

Market Commentary

Recap: Crude oil futures gave early losses on Tuesday to close higher on the day, on increased expectations for a rebound in energy demand. Prices spent most of the session trading to the downside, pressured by concerns above compliance with the newly-extended agreement by OPEC+ to cut production by nearly 10 million barrels. In addition, Gulf producers may end their voluntary output cuts at the end of June and U.S. producers may reverse output cuts as prices rise. However, oil prices reversed to the upside as the Bureau of Safety and Environmental Enforcement reported that 31% of U.S. Gulf of Mexico oil production remained offline. Adding to the support was a report that Nigeria is struggling to sell crude, which could help them refrain from cheating on agreed upon cuts, while the EIA in its short term outlook report confirmed the energy market's view that global demand will fall to the low 80-million bpd level this quarter before rebounding above 90-million next year. July WTI rose 75 cents, or 2%, to settle at \$38.94 a barrel. Brent for August delivery added 38 cents, or 0.9%, to settle at \$41.18 a barrel. July RBOB rose 1.3%, to \$1.2103 a gallon, while July heating oil added 3%, to settle at \$1.1547 a gallon.

Technical Analysis: At this point, one must consider the fact that the latest production cuts by OPEC+ have already been factor in to this market and the wind behind the higher move could begin to diminish. This is evident in the spread between the nearby and longer dated contracts, which have decreased while the market rallied. This is an indication that traders do not expect the situation in the oil market to improve toward the end of the year, and the pricing of longer dated contracts simply reflects current oil price dynamics. According to Goldman Sachs, the latest production cut from OPEC+ was fully priced in, and Brent oil should decline to \$35 per barrel. Currently, the spread between Brent oil and WTI oil is roughly \$2, so Goldman Sachs' forecast implies WTI oil prices of \$33 per barrel. July WTI continues to trend higher within the ascending channel, as it hovers just above the lower line. A break below the line should activate selling by weak longs and trigger stops to the downside. Support is set at \$37.10 and below that at \$35.37. To the upside, resistance is set at \$40.11 and above that at \$41.88.

Fundamental News: The US EIA cut its 2020 world oil demand growth forecast by 210,000 bpd to 8.34 million bpd. It raised its oil demand growth estimate for 2021 by 190,000 bpd to 7.18 million bpd. World oil demand in 2020 is estimated to total 92.53 million bpd and increase to 99.71 million bpd in 2021. Meanwhile, total world oil production is expected to fall by 5.89 million bpd to 94.76 million bpd in 2020 and increase by 2.66 million bpd to 97.42 million bpd in 2021. OPEC crude oil production in 2020 is expected to fall by 2.81 million bpd to 29.27 million bpd but increase by 1.98 million bpd to 28.44 million bpd in 2021. The EIA also reported that US crude oil production is expected to fall by 670,000 bpd in 2020 to 11.56 million bpd, steeper than its previous forecast for a decline of 540,000 bpd. It expects US petroleum and other liquid fuel consumption to fall 2.4 million bpd to 18.06 million bpd in 2020 compared with its previous forecast for a fall of 2.19 million bpd. In regards to prices, Brent crude prices will average \$37/barrel during the second half of 2020 and increase to \$48/barrel in 2021.

Libya's Sharara oilfield restarted production on Tuesday afternoon after a brief shutdown caused by an armed group associated with Khalifa Haftar's Libyan National Army (LNA) entered the oilfield on Monday after restart operations had just begun. NOC earlier had declared force majeure on exports from its Sharara oilfield on Tuesday after production was briefly halted by an armed group.

Early Market Call - as of 8:30 AM EDT

WTI - July \$38.35, down 58 cents

RBOB - July \$1.2135, up 35 points

HO - July \$1.1496, down 51 points

All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Jul-20	1.1547	0.0334	-0.0626
Aug-20	1.1813	0.0294	-0.0629
Sep-20	1.2046	0.0279	-0.0611
Oct-20	1.2264	0.0267	-0.0614
Nov-20	1.2447	0.0252	-0.0599
Dec-20	1.2588	0.0243	-0.0575
Jan-21	1.2733	0.0239	-0.0553
Feb-21	1.2860	0.0233	-0.0530
Mar-21	1.2954	0.0228	-0.0504
Apr-21	1.2993	0.0227	-0.0487
May-21	1.3047	0.0229	-0.0471
Jun-21	1.3121	0.0229	-0.0454
Jul-21	1.3268	0.0222	-0.0436
Aug-21	1.3406	0.0213	-0.0422
Sep-21	1.3523	0.0208	-0.0414
Oct-21	1.3635	0.0205	-0.0408
Nov-21	1.3733	0.0203	-0.0411

Sprague Heat Weighted Strip October -April 20/2021 \$1.2722

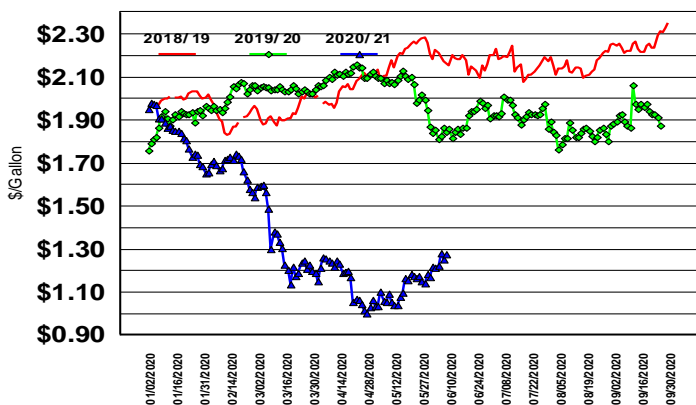
Other Front Month NYMEX	Close	Change
Crude - WTI	\$39.1600	\$0.7300
Crude - Brent	\$41.1800	\$0.3800
Natural Gas	\$1.7670	-\$0.0220
Gasoline	\$1.2103	\$0.0153

API Report for the Week Ending June 5, 2019

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Up 8.4 million barrels	Down 1.5 million barrels
Cushing, OK Crude Stocks	Down 2.3 million barrels	Down 1.9 million barrels
Gasoline Stocks	Down 2.9 million barrels	Down 100,000 barrels
Distillate Stocks	Up 4.3 million barrels	Up 2.9 million barrels
Refinery Runs	Up 391,000 bpd	Up 0.8%
Crude Imports	Up 1.6 million bpd	

Sprague HeatCurve October-April

Sprague HeatCurve October-April



July WTI

