

Market Commentary

Recap: Oil prices erased early losses on Tuesday, getting support from a weaker U.S. dollar, as traders weighed uncertainty over the next move for OPEC and its allies on production cuts, and a forecast for a weekly decline in U.S. inventories. Traders are still contending with mounting tensions between the U.S. and China, as well as a rise in the number of confirmed cases of COVID-19, both of which can negatively impact energy demand. August WTI rose 19 cents, or 0.5%, to settle at \$40.29 a barrel after trading as low as \$39.07. September Brent added 18 cents, or 0.4%, to settle at \$42.90 a barrel. August RBOB fell by 2% to \$1.2474 a gallon and August heating oil shed 0.2% to \$1.2208 a gallon.

Market Outlook: WTI is back above the \$40 dollar level, as traders focus on a recovery in demand. Prices drifted lower in early trading but found support underneath. All eyes are on the OPEC+ meeting, with the latest Reuters report indicating that compliance with production cuts was 107% in June. This strong compliance provided additional support to the market and helped WTI settle above \$40. The biggest risk to upside movement is the potential of a second wave of lockdowns due to the coronavirus pandemic. We would look for WTI to hang around the \$40 level, as it continues to find support just below it. Support is set at \$40.19, the current 10-day moving average, with additional support set at \$37 and below that at \$35. Resistance is set at \$42.17 and above that at \$46.19.

Fundamental News: In its monthly report, OPEC said global oil demand will increase by a record 7 million bpd in 2021 as the global economy recovers from the coronavirus pandemic but will remain below 2019 levels. It said the forecast assumed no further downside risks materialized in 2021 such as U.S.-China trade tensions, high debt levels or a second wave of coronavirus infections. It sees 2020 world oil demand declining by 8.95 million bpd compared with a previous forecast for a 9.07 million bpd decline. OPEC raised its 2020 demand forecast for its crude by 200,000 bpd to 23.8 million bpd, while it sees its 2021 demand for its crude increasing by 6 million bpd to 29.8 million bpd. OPEC stated that in 2020 non-OPEC liquids production is forecast to decline by 3.26 million bpd, compared with a previous estimate of a decline of 3.23 million bpd. It sees 2021 non-OPEC production increasing by 920,000 bpd due to the U.S., Brazil, Norway and Canada. It sees its 2021 U.S. output growing by 240,000 bpd compared with a decline of 1.37 million bpd in 2020. OPEC said its June output fell further by 1.89 million bpd to 22.27 million bpd. It reported that OECD oil stocks increased by 29.9 million barrels in May to 3.167 billion barrels, 210 million barrels over the 5-year average.

Venezuela's crude oil production in June fell to the lowest level in nearly eight decades, as U.S. sanctions on PDVSA cuts exports. Venezuela's production was 393,000 bpd in June, down from 573,000 bpd in May and down 52% from an average of 821,000 bpd in the first quarter of the year. The fall in exports to a 77-year low of 379,000 bpd in June has left onshore storage tanks almost completely full, forcing PDVSA to cut output because it would have nowhere to store crude.

An OPEC+ source said OPEC and its allies led by Russia have delivered compliance of 107% with their agreed oil output cuts in June. A ministerial panel of OPEC+ will meet on Wednesday to decide whether to extend record cuts of 9.7 million bpd or ease them to 7.7 million bpd.

Data from the General Administration of Customs showed that China's crude oil imports in June totaled 53.18 million tons, or 12.9 million bpd, surpassing a previous record of 11.3 million bpd in May.

Early Market Call - as of 8:30 AM EDT

WTI - Aug \$40.91, up 62 cents
 RBOB - Aug \$1.2738, up 2.68 cents
 HO - Aug \$1.2280, up 72 points

All NYMEX | Prior Settlements

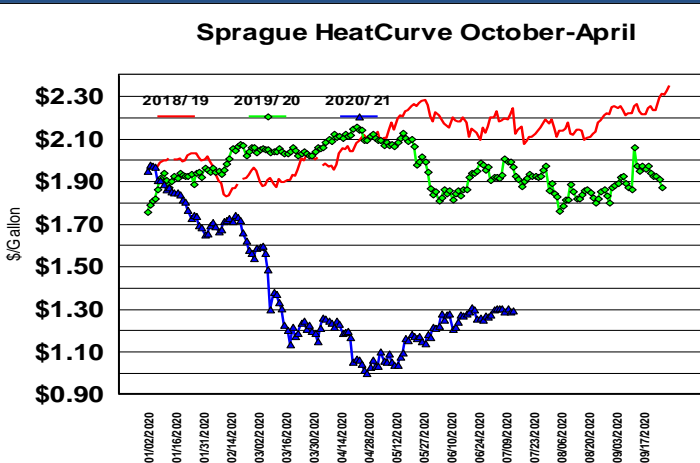
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-20	1.2208	-0.0027	0.0225
Sep-20	1.2359	-0.0002	0.0195
Oct-20	1.2514	0.0020	0.0171
Nov-20	1.2670	0.0040	0.0152
Dec-20	1.2804	0.0053	0.0139
Jan-21	1.2943	0.0058	0.0126
Feb-21	1.3050	0.0059	0.0112
Mar-21	1.3110	0.0061	0.0102
Apr-21	1.3123	0.0064	0.0084
May-21	1.3176	0.0064	0.0071
Jun-21	1.3251	0.0063	0.0059
Jul-21	1.3384	0.0066	0.0047
Aug-21	1.3510	0.0069	0.0036
Sep-21	1.3620	0.0070	0.0025
Oct-21	1.3725	0.0068	0.0015
Nov-21	1.3830	0.0066	0.0002
Dec-21	1.3919	0.0065	-0.0006

Sprague Heat Weighted Strip October -April 20/2021		Close	Change
Crude - WTI	Aug Brent- WTI Spread \$2.35	\$40.5500	\$0.2300
Crude - Brent		\$42.9000	\$0.1800
Natural Gas		\$1.7460	\$0.0070
Gasoline		\$1.2474	-\$0.0260

API Report for the Week Ending July 10, 2019

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Down 8.3 million barrels	Down 2.1 million barrels
Cushing, OK Crude Stocks	Up 548,000 barrels	Up 1.2 million barrels
Gasoline Stocks	Down 3.6 million barrels	Down 600,000 barrels
Distillate Stocks	Up 3 million barrels	Up 1.5 million barrels
Refinery Runs	Up 34,000 bpd	Up 0.3%
Crude Imports	Down 779,000 bpd	

Sprague HeatCurve October-April



August WTI

