

## Market Commentary

**Recap:** The oil market extended Monday's sharp gains as it rose almost 3% on Tuesday as concerns over diminishing demand eased following the FDA's full approval of the Pfizer/BioNTech Covid-19 vaccine on Monday. Also, reports of China's apparent success in curbing the spread of the Delta variant also supported demand sentiment, with the country's latest data showing no cases of locally transmitted infections following its recent lockdowns. China contained a resurgence in a little over a month after an outbreak hit nearly 50 cities across 17 provinces. The market also remained supported by the news that Mexico's oil production fell by 421,000 bpd following a fire on a Pemex oil platform on Sunday. The oil market rallied higher and retraced little more than 38% of its move from a high of \$76.98 to its low of \$61.74 as it rallied to \$67.76 ahead of the close. The October WTI contract settled up \$1.90 or 2.89% at \$67.54, while the Brent contract settled up \$2.30 or 3.35% at \$71.05. The WTI market later continued to trade higher trading to a new intraday high of \$67.80. The product markets also ended sharply higher, with the heating oil market settling up 6.17 cents at \$2.0668 and the RBOB market settling up 5.76 cents at \$2.1808.

**Market Outlook:** The crude market will likely retrace some of today's sharp gains before it continues to trend higher on the expected inventory draws. The EIA's weekly petroleum stocks report is expected to show draws of 3.2 million barrels in crude stocks, 400,000 barrels in distillates stocks and 1.5 million barrels in gasoline stocks. However, if the report fails to show a draw in gasoline stocks, the market's gains will be limited as a build in stocks will be viewed as a decline in demand. The October crude contract is seen finding resistance at \$68.27, \$69.36, its 50% retracement level, and \$69.62. More distant resistance is seen at \$70.18, \$70.81 and \$71.16, its 62% retracement and \$71.48, basis a trendline. Meanwhile, support is seen at \$66.30, its low of \$65.41, \$65.00, \$63.76 and \$61.74.

**Fundamental News:** The EIA reported that the U.S. retail gasoline price fell by 1¢ to \$3.048/gallon in the week ending August 20<sup>th</sup> from \$3.079/gallon in the previous week. It also reported that diesel fuel prices fell by 1¢ to \$3.324/gallon in the week ending August 20<sup>th</sup> from \$3.356/gallon in the previous week.

China's re-imposition of lockdown measures to curb coronavirus infections seems to be helping as the country's daily case count is now back to zero. Data from Baidu shows that traffic in Beijing is returning to its normal levels. Congestion in Beijing increased 11.8% as of mid-morning on Tuesday compared with a week earlier. China's progress in the battle against the delta variant is giving UBS analysts confidence the recovery will extend to \$75/barrel. However, air travel remains low, with departures from China's 20 biggest airports at just 40% of 2019 levels in the week ending Monday, down from 70% in mid-July. Meanwhile, UBS said that the probability of Iranian output returning this year has fallen further. UBS said that inventories will continue to fall and with declining OPEC+ spare capacity, the market is likely to remain tight. Demand is currently estimated at 97.5 million bpd and will likely surpass 99 million bpd this year.

The volume of crude oil and condensate in tankers worldwide is starting to once again rebound as sanctioned Iranian oil is stored in floating storage, while oil offshore China is also increasing as demand slows. Uncertainty over nuclear deal talks with the U.S. is forcing Iran to build its offshore oil storage at a steady pace. Kpler estimates the volumes of crude and condensate in floating storage at 152 million barrels in the week beginning August 23<sup>rd</sup>. Floating crude volumes fell to 125 million barrels in mid-January after peaking at over 248 million barrels in late June 2020.

Ratings agency Fitch said that a deadly accident on an offshore platform belonging to Pemex "may slow the company's production growth rates".

**Early Market Call - as of 8:20 AM EDT**

WTI - Oct \$68.05, up 52 cents

RBOB - Sep \$2.2225, up 4.22 cents

HO - Sep \$2.0970, up 3.02 cents

## All NYMEX | Prior Settlements

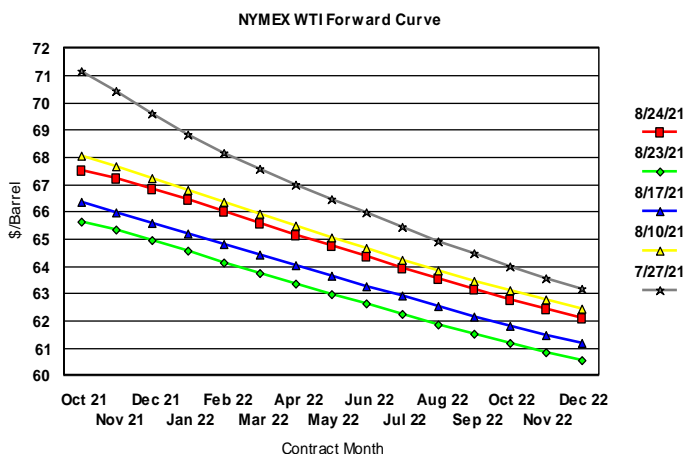
Month	USLD (HO)	Prior Settle	Change In
	Close	Change	One Week
Sep-21	2.0668	0.0617	0.0307
Oct-21	2.0694	0.0612	0.0302
Nov-21	2.0686	0.0617	0.0289
Dec-21	2.065	0.0615	0.0272
Jan-22	2.0602	0.0609	0.0247
Feb-22	2.0519	0.0606	0.0218
Mar-22	2.0409	0.0603	0.0199
Apr-22	2.0248	0.0597	0.0178
May-22	2.0143	0.0589	0.0163
Jun-22	2.007	0.0583	0.0155
Jul-22	2.0064	0.0578	0.015
Aug-22	2.0065	0.0573	0.0146
Sep-22	2.0074	0.057	0.0155
Oct-22	2.0091	0.0567	0.0148
Nov-22	2.0096	0.0562	0.0146
Dec-22	2.0092	0.0554	0.0148
Jan-23	2.0087	0.055	0.0147

Sprague HeatCurve October 2021-April 2022			\$2.0550
		Close	Change
Crude - WTI	Oct Brent- WTI Spread \$3.51	\$67.5400	\$1.9000
Crude - Brent		\$71.0500	\$2.3000
Natural Gas		\$3.8960	-\$0.0490
Gasoline		\$2.1808	\$0.0576

## API Report for the Week Ending August 20, 2021

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Down 1.6 million barrels	Down 3.2 million bbls
Cushing, OK Crude Stocks	Down 485,000 barrels	
Gasoline Stocks	Down 985,000 barrels	Down 1.5 million barrels
Distillate Stocks	Down 245,000 barrels	Down 400,000 barrels

## WTI Forward Curve



## WTI Continuation

