

Market Commentary

Recap: Oil futures gave up earlier losses to settle higher Monday, buoyed by declines in global crude production even as the potential for a fresh hit to energy demand climbed on the back of apparent global increases in new cases of coronavirus. In early trading, July WTI traded as low as \$34.36 a barrel, down 5.2%, as new cases of the coronavirus hit the U.S. and China; increasing worries that renewed lockdowns would stifle economic recovery and in turn hamper demand for crude oil. However, prices were lifted off the lows of the day with the move generated by intraday short-covering related to a dramatic turnaround in U.S. equities. July WTI worked its way back above \$37, to settle at \$37.12 a barrel, up 86 cents, or 2.4%. Brent for August delivery added 99 cents, or 2.6%, to settle at \$39.72 a barrel, after trading at a session low of \$37.24. July RBOB rose 3.7% to \$1.1657 a gallon and July heating oil added 3.2% to \$1.137 a gallon.

Technical Analysis: July WTI remains below the bottom line of the ascending channel, while at the same time, holding below the 10-day moving average, which is currently set at \$37.74. While the main trend is still to the upside, this market is likely to continue to meet headwinds. A break above \$39.05, put this spot contract back within the channel, with a trade above \$40.69 triggering additional buying, with the possibility of this market reaching \$41.88. To the downside, support is set at \$33 and below that at \$31.65.

Fundamental News: Genscape reported that crude oil stocks held in Cushing, Oklahoma in the week ending Friday, June 5th fell by 1,016,752 barrels but increased by 2,456,363 barrels from Tuesday, June 9th to 51,381,439 barrels.

Energy research reports from Evercore ISI and Rystad Energy said North American exploration and production spending is declining by 42% in 2020 to 15-year lows that return industry investments back to the pre-shale era. Global upstream spending is down nearly 30% this year, with spending in North America down more than 50%. North American upstream capital spending is now 5% below the 2016 trough of the last oil price decline and 71% below the 2014 peak when oil was still priced over \$100/barrel. Rystad reported that global upstream spending fell by 29% to \$383 billion compared with \$539 billion in 2019. The largest decline was in shale and tight oil spending, which fell by 52.2% to \$67.3 billion, mostly in the US, and oil sands investments fell by 44% to \$5.1 billion.

Saudi Aramco has reduced the volume of July-loading crude that it will supply to at least five buyers in Asia. The cuts were mainly for medium and heavy grades and were seen at refineries in countries such as China.

The UAE's Energy Minister, Suhail al-Mazrouei, said it still plans to increase the UAE's oil output capacity to 5 million bpd by 2030. The minister said he has confidence that OPEC+ countries with poor compliance will meet their commitments with the agreed output targets. He believes demand will recover at a pace to make OPEC+ oil cuts adequate, unless there is a second wave of COVID-19.

Iraq's newly appointed Oil Minister, Ihsan Abdul Jabbar Ismail, said Iraq will export an average of 2.8 bpd of oil in June, adding that it was in the country's interests to comply with an OPEC+ deal to cut production. He also said his ministry had requested Kurdish authorities in northern Iraq to export a maximum of 370,000 bpd as of June to help Iraq abide by the OPEC+ quota.

IIR Energy reported that U.S. oil refiners are expected to shut in about 3.7 million bpd of capacity in the week ending June 19th, increasing available refining capacity by 389,000 bpd from the previous week. Offline capacity is expected to fall to 3.4 million bpd in the week ending June 26th.

Early Market Call - as of 8:25 AM EDT

WTI - July \$38.12, up \$1.00

RBOB - July \$1.1986, up 3.29 cents

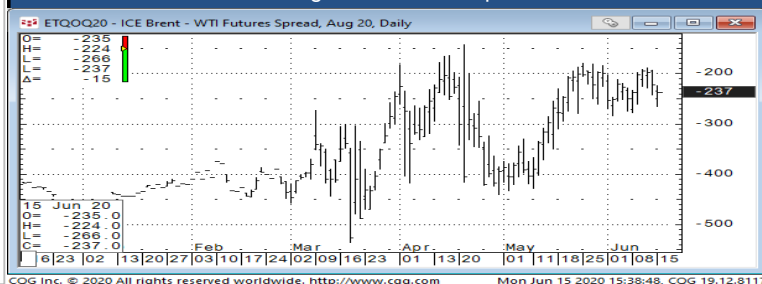
HO - July \$1.1689, up 3.2 cents

All NYMEX | Prior Settlements

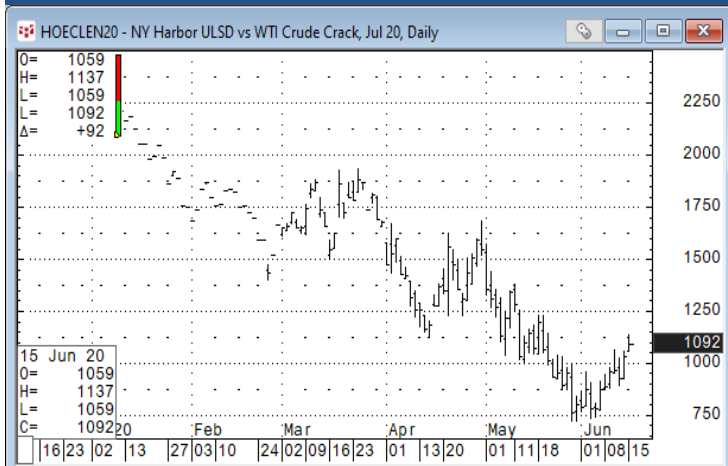
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-20	1.1370	0.0356	-0.0157
Aug-20	1.1553	0.0314	-0.0034
Sep-20	1.1759	0.0294	0.0008
Oct-20	1.1957	0.0276	0.0040
Nov-20	1.2131	0.0269	0.0064
Dec-20	1.2273	0.0266	0.0072
Jan-21	1.2413	0.0259	0.0081
Feb-21	1.2528	0.0253	0.0099
Mar-21	1.2605	0.0246	0.0121
Apr-21	1.2629	0.0240	0.0137
May-21	1.2679	0.0238	0.0139
Jun-21	1.2751	0.0238	0.0141
Jul-21	1.2889	0.0233	0.0157
Aug-21	1.3019	0.0231	0.0174
Sep-21	1.3134	0.0228	0.0181
Oct-21	1.3244	0.0224	0.0186
Nov-21	1.3342	0.0222	0.0188

Sprague Heat Weighted Strip October -April 20/2021			\$1.2394
		Close	Change
Crude - WTI	Aug Brent-	\$37.4300	\$0.9200
Crude - Brent	WTI Spread	\$39.7200	\$0.9900
Natural Gas	\$2.29	\$1.6690	-\$0.0620
Gasoline		\$1.1657	\$0.0414

ICE August Brent-WTI Spread



July Heating Oil Crack Spread



July RBOB Crack Spread

