

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.

Fundamental News: 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

Month	ULSD (HO)	Prior Settle	Change In
	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		Close	Change
Crude - WTI	Oct Brent- WTI Spread \$2.41	\$68.9000	-\$0.1200
Crude - Brent		\$71.3100	-\$0.1300
Natural Gas		\$3.9330	-\$0.1260
Gasoline		\$2.2754	-\$0.0268

EIA Working Gas Storage 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

