

MarketWatch | Refined Products

Friday, August 13, 2021

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil futures traded on both sides of unchanged on Thursday, as traders sort through the IEA report, in which it recently announced a downward revision to demand expectations, while OPEC left its forecasts for 2021 and 2022 growth unchanged, while lifting its projection of non OPEC supply. This, combined with concerns connected to the spread of the COVID -19 Delta variant, has left investors scratching their heads. WTI for September delivery fell 16 cents, or 0.2%, to settle at \$69.09 a barrel. October Brent crude lost 13 cents, or 0.2%, at \$71.31 a barrel. Among the petroleum products, September RBOB shed 1.2% to nearly \$2.28 a gallon and September heating oil lost about 0.1% to \$2.10 a gallon.

Technical Analysis: The IEA report is clearly bearish, while the OPEC forecast has a bullish outlook for demand. Investors appear willing to sell out long positions, while bearish traders add to their shorts. OPEC could easily shift their outlook to the bearish side if the COVID crisis escalates. Furthermore, the cartel is also calling for the U.S. to increase shale production, which would also be a bearish development. Meanwhile, the Biden administration is asking U.S. companies to produce more oil in an effort to reduce gasoline prices. In the meantime, September WTI is hovering just below the psychological resistance level of \$70. Should we get a break above it, we would look for a run at the 50-day moving average, which is currently set at \$71.15. To the downside, support sits around \$66.60 and below that at \$65.

<u>Fundamental News</u>: OPEC stuck to its prediction of a strong recovery in world oil demand in 2021 and further growth next year, despite concerns about the spread of the Delta coronavirus variant that has weighed on prices. In a monthly report, OPEC said it expects demand to increase by 5.95 million bpd this year, or 6.6%, unchanged from last month's forecast. Global demand is estimated to average 96.6 million bpd in 2021 and world oil demand is forecast to surpass the 100 million bpd level in the second half of 2022 and reach 99.9 million bpd on average for the whole of 2022. It said that in 2022, fuel use will expand by 3.28 million bpd, a forecast also unchanged from last month. The report showed OPEC's output increased in July by 720,000 bpd to 26.68 million bpd, as Saudi Arabia unwound the rest of a voluntary supply cut it had made to support the market. Meanwhile, OPEC raised its forecast for non -OPEC supply growth for 2021 and 2022 by 270,000 bpd and 840,000 bpd, respectively. OPEC sees the world demand for its crude at 27.6 million bpd, down 1.1 million bpd from its previous estimate

The International Energy Agency said increasing demand for oil reversed course in July and is set to proceed more slowly for the rest of the year due to the spread of the COVID -19 Delta variant. The IEA said "growth for the second half of 2021 has been downgraded more sharply, as new COVID-19 restrictions imposed in several major oil consuming countries, particularly in Asia, look set to reduce mobility and oil use". The IEA estimated the demand decline last month at 120,000 bpd and predicted growth would be half a million bpd lower in the second half of the year compared to its estimate last month, noting some changes were due to revisions in data. It added that an output deal reached by the OPEC+ alliance last month would restore market balance in the near term. It said the oil market could see a surplus in 2022 if OPEC+ continues to undo its cuts and other producers increase their production. Non-OPEC oil supply is set to increase by 600,000 bpd this year and 1.7 million bpd in 2022, with 60% of growth from the U.S. The IEA sees global oil demand increasing by 5.3 million bpd to 96.2 million bpd in 2021 and by a further 3.2 million bpd in 2022. World oil supply increased by 1.7 million bpd in July to 96.7 million bpd. The IEA said global refinery runs are expected to increase by 3.7 million bpd to 77.9 million bpd in 2021, still 3.7 million bpd below 2019 levels.

Early Market Call - as of 8:20 AM EDT WTI - Sep \$69.00, down 10 cents RBOB - Sep \$2.2631, down 1.2 cents HO - Sep \$2.2626, down 1.31 cents

	ULSD (HO)	Prior Settle	Change In
Month	Close	Change	One Week
Sep-21	\$2.1039	-\$0.0019	-\$0.0021
Oct-21	\$2.1068	-\$0.0025	-\$0.0019
Nov-21	\$2.1075	-\$0.0023	-\$0.0017
Dec-21	\$2.1058	-\$0.0020	-\$0.0022
Jan-22	\$2.1031	-\$0.0018	-\$0.0029
Feb-22	\$2.0974	-\$0.0018	-\$0.0033
Mar-22	\$2.0871	-\$0.0016	-\$0.0029
Apr-22	\$2.0724	-\$0.0013	-\$0.0011
May-22	\$2.0629	-\$0.0015	\$0.0003
Jun-22	\$2.0563	-\$0.0021	\$0.0002
Jul-22	\$2.0558	-\$0.0021	\$0.0007
Aug-22	\$2.0558	-\$0.0020	\$0.0010
Sep-22	\$2.0561	-\$0.0017	\$0.0013
Oct-22	\$2.0568	-\$0.0014	\$0.0010
Nov-22	\$2.0568	-\$0.0014	\$0.0002
Dec-22	\$2.0557	-\$0.0013	-\$0.0003
_ Jan-23	\$2.0544	-\$0.0013	-\$0.0007

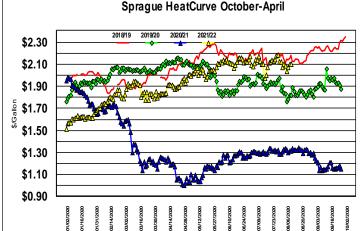
Sprague HeatCurve October 2021-April 2022			\$2.0981
		Close	Change
Crude - WTI	Oct Brent-	\$68.9000	-\$0.1200
Crude - Brent	WTI Spread	\$71.3100	-\$0.1300
Natural Gas	\$2.41	\$3.9330	-\$0.1260
Gasoline		\$2.2754	-\$0.0268

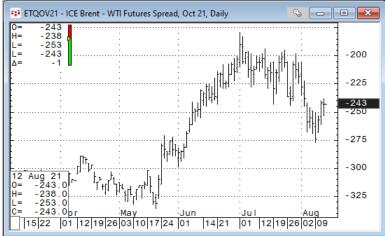
FIA Working Gas Storage Repor

Lift Working Cas Glorage Report							
	06-Aug-21	30-Jul-21	Change	06-Aug-2020			
East	629	604	25	735			
Midwest	741	719	22	852			
Mountain	185	184	1	205			
Pacific	241	244	-3	314			
South Central	979	976	3	1,218			
Salt	247	250	-3	337			
Nonsalt	732	726	6	882			
Total	2,776	2,727	49	3,324			

Sprague HeatCurve October-April

ICE October Brent-WTI Spread





CQG Inc. © 2021 All rights reserved worldwide ETQOV21,D | 08/12/2021 15:25:16, CQG 21.12.8080

This market update is provided for information purposes only and is not intended as advice on any transaction nor is it a solicitation to buy or sell commodities. Sprague makes no representations or warranties with respect to the contents of such news, including, without limitation, its accuracy and completeness, and Sprague shall not be responsible for the consequence or reliance upon any opinions, statements, projections and analyses presented herein or for any omission or error in fact.