

## Market Commentary

**Recap:** Oil prices bounced off of three-month lows on Wednesday, amid rising demand concerns, as the coronavirus continues to spread. October WTI gained as much as \$1.70, or 4.6%, to trade at a session high of \$38.46 a barrel, after falling almost 8% on Tuesday. November Brent tacked on \$1.42, or 3.5%, to trade at a session high of \$41.20 a barrel. Wednesday's activity was more of a recovery from oversold positions, but despite the run-up, October WTI remains below \$40. This spot contract pared gains to settle at \$38.05 a barrel, up \$1.29, or 3.5%. November Brent rose \$1.01, or 2.5%, to settle at \$40.79 a barrel. October RBOB added 1.5%, to settle at \$1.1193 a gallon, while October heating oil edged up 2.7%, to close at \$1.1061 a gallon.

**Market Outlook:** Despite the volatility in this market, WTI hasn't really gone anywhere since the end of May, beginning of June. It remains range bound between \$35 and \$45. With Saudi Arabia willing to sell oil at lower prices and demand still a major concern, we would look for this to continue, with a bias to the downside and a possible break below \$35 and a test at \$30. As a result, we would look to sell on higher moves. Support is seen at \$33 and below that at \$31.75. To the upside, resistance is set at \$40.06, the 10-day moving average and above that at \$40.81, the 50-day moving average.

**Fundamental News:** The U.S. EIA cut its 2020 world oil demand growth forecast by 210,000 bpd to 8.32 million bpd. It also cut its oil demand growth estimate for 2021 by 490,000 bpd to 6.53 million bpd. The EIA reported that U.S. crude oil production is expected to fall by 870,000 bpd to 11.38 million bpd this year and by 300,000 bpd to 11.08 million bpd in 2021. Previously, the EIA expected a decline of 120,000 bpd next year. U.S. petroleum demand is expected to fall 2.12 million bpd this year to 18.42 million bpd compared with a previous forecast of a 2 million bpd decline. Gasoline demand is expected to fall by 1.04 million bpd this year to 8.27 million bpd, compared with a previous estimate of a 91,000 bpd decline in demand. Distillate demand is expected to fall 340,000 bpd to 3.76 million bpd this year, slightly less than the 360,000 bpd decline forecast previously.

Platts cFlow is estimating US Gulf Coast middle distillate shipments scheduled to arrive into Europe is forecasted to reach at least 440,000 mt, well below the 760,000 mt delivered in August.

Trafigra has chartered at least five of the largest tankers for storing oil, while Vitol, Litaseco and Glencore also booked large tankers in recent days. A stalled global economic recovery from the coronavirus pandemic is leading to a new build-up in global oil supplies, pushing traders to store millions of barrels of crude and refined fuels at sea.

The Financial Times reported that Saudi Arabia will continue pumping despite the fall in crude oil prices.

IIR Energy reported that U.S. oil refiners are expected to shut in 4.7 million bpd of capacity in the week ending September 11<sup>th</sup>, increasing available refining capacity by 1.1 million bpd from the previous week.

U.S. President Donald Trump has instructed that dozens of oil refiner requests for retroactive waivers from U.S. biofuel laws be denied amid concerns the issue could cut into his support in the Farm Belt. U.S. renewable fuel credits for 2020 increased to their highest level since March 2018. Renewable fuel credits for 2020 traded at 55 cents each on Wednesday, up 18% from the previous session.

### Early Market Call - as of 8:50 AM EDT

WTI - Oct \$37.48, down 58 cents  
RBOB - Oct \$1.1187, down 6 points  
HO - Oct \$1.0864, down 1.97 cents

## All NYMEX | Prior Settlements

| Month  | ULSD (HO)<br>Close | Prior Settle<br>Change | Change In<br>One Week |
|--------|--------------------|------------------------|-----------------------|
| Oct-20 | 1.1061             | 0.0293                 | 0.0824                |
| Nov-20 | 1.1228             | 0.0276                 | 0.0889                |
| Dec-20 | 1.1424             | 0.0264                 | 0.0911                |
| Jan-21 | 1.1623             | 0.0254                 | 0.0912                |
| Feb-21 | 1.1809             | 0.0248                 | 0.0894                |
| Mar-21 | 1.1945             | 0.0239                 | 0.0886                |
| Apr-21 | 1.2021             | 0.0228                 | 0.0874                |
| May-21 | 1.2135             | 0.0223                 | 0.0857                |
| Jun-21 | 1.2267             | 0.0218                 | 0.0833                |
| Jul-21 | 1.2439             | 0.0212                 | 0.0813                |
| Aug-21 | 1.2601             | 0.0207                 | 0.0798                |
| Sep-21 | 1.2751             | 0.0202                 | 0.0782                |
| Oct-21 | 1.2887             | 0.0196                 | 0.0769                |
| Nov-21 | 1.3004             | 0.0192                 | 0.0761                |
| Dec-21 | 1.3097             | 0.0187                 | 0.0755                |
| Jan-22 | 1.3215             | 0.0185                 | 0.0747                |
| Feb-22 | 1.3299             | 0.0183                 | 0.0739                |

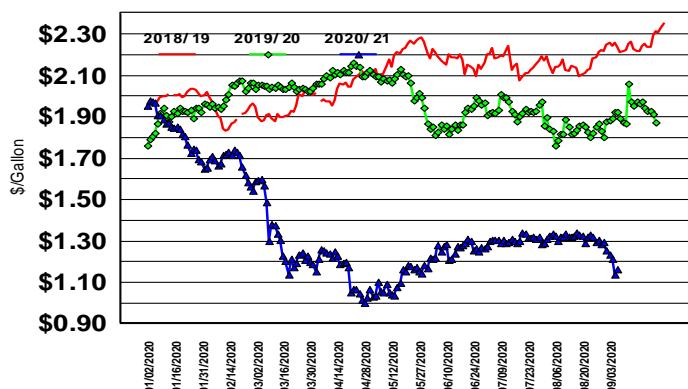
| Sprague Heat Weighted Strip October -April 20/2021 |                                    |           | \$1.1622 |
|--|------------------------------------|-----------|----------|
|  |                                    | Close     | Change   |
| Crude - WTI  | Nov Brent-<br>WTI Spread<br>\$2.38 | \$38.4100 | \$1.2200 |
| Crude - Brent                                      |                                    | \$40.7900 | \$1.0100 |
| Natural Gas  |                                    | \$2.4060  | \$0.0060 |
| Gasoline   |                                    | \$1.1193  | \$0.0165 |

### API Report for the Week Ending September 4, 2019

|                            | Actual                   | Mkt Expectations         |
|----------------------------|--------------------------|--------------------------|
| Crude Oil Stocks(excl SPR) | Up 3 million barrels     | Down 500,000/1.1 mb      |
| Cushing, OK Crude Stocks   | Up 2.6 million barrels   |                          |
| Gasoline Stocks            | Down 6.9 million barrels | Down 2.5 million barrels |
| Distillate Stocks          | Up 2.3 million barrels   | Down 250,000/Up 300,000  |
| Refinery Runs              | Down 888,000 bpd         | Up 0.8% at 77.5%         |
| Crude Imports              | Up 591,000 bpd           |                          |

## Sprague HeatCurve October-April

### Sprague HeatCurve October-April



## WTI Forward Curve

### NYMEX WTI Forward Curve

