

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil futures finished lower on Friday, but managed to squeeze out a second weekly gain. The number of rising coronavirus cases across the globe has heightened concern that a second round of economic shutdowns may follow, thereby lowering the demand for crude oil. Despite strong drawdowns in both U.S. crude oil and gasoline stockpiles as reported by the EIA, demand for gasoline fell week-on-week, sending a warning signal that demand could continue to suffer. August WTI fell 16 cents, or 4%, to settle at \$40.59 a barrel, for a weekly gain of 0.1%. Brent for September delivery settled at \$43.14 a barrel, up 23 cents or 0.5%. August RBOB lost 0.8% at \$1.2245 a gallon, posting a weekly loss of 4.6%, while August heating oil shed 0.7% to \$1.2191 a gallon, losing 1.8% for the week.

Technical Analysis: For a little more than a month, WTI has been trading within a sideways pattern. Sideways trading patterns typically mean that prices are getting ready to resume in the same direction they had been in prior to trading sideways, which in the case of oil, is to the upside. This sideways trading pattern suggests that traders are in a period of uncertainty and are being cautious and patient. We would expect to see technical buying above the top of this formation which is set at \$41.78. Resistance above this level is set at \$44.36 and \$46.19 to the downside, support is set at \$39.41, \$37.54, the 50-day moving average and below that at \$37.03, the bottom of the sideways pattern.

Fundamental News: Baker Hughes reported that U.S. drillers cut oil and gas rigs to a record low for an 11th consecutive week. The U.S. oil drilling rig count fell by 1 to 180 in the week ending July 17th, while the number of rigs searching for natural gas fell by 4 to 71.

The Norwegian Petroleum Directorate said Norway's crude oil output in June fell more than expected from the previous month, while natural gas rose, but less than expected. The country's crude oil output fell 12% from May to 1.54 million bpd, and was 4.1% below the official forecast which corresponded to the production cap set by the Norwegian government.

IIR Energy reported that U.S. oil refiners are expected to shut in about 4.1 million bpd of capacity in the week ending July 17th, increasing available refining capacity by 230,000 bpd from the previous week. Offline capacity is expected to fall to 3.7 million bpd in the week ending July 24th, and hold steady at 3.7 million bpd the subsequent week.

U.S. Senator Chuck Grassley said lawmakers from Iowa are trying to add aid for the biofuels industry into a pending coronavirus relief package in the Senate. Senator Grassley and Senator Joni Ernst hope to include a subsidy for feedstock for the ethanol industry in the bill.

U.S. Energy Secretary, Dan Brouillette, said the U.S. and India signed a memorandum of understanding with India storing oil in the U.S. Strategic Petroleum Reserve. He said they will discuss the details with India in the next few weeks and months. In late May, India had already filled its 5.33 million tons of strategic storage and stored about 8.5-9 million tons of oil on ships in different parts of the world, primarily in the Gulf.

Citi expects ICE Brent in the second quarter to end at \$33/barrel, while WTI is expected to end at \$28/barrel. It revised up its third quarter forecast by \$4 to \$43/barrel for Brent and \$41/barrel for WTI. It said with deep OPEC+ cuts continuing even as demand recovers, it sees constructive oil prices in the second half of the year and call for a move to deep backwardation in Brent and WTI.

Early Market Call - as of 8:50 AM EDT

WTI - Aug \$40.30, down 29 cents

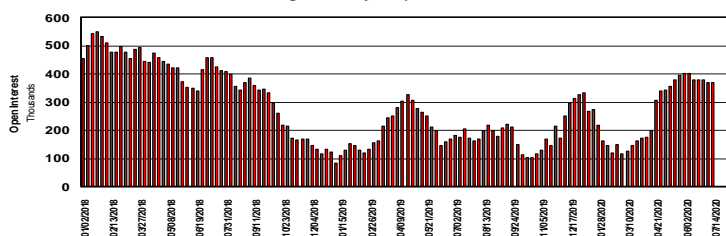
RBOB - Aug \$1.2074, down 1.71 cents

HO - Aug \$1.2188, down 3 points

| Month | ULSD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
| | Close | Change | One Week |
| Aug-20 | 1.2191 | -0.0088 | 0.0221 |
| Sep-20 | 1.2314 | -0.01 | 0.0209 |
| Oct-20 | 1.2465 | -0.0098 | 0.0188 |
| Nov-20 | 1.2623 | -0.009 | 0.0165 |
| Dec-20 | 1.2763 | -0.0081 | 0.0147 |
| Jan-21 | 1.2908 | -0.0071 | 0.0134 |
| Feb-21 | 1.3021 | -0.0065 | 0.0123 |
| Mar-21 | 1.3083 | -0.0059 | 0.0117 |
| Apr-21 | 1.3095 | -0.0055 | 0.0113 |
| May-21 | 1.3146 | -0.0052 | 0.0112 |
| Jun-21 | 1.3214 | -0.0057 | 0.0117 |
| Jul-21 | 1.3344 | -0.006 | 0.0114 |
| Aug-21 | 1.3468 | -0.0061 | 0.0107 |
| Sep-21 | 1.3578 | -0.006 | 0.0101 |
| Oct-21 | 1.3686 | -0.0059 | 0.0096 |
| Nov-21 | 1.3792 | -0.0058 | 0.0091 |
| Dec-21 | 1.3883 | -0.0056 | 0.0087 |

| Sprague Heat Weighted Strip October-April 20/2021 | | \$1.2883 | |
|---|---|-----------|-----------|
| | | Close | Change |
| Crude - WTI | Sep Brent- WTI Spread \$2.39 | \$40.7500 | -\$0.1800 |
| Crude - Brent | | \$43.1400 | -\$0.2300 |
| Natural Gas | | \$1.7180 | -\$0.0050 |
| Gasoline | | \$1.2245 | -\$0.0094 |

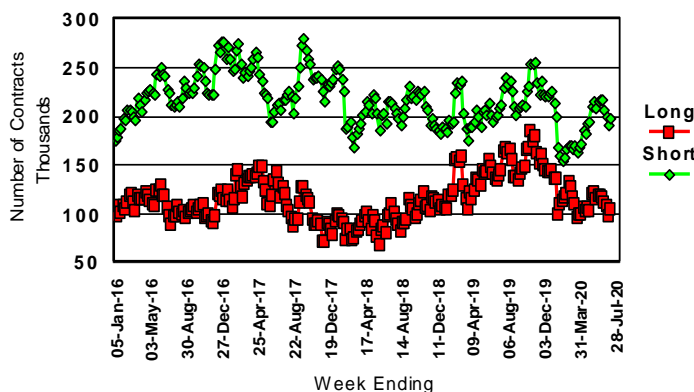
WTI Futures & Options: NYMEX & ICE Combined Managed Money Reportable Positions



Commitment of Traders Report for the Week Ending July 14, 2020

Producer/Merchant Heat Positons

CFTC Commitment of Traders Report



Managed Money Heat Positons

CFTC Commitment of Traders Report

