

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil futures opened to the downside, with traders unloading risk, as tensions between the U.S. and China raised concern over the prospect of demand. July WTI slipped 3.4%, to a session low of \$34.27 a barrel. However, losses were pared on the heels of a report that major oil producers may meet earlier than planned, and discuss an extension to the current crude output cuts. The meeting is slated to take place from June 9-10, but may be pushed ahead to June 4. July WTI lost 5 cents, or 0.1%, to settle at \$35.44 a barrel, while August Brent edged up by 48 cent, or 1.3%, to \$38.32 a barrel. July RBOB fell 1.1% to \$1.0667 a gallon, while July heating oil shed 0.7% to \$1.029 a gallon.

Technical Analysis: After slipping through \$34.72, the 38% retracement set by the December high of \$62.95 and the April low of \$17.27, July WTI came back to regain territory above this level, thereby leaving it in place as an area of support. Given the lack of demand, we expect for WTI to continue to struggle to the upside as it works its way toward the gap that extends toward \$41. Resistance is set at \$36.35 and above that at \$40.11. Support is set at \$34.72 and below that at \$33.37.

Fundamental News: Genscape reported that crude stocks held in Cushing, Oklahoma fell to 54.3 million barrels in the week ending May 29th.

Bank of America said it believed North American oil shut-ins peaked in May. It said prices have rebounded to levels where shutting in production no longer makes sense and should encourage producers to restore production.

US Environmental Protection Agency Chief, Andrew Wheeler, will sign a rule that would limit state powers to block pipelines, coal terminals and other energy infrastructure projects. Under the rule, the EPA will alter Section 401 of the federal water law to make it impossible for a state to block a water permit for a project for reasons other than direct impacts of discharges into state waters and set a one-year deadline for a decision. Several states, have hinted that they would take legal action against the EPA if it moves to curtail state authority under the Clean Water Act.

The EIA reported that US crude oil production in March fell by 28,000 bpd or 0.2% to 12.716 million bpd, the lowest level since October. Oil production fell in most states, and in federal waters in the Gulf of Mexico but increased in Texas. Output in Texas increased by 1.2% to 5.42 million bpd in March. Gross natural gas production in the US lower 48 states increased to 105.41 billion cubic feet/day in March from 105.21 bcf/d in February.

According to sources, Russia has no objection to the next meeting of OPEC and its allies, known as OPEC+, being brought forward to June 4th from the following week. Algeria, which currently holds the presidency of OPEC, has proposed the meeting planned for June 9th-June 10th be brought forward to facilitate oil sales for countries such as Saudi Arabia, Iraq and Kuwait. Also, two OPEC+ sources stated that OPEC and Russia are moving closer to a compromise on the duration for extending the current oil output cuts and are now discussing a proposal to rollover supply cuts for one to two months. Sources have stated that Saudi Arabia is proposing to extend record cuts from May and June until the end of the year but it has yet to win support from Russia, which believes that curbs could be eased gradually.

Early Market Call - as of 8:30 AM EDT

WTI - July \$36.17, up 73 cents
 RBOB - July \$1.0981, up 3.14 cents
 HO - July \$1.0764, up 4.74 cents

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-20	1.0290	-0.0076	-0.0092
Aug-20	1.0609	-0.0087	-0.0077
Sep-20	1.0881	-0.0109	-0.0027
Oct-20	1.1108	-0.0131	-0.0007
Nov-20	1.1315	-0.0149	-0.0016
Dec-20	1.1488	-0.0153	-0.0032
Jan-21	1.1667	-0.0153	-0.0048
Feb-21	1.1831	-0.0151	-0.0067
Mar-21	1.1963	-0.0153	-0.0090
Apr-21	1.2036	-0.0153	-0.0112
May-21	1.2120	-0.0152	-0.0136
Jun-21	1.2224	-0.0153	-0.0146
Jul-21	1.2396	-0.0155	-0.0157
Aug-21	1.2553	-0.0161	-0.0167
Sep-21	1.2683	-0.0165	-0.0180
Oct-21	1.2807	-0.0170	-0.0207
Nov-21	1.2904	-0.0171	-0.0237

Sprague Heat Weighted Strip October -April 20/2021		\$1.1664
	Close	Change
Crude - WTI	\$35.7900	-\$0.0500
Crude - Brent	\$38.3200	\$0.4800
Natural Gas	\$1.7740	-\$0.0750
Gasoline	\$1.0667	-\$0.0118

ICE August Brent-WTI Spread



July Heating Oil Crack Spread

July RBOB Crack Spread

