

Market Commentary

Recap: Oil futures finished with a more than 3% gain on Tuesday as a monthly report from the International Energy Agency forecast a record rise in demand for crude and its byproducts next year, but only after first dropping significantly in the current year. The International Energy Agency said that while the world's demand for crude will drop by 8.1 million barrels a day in 2020, "the largest in history," demand in 2021 will bounce back by 5.7 million barrels a day, the "largest one-year jump ever recorded." After the initial rally, oil prices gave back a bit of their gains as the Chairman of the Federal Reserve spoke in front of Congress. This caused a spike in the US dollar, which in turn pressured oil prices. July WTI rose \$1.26, or 3.4%, to settle at \$38.38 a barrel, after rising 2.4% on Monday. Brent for August delivery added \$1.24, or 3.1%, to settle at \$40.96 a barrel. July RBOB tacked on 3.6% to \$1.2073 a gallon and July heating rose 4% to \$1.1822 a gallon.

Technical Analysis: July WTI just missed entering back in to the ascending channel, but pushed through its 10-day moving average. We expect to see continued back and forth action, with \$35 providing a level of support, with additional support set at \$33. To the upside we would look for an attempt to enter the channel, with successful attempts leading to a push toward \$40. Above this level, additional resistance is set at \$41.88.

Fundamental News: In its monthly report, the IEA said oil demand is recovering from the largest decline in its history in 2020, but less flying due to coronavirus fears means the world will not return to pre-pandemic demand levels before 2022. It stated that its first forecast for 2021 as a whole shows demand growing by 5.7 million bpd to 97.4 million bpd, which is 2.4 million bpd below the 2019 level. It said reduced jet and kerosene deliveries will impact total oil demand until at least 2022. The IEA raised its forecast for 2020 oil demand by nearly 500,000 bpd due to stronger than expected imports in Asia. Citing a fall in global oil supply by 11.8 million bpd in May, the IEA said OPEC and its allies including Russia had reduced their output by 9.4 million bpd. The IEA said that large stock builds in recent months are expected to keep profit margins for refining crude into petroleum products like road and aviation fuels subdued. Refining margins in key hubs like northwest Europe and Asia Pacific turned negative. It stated that OECD industry stocks increased by 148.7 million barrels to 3.137 billion barrels, up 208.3 million barrels from the 5-year average. OECD oil product inventory in April gained about 2 million bpd to 1.56 billion barrels, with middle distillates leading the increase. Floating storage of crude oil in May fell by 6.4 million barrels on the month to 165.8 million barrels. It also reported that refining activity is set for a 5.4 million bpd decline in 2020 but a gain of 5.3 million bpd in 2021. The IEA also stated that US oil supply is set to fall by 900,000 bpd in 2020 and 300,000 bpd more in 2021 unless oil prices increase.

Platts cFlow trade shipment data shows that US Gulf Coast middle distillate shipments due to arrive in Europe in June is expected to be at least 510,000 mt. While seasonally a low level it is still up significantly from the 230,000 mt shipped in May.

Iraq's oil exports have fallen by 8% or 300,000 bpd so far in June suggesting OPEC's second-largest producer is getting closer to meeting its pledge in an OPEC-led supply cut deal. According to Refinitiv Eikon data and separate tracking by two industry sources, southern Iraqi exports in the first 14 days of June averaged 2.93 million bpd, down 170,000 bpd from May's official southern exports figure. Iraq's exports from northern Iraq are also declining in June. So far, total northern exports stand at about 350,000 bpd, down about 130,000 bpd from May.

Early Market Call - as of 8:25 AM EDT

WTI - July \$37.95, down 43 cents

RBOB - July \$1.1983, down 88 points

HO - July \$1.1765, down 57 points

All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Jul-20	1.1822	0.0452	-0.0275
Aug-20	1.1987	0.0434	-0.0174
Sep-20	1.2166	0.0407	-0.0120
Oct-20	1.2343	0.0386	-0.0079
Nov-20	1.2491	0.0360	-0.0044
Dec-20	1.2613	0.0340	-0.0025
Jan-21	1.2741	0.0328	-0.0008
Feb-21	1.2847	0.0319	0.0013
Mar-21	1.2914	0.0309	0.0040
Apr-21	1.2929	0.0300	0.0064
May-21	1.2975	0.0296	0.0072
Jun-21	1.3040	0.0289	0.0081
Jul-21	1.3170	0.0281	0.0098
Aug-21	1.3291	0.0272	0.0115
Sep-21	1.3398	0.0264	0.0125
Oct-21	1.3502	0.0258	0.0133
Nov-21	1.3598	0.0256	0.0135

Sprague Heat Weighted Strip October -April 20/2021 \$1.2724

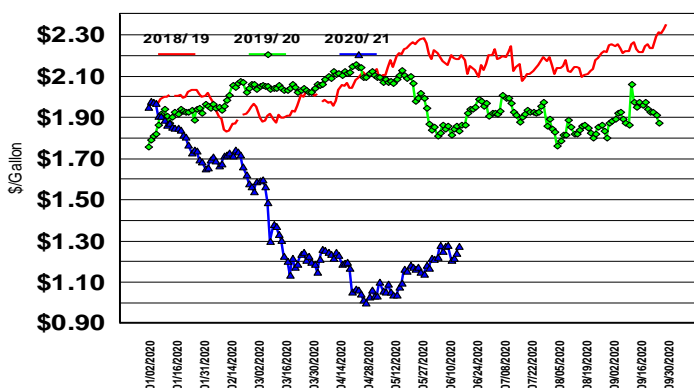
Other Front Month NYMEX	Close	Change
Crude - WTI	\$38.6500	\$1.2200
Crude - Brent	\$40.9600	\$1.2400
Natural Gas	\$1.6140	-\$0.0550
Gasoline	\$1.2073	\$0.0416

API Report for the Week Ending June 12, 2019

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Up 3.9 million barrels	Down 3.5 million barrels
Cushing, OK Crude Stocks	Down 3.3 million barrels	Down 1 million barrels
Gasoline Stocks	Up 4.3 million barrels	Down 2.2 million barrels
Distillate Stocks	Up 900,000 barrels	Up 3.1 million barrels
Refinery Runs	Down 30,000 bpd	Up 1.3%
Crude Imports	Down 28,000 bpd	

Sprague HeatCurve October-April

Sprague HeatCurve October-April



July WTI

