

## Market Commentary

**Recap:** The oil market rallied higher on Monday after Saudi Arabia pledged to cut its production by a further 1 million bpd to 9 million bpd starting in July. The cut is in addition to the broader deal by OPEC and non-OPEC producers to limit supply into 2024. The oil market gapped higher on the opening on Sunday evening from \$72.17 to \$75.03 and posted a high of \$75.06. However, the market partially backfilled its opening gap as the market attempted to assess the impact of what the Saudi production cut actually translates to. The market traded to \$72.25 in overnight trading and traded sideways before some further selling pushed the market to \$72.02, completely backfilling its opening gap. The market later bounced off its low and traded in a range from \$72.02 to \$73.08 for most of the day before it sold off to a low of \$71.92 ahead of the close. The July WTI contract settled up 41 cents at \$72.15 and the August Brent contract settled up 58 cents at \$76.71. The product markets ended the session little more than 2 cents higher, with the heating oil market settling up 2.01 cents at \$2.3495 and the RB market settling up 2.37 cents at \$2.5244.

**Technical Analysis:** The crude market is seen trading mostly sideways in range from \$67.00 to \$76.00 after the market ended the session back at its previous levels seen ahead of the OPEC+ decision. The market is seen finding support at its low of \$71.82, \$70.00, \$67.51 and \$67.03. Meanwhile, resistance is seen at \$73.05 followed by its high of \$75.06, \$75.65 and \$75.96. Further upside is seen at \$76.49 and \$76.74.

**Fundamental News:** On Sunday, OPEC+ decided to reduce overall production targets from 2024 by a further total of 1.4 million bpd. However, many of these reductions will not be real as the group lowered the targets for Russia, Nigeria and Angola to bring them into line with their actual current production levels. Meanwhile, the United Arab Emirates was allowed to raise output. Saudi Arabia will make deep production cuts in July as part of a broader output-limiting OPEC+ deal. Saudi Energy Minister, Prince Abdulaziz said the cut of 1 million bpd to 9 million bpd by Riyadh could be extended beyond July if needed. Saudi Arabia said it would extend its portion of voluntary cuts of 500,000 bpd into 2024.

The head of the IEA, Fatih Birol, said that the chance of higher oil prices had increased sharply after a new agreement between producers to limit supply. He said there is an imbalance in the oil market in the second half of the year already and it will worsen after the OPEC+ decision. On Sunday, in addition to extending the existing OPEC+ cuts of 3.66 million bpd, OPEC+ agreed to reduce overall production targets from January 2024 by a further 1.4 million bpd to a combined output of 40.46 million bpd. The changes, however, included lowered targets for Russia, Nigeria and Angola simply to bring them into line with current production levels.

Rystad Energy said the additional Saudi cut is likely to increase the market deficit to more than 3 million bpd in July.

Goldman Sachs analysts said the output deal was "moderately bullish" for oil markets and could increase December 2023 Brent prices by between \$1 and \$6/barrel depending on how long Saudi Arabia maintains its output at 9 million bpd.

IIR Energy reported that U.S. oil refiners are expected to shut in about 107,000 bpd of capacity in the week ending June 9<sup>th</sup>, increasing available refining capacity by 232,000 bpd. Offline capacity is expected to fall to 27,000 bpd in the week ending June 16<sup>th</sup>.

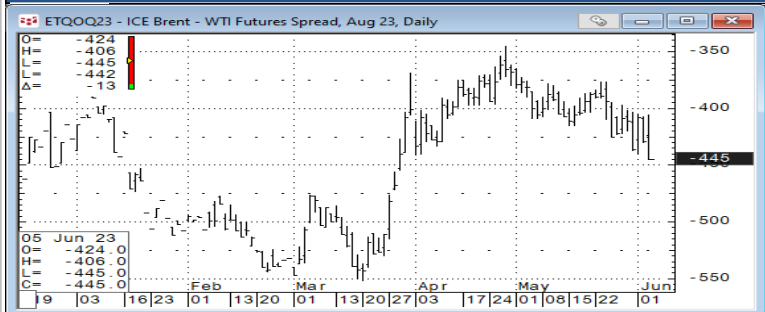
**Early Market Call - as of 8:40 AM EDT**  
**WTI - July \$70.59, down \$1.56**  
**RBOB - July \$2.5233, down 11 points**  
**HO - July \$2.3426, down 3.49 cents**

## All NYMEX | Prior Settlements

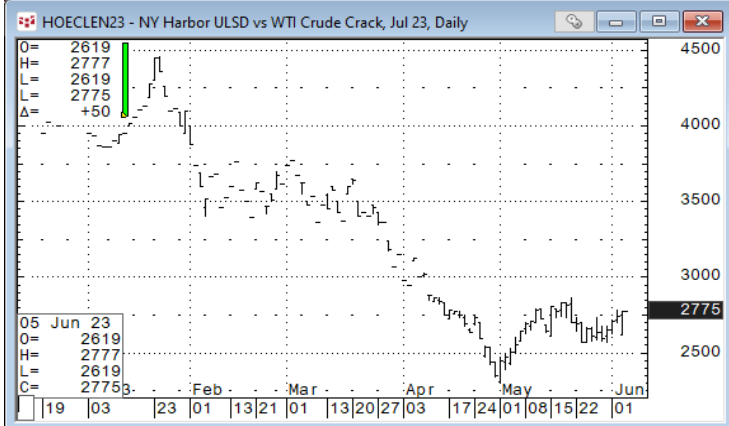
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-23	2.3775	0.0206	0.1085
Aug-23	2.3746	0.0204	0.1018
Sep-23	2.3796	0.0201	0.0974
Oct-23	2.3830	0.0195	0.0934
Nov-23	2.3820	0.0190	0.0898
Dec-23	2.3772	0.0186	0.0871
Jan-24	2.3756	0.0177	0.0836
Feb-24	2.3700	0.0167	0.0808
Mar-24	2.3566	0.0156	0.0778
Apr-24	2.3352	0.0153	0.0742
May-24	2.3213	0.0151	0.0699
Jun-24	2.3107	0.0150	0.0660
Jul-24	2.3057	0.0139	0.0644
Aug-24	2.3021	0.0128	0.0628
Sep-24	2.2999	0.0114	0.0612
Oct-24	2.2995	0.0106	0.0596
Nov-24	2.2975	0.0105	0.0579

Sprague HeatCurve October 2023-April 2024		Close	Change
Crude - WTI	Aug Brent-WTI Spread \$4.45	\$72.2600	\$0.4200
Crude - Brent		\$76.7100	\$0.5800
Natural Gas		\$2.2450	\$0.0730
Gasoline		\$2.5244	\$0.0237

## ICE August Brent-WTI Spread



## July Heating Oil Crack Spread



## July RBOB Crack Spread

