

Market Commentary

Recap: Oil futures were mixed on Wednesday, holding on to five month highs as Hurricane Laura forced the shutdown of crude oil output in the Gulf of Mexico and data released by the EIA revealed a fifth straight week of declines in U.S. crude oil inventories. Concern over the coronavirus, which has weakened demand, lessened the reaction to this week's inventory report and the possible effects of Hurricane Laura, as inventories are relatively high. In what was a narrow trading range, October WTI rose to a high of \$43.78 a barrel before trimming gains to settle at \$43.39, a gain of 4 cents, or 0.09%. Brent for October delivery fell 22 cents, or 0.5%, to settle at \$45.64 a barrel. As for petroleum products, what is crucial is the impact that the hurricane has on power. Refineries can't run without electricity, and more importantly, the Colonial Pipeline could lose pumping stations if power goes out. September RBOB fell 2.5%, to \$1.3606 a gallon, while September heating oil declined 1.2% to \$1.2447 a gallon.

Technical Analysis: In the short term, buying dips seems to be the flavor of the day, as the U.S. dollar shows continued signs of weakness, and the 200 day EMA for the October WTI contract provides a level of support. We believe that traders will try and take this market toward key resistance set between \$49, the area at which prices experienced a significant selloff. Prior to the \$49 level, there is additional resistance at \$46.43, the 562% retracement between April low of \$23.26 and the January high of \$60.75. To the downside, support sits at the 200-day moving average currently set at \$42.56 and below that at \$40.

Fundamental News: The Bureau of Safety and Environmental Enforcement (BSEE) said U.S. Gulf of Mexico oil production was cut by 1.56 million bpd for a second consecutive day. Energy companies have evacuated 310 facilities in the U.S. Gulf of Mexico as Hurricane Laura moves towards the Texas and Louisiana coast.

The National Hurricane Center said Hurricane Laura has become a category 4 hurricane and is expected to cause "catastrophic storm, extreme winds and flash flooding" across the northwest Gulf coast on Wednesday night. The storm, located 200 miles south-southeast of Port Arthur, Texas had maximum sustained winds of 140 mph on Wednesday afternoon. Earlier, Crown Weather Services stated that Hurricane Laura is expected to strengthen to a category 4 hurricane on Wednesday and make landfall along the upper Texas coast and southwestern Louisiana on Wednesday night into Thursday morning.

The EIA reported that U.S. crude oil stocks in the week ending August 21st fell to the lowest level since April, while U.S. gasoline stocks fell to the lowest level since December. U.S. Gulf Coast distillate stocks increased last week to the highest on record. Gulf Coast distillate inventories increased to about 62.4 million barrels. Meanwhile, crude oil exports increased by the most last week since February 2019, increasing by 1.2 million bpd to nearly 3.4 million bpd. U.S. crude production increased to 10.8 million bpd last week. Apparent gasoline demand in the week ending August 21st increased by 475,000 bpd to 10.094 million bpd.

Phillips 66 will shut its Lake Charles terminals and pipelines in Louisiana and its Gulf Coast lubricants plant by mid-day Wednesday, in addition to its refining complex, as hurricane Laura approached the U.S. Gulf coast. The Beaumont terminal, located along the Sabine-Neches Waterway in Nederland, Texas, which has 74 tanks with shell capacity of 11.1 million barrels, will also be shut.

The EPA has not made a decision on U.S. biofuel blending requirements for 2021 or on petitions from refiners asking to be exempted from past-year requirements going back to 2011.

Early Market Call - as of 8:10 AM EDT

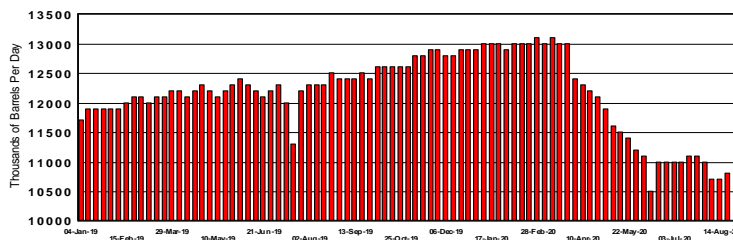
WTI - Oct \$43.12, down 27 cents
 RBOB - Sep \$1.3204, down 4.02 cents
 HO - Sep \$1.2278, down 1.69 cents

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Sep-20	1.2447	-0.0154	0.0063
Oct-20	1.2602	-0.0144	0.0120
Nov-20	1.2795	-0.0140	0.0141
Dec-20	1.2999	-0.0134	0.0139
Jan-21	1.3194	-0.0125	0.0132
Feb-21	1.3361	-0.0116	0.0116
Mar-21	1.3479	-0.0108	0.0098
Apr-21	1.3538	-0.0102	0.0091
May-21	1.3630	-0.0098	0.0081
Jun-21	1.3737	-0.0094	0.0076
Jul-21	1.3883	-0.0092	0.0077
Aug-21	1.4019	-0.0091	0.0080
Sep-21	1.4142	-0.0093	0.0084
Oct-21	1.4254	-0.0094	0.0089
Nov-21	1.4358	-0.0095	0.0091
Dec-21	1.4439	-0.0097	0.0093
Jan-22	1.4550	-0.0095	0.0086

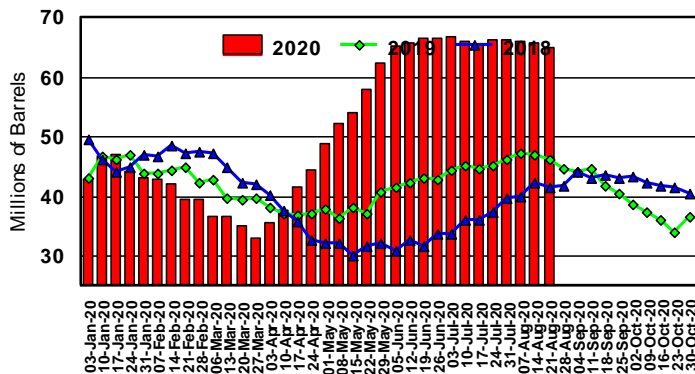
Sprague Heat Weighted Strip October -April 20/2021		\$1.3177
	Close	Change
Crude - WTI	\$43.6900	\$0.0400
Crude - Brent	\$45.6400	-\$0.2200
Natural Gas	\$2.4610	-\$0.0280
Gasoline	\$1.3606	-\$0.0353

U.S. Domestic Crude Production



Weekly EIA Petroleum Status Report for the Week Ending August 14, 2020

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 4.689 million barrels
 Cushing, OK Crude Stocks Down 279,000 barrels
Gasoline Stocks Down 4.583 million barrels
Distillate Stocks Up 1.388 million barrels
Refinery % Operated 82%, up 1.1%

PADD #1

Distillate Stocks (in million bbls)	Week Ending August 21, 2020	Week Ending August 14, 2020	Week Ending August 22, 2019
New England	12.3	12.3	7.7
Central Atlantic	38.1	39.0	25.7
Total PADD #1	65.0	65.7	46.2
Distillate Imports (thousands b/d)	106	45	113