

## Market Commentary

**Recap:** A decline in global equities put pressure on oil prices Thursday, just one day after trading at their highest level in four months. Prices also pulled back overnight after disappointing retail sales data out of China. China's retail sales fell 1.8% year-on-year in June, though its economy grew 3.2% in the second quarter from a year earlier. August WTI fell 45 cents, or 1.1%, to settle at \$50.75 a barrel, while September Brent slipped 42 cents, or 1%, to finish the session at \$43.37 a barrel. August RBOB lost 2.4% to settle at \$1.2339 a gallon and August heating oil fell 1.4%, to settle at \$1.2279 a gallon.

**Technical Analysis:** WTI failed to gain upside momentum after Wednesday's bullish inventory report as it continues to hold below resistance set at \$41.63. The August contract remains within the sideways trading pattern that began in the beginning of June. With the coronavirus showing no signs of going away anytime soon, demand will continue to be sensitized, and therefore our view of this market has not changed. We would look for this market to continue to struggle to the upside. Support is set at \$39.41, \$37.26, the 50-day moving average and below that at \$35. Resistance is set at \$41.63 and \$44.36.

**Fundamental News:** According to internal OPEC research OPEC fears its record oil cuts will fail to rebalance the market and solve the worst glut in history if a second wave of the COVID-19 pandemic undermines an economic recovery later this year. OPEC, Russia and their allies said they would ease record oil curbs from August 1<sup>st</sup> citing a gradual recovery in demand as global lockdowns loosen up. The group expects oil demand to increase by 7 million bpd in 2021 after falling 9 million bpd this year. OPEC wants to lift its output by 6 million bpd in 2021. However, internal research by OPEC suggests those targets could be at risk if a second wave of the virus forces new lockdowns around the world. Such a scenario would push demand down by 11 million bpd in 2020 and, most importantly for OPEC, lead to bigger inventories.

Russia's Energy Minister, Alexander Novak, said he expected global oil demand to recover significantly in August and improve to 10% below the levels seen prior to the coronavirus crisis. He said demand, which was at around 100 million bpd before the pandemic, fell to 25% below pre-crisis levels in April.

Fitch said the tapering of the OPEC+ cuts from August reflects the recovering oil demand and should support a gradual market rebalancing, which may help reduce price volatility. It expects OPEC+ to continue to periodically adjust its two-year deal reached in April to avoid large production surpluses or deficits. It assumes oil demand will return to 2019 levels by the end of 2021, absent a second wave of lockdowns. Fitch also stated that it expects OPEC+ to reduce its quotas if demand recovery reverses. It expects Brent average prices to improve from \$35/barrel in 2020 to \$45/barrel in 2021 and to \$53/barrel in 2022.

The Joint Organizations Data Initiative reported that Saudi Arabia's total oil exports, including crude and oil products, fell to 7.48 million bpd in May from 11.34 million bpd in April. The country's crude exports fell by 41.2% to 6.02 million bpd in May, the lowest level since October 2010, from 10.237 million bpd in April. Saudi Arabia's crude oil production in May fell nearly 30% on the month to 8.49 million bpd in May.

**Early Market Call - as of 9:35 AM EDT**

WTI - Aug \$40.86 up 11 cents  
 RBOB - Aug \$1.2198 down 1.41 cents  
 HO - Aug \$1.2262 down 17 points

## All NYMEX | Prior Settlements

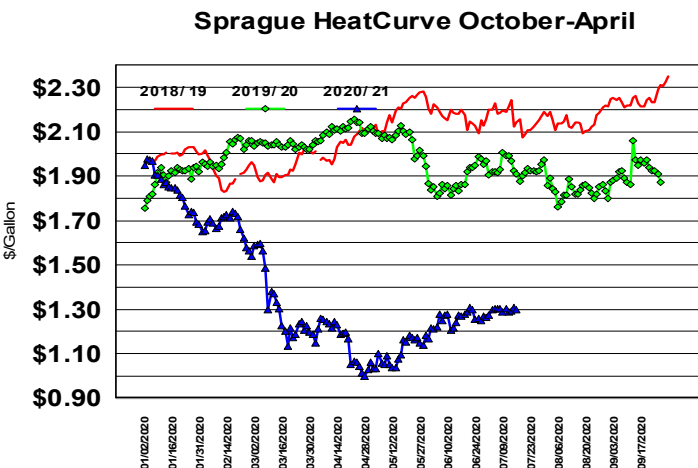
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-20	1.2279	-0.0169	-0.0040
Sep-20	1.2414	-0.0161	-0.0052
Oct-20	1.2563	-0.0155	-0.0060
Nov-20	1.2713	-0.0144	-0.0062
Dec-20	1.2844	-0.0134	-0.0060
Jan-21	1.2979	-0.0127	-0.0059
Feb-21	1.3086	-0.0121	-0.0063
Mar-21	1.3142	-0.0121	-0.0063
Apr-21	1.3150	-0.0119	-0.0062
May-21	1.3198	-0.0118	-0.0061
Jun-21	1.3271	-0.0116	-0.0060
Jul-21	1.3404	-0.0112	-0.0066
Aug-21	1.3529	-0.0109	-0.0075
Sep-21	1.3638	-0.0108	-0.0082
Oct-21	1.3745	-0.0103	-0.0090
Nov-21	1.3850	-0.0100	-0.0097
Dec-21	1.3939	-0.0098	-0.0103

Sprague Heat Weighted Strip October-April 20/2021		Close	Change
Crude - WTI	Sep Brent- WTI Spread \$2.44	\$40.9300	-\$0.4700
Crude - Brent		\$43.3700	-\$0.4200
Natural Gas		\$1.7230	-\$0.0550
Gasoline		\$1.2339	-\$0.0306

### EIA Working Gas Storage Report

	10-Jul-20	03-Jul-20	Change	Year Ago
East	672	657	15	556
Midwest	780	761	19	618
Mountain	186	180	6	145
Pacific	312	310	2	267
South Central	1,228	1,226	2	928
Salt	359	364	-5	249
Nonsalt	869	862	7	679
Total	3,178	3,133	45	2,515

## Sprague HeatCurve October-April



## ICE September Brent-WTI Spread

