestic Crude Production



Weekly EIA Petroleum Status Report for the Week Ending May 15, 2020

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 4.982 million barrels

Cushing, OK Crude Stocks Down 5.587 million barrels

Gasoline Stocks Up 2.83 million barrels

Distillate Stocks Up 3.831 million barrels

Refinery % Operated 69.4%, up 1.5%

PADD #1

	Week Ending May 15, 2020	Week Ending May 8, 2020	Week Ending May 15, 2019
Distillate Stocks (in million bbls)			
New England	9.7	9.4	5.1
Central Atlantic	29.5	26.8	20.5
Total PADD #1	54.0	52.1	38.2
Distillate Imports (thousands b/d)	222	166	41