

Market Commentary

Recap: Oil prices erased earlier declines, jumping to fresh session highs after a weekly EIA report seen as bearish, although another large release of government reserves of crude-oil played a key role. The EIA says inventories of the 4 main categories -- crude-oil, gasoline, distillates and oil stored at the Cushing, Okla. hub -- all increased last week. But the 3.3-million-barrel increase in commercial crude inventories was due to a hefty, 6.9-million-barrel transfer of crude from the Strategic Petroleum Reserve to the "commercial" label. Overall US crude reserves, including SPR, actually saw a bullish, 3.6M-barrel decline. Among the seemingly quite-bearish data points in this week's EIA oil inventory report is implied US gasoline demand, which plunged by 1.4 million barrels a day week-on-week to a six-month-low 8.1M bpd. When examining the numbers, the overall picture is not as grim, as we saw strong implied demand ahead of the Fourth of July weekend, making today's data a bit inflated. This situation applies to distillates as well. WTI for August delivery gained 46 cents per barrel, or 0.48% to \$96.30. Brent for September delivery gained eight cents per barrel, or 0.08% to \$99.57. August RBOB delivery lost 3.09 cents per gallon, or 0.95% to \$3.2337, while August heating oil gained 0.33 cent per gallon, or 0.09% to \$3.6659.

Technical Analysis: Investors have been selling oil of late on worries that aggressive rate hikes to stem inflation will slow economic growth and hit oil demand. However, the physical market remains tight. Key benchmarks, such as Forties crude and U.S. Midland crude, are trading at premiums to the futures market, painting a different picture than what is happening in futures. The decline in crude futures has yet to be reflected in the strong physical oil market. Forties crude, one of the grades underpinning Brent futures, was bid at a record high premium to the benchmark of plus \$5.35 a barrel on Tuesday. U.S. Midland crude was at a premium of \$1.50 a barrel to WTI, also reflecting tightness but that grade was below premiums reached in late February after Ukraine was invaded. Investors remain concerned about recent weakness in fuel demand worldwide that is also emerging in the United States. WTI continues to shake its fist at the 200-day moving average. There is significant support built up around \$95 and therefore, we would look for this level to garner a lot of attention. A break below this level puts us down around \$90. To the upside, resistance is set at the 10-day moving average.

Fundamental News: The EIA reported that U.S. Gulf coast refinery utilization increased last week to 98.1%, its highest since December 2018. It reported that crude stocks in the SPR in the week ending July 8th fell to 485.1 million barrels, the lowest level since August 1985. Meanwhile, crude oil production fell by 100,000 bpd on the week to 12 million bpd.

Iran's President, Ebrahim Raisi, said Iran will not retreat from its "rightful and logical" stance in its nuclear impasse with the United States, a day after France warned there were only a few weeks left to revive a 2015 nuclear deal.

The Kremlin said that it hoped President Joe Biden's visit to Saudi Arabia would not be used to try to foster anti-Russian relations, just as the United States seeks to convince Riyadh to increase oil production amid rising prices. On Monday, White House national security adviser Jake Sullivan said that President Biden will make the case for greater oil production from OPEC nations to bring down gasoline prices when he meets Gulf leaders in Saudi Arabia this week.

IIR Energy reported that U.S. oil refiners are expected to shut in about 731,000 bpd of capacity in the week ending July 15th, cutting available refining capacity by 127,000 bpd.

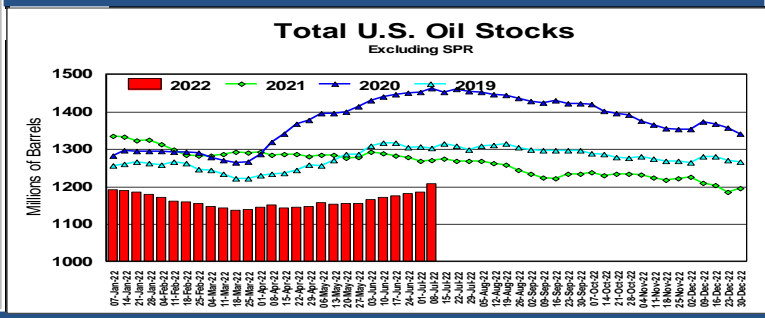
Early Market Call - as of 8:20 AM EDT

WTI - August \$94.39, down \$1.95
 RBOB - August \$3.1477, down 8.6 cents
 HO - Augusts \$3.6031, down 6.43 cents

All NYMEX | Prior Settlements

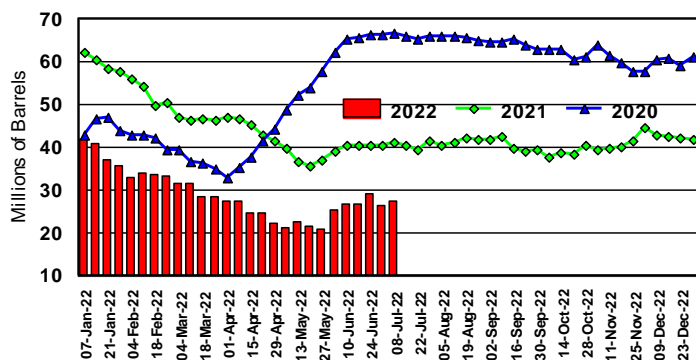
Month	USD (HO)		Change In One Week
	Close	Prior Settle	
Aug-22	3.6659	0.0033	0.2553
Sep-22	3.5813	0.0142	0.1707
Oct-22	3.5063	0.0162	0.2114
Nov-22	3.4388	0.0171	0.1954
Dec-22	3.3777	0.0167	0.1850
Jan-23	3.3228	0.0142	0.1670
Feb-23	3.2587	0.0113	0.1447
Mar-23	3.1875	0.0077	0.1209
Apr-23	3.1173	0.0039	0.1018
May-23	3.0669	0.0050	0.0986
Jun-23	3.0250	0.0071	0.1018
Jul-23	2.9939	0.0072	0.0965
Aug-23	2.9667	0.0087	0.0956
Sep-23	2.9350	0.0102	0.0942
Oct-23	2.9022	0.0140	0.0986
Nov-23	2.8724	0.0156	0.0984
Dec-23	2.8483	0.0180	0.0974

Sprague HeatCurve October 2022-April 2023		\$3.3079
	Close	Change
Crude - WTI	\$93.8300	\$0.5200
Crude - Brent	\$99.5700	\$0.0800
Natural Gas	\$6.6890	\$0.5260
Gasoline	\$3.2337	-\$0.0309



Weekly EIA Petroleum Status Report for the Week Ending July 1, 2022

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Up 3.3 million barrels
 Cushing, OK Crude Stocks Up 69,000 barrels
Gasoline Stocks Up 5.8 million barrels
Distillate Stocks Up 2.7 million barrels
Refinery % Operated 94.9%, up 0.4%

PADD #1

Distillate Stocks (in million bbls)	Week Ending July 1, 2022	Week Ending June 24, 2022	Week Ending July 1, 2021
New England	3.3	2.8	6.9
Central Atlantic	12.8	12.1	20.0
Total PADD #1	27.5	26.5	41.3
Distillate Imports (thousands b/d)	107	47	66