

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil futures settled higher on Thursday, supported by the robust decline in last week's U.S. crude oil inventories and a fall in U.S. unemployment during the month of June, but the spike in the number of confirmed Covid-19 cases fanned concerns that economic activity will weaken in coming weeks. Numerous states are advising citizens to restrict movements and closing bars and restaurants again, which is expected to hamper further job growth. With the job growth being as good as it was, there is concern that it was so good that it might hinder a stimulus program, which many Americans are still counting on. August WTI rose 83 cents, or 2.1%, to settle at \$40.65 a barrel, after gaining 1.4% on Wednesday. For the holiday-shortened week, oil saw a weekly gain of 5%, based on the most-active contract close last Friday, according to FactSet data. September Brent picked up \$1.11, or 2.6%, at \$43.14 a barrel. Brent oil traded 5.2% higher week to date. Both WTI and Brent futures on Thursday marked their highest settlements since March 6, according to Dow Jones Market Data. August RBOB ended up 3.5% at \$1.2592 a gallon, while August heating oil added 2.6% at \$1.2311 a gallon. Both contracts saw gains of more than 5% from last Friday's settlement. WTI, Brent and their products will hold an abbreviated session on Friday, ahead of the U.S. July 4th Holiday weekend.

Technical Analysis: August WTI seesawed on Thursday ahead of the jobs report, while it continues trade sideways within the ascending channel. This spot contract continues to hover around its 10-day moving average as it tries to gain traction above \$40. This week's coming trading session, we would look for attempts to trade higher, with \$41.25 the initial upside objective. Above this level is the top of the gap set at \$42.17, with resistance above this level at \$42.23, \$42.36 and \$46.19. Support is seen at \$37.94 and \$37.08, followed by more distant support set at \$34.66, \$33.47 and \$30.96.

Fundamental News: Genscape reported that crude oil stocks held in Cushing, Oklahoma in the week ending Tuesday, June 30th increased by 765,840 barrels and by 1,375,079 barrels in the week ending Friday, June 26th to 48,981,596 barrels.

Goldman Sachs said an increase in commuting, a shift to private transportation and government efforts to improve economies with higher infrastructure spending should help global oil demand return to pre-coronavirus levels by 2022. Demand is expected to fall by 8% this year, before rebounding 6% in 2021 and fully recovering to pre-pandemic levels by 2022. The bank expects gasoline to stage the fastest demand recovery among oil products, while jet fuel consumption could suffer more as consumer confidence in air travel is likely to stay low in the absence of a vaccine. Goldman Sachs estimates Brent-WTI will tighten by the second half of 2020 as U.S. and Canadian oil production slows.

Citi Research said future oil product demand growth will never return to pre-coronavirus levels, adding that oil prices were likely to fluctuate between \$45 and \$60/barrel in the long term. Jet fuel demand is unlikely to reach 2019 levels before 2023 as changing work habits, including telecommuting, and environmental regulations to limit carbon and other emissions will reduce demand for both jet fuel and gasoline. In the short term, deep production cuts by OPEC+ and non-OPEC+ producers along with recent capex cuts and project postponements could lead to a short-lived supply crunch.

According to estimates from Kpler, OPEC cut oil exports in June fell by 1.84 million bpd from May levels as it works to implement an output reduction agreement with Russia and other allies. OPEC's crude exports averaged 17.2 million bpd in June, with Saudi exports accounting for almost half of the month-on-month decline, falling by 979,000 bpd.

Russian Energy Minister Alexander Novak said that the OPEC+ group of oil producers is expected to start easing oil output cuts from August as previously agreed.

Early Market Call - as of 8:35 AM EDT

WTI - Aug \$40.71, up 6 cents

RBOB - Aug \$1.2611, up 19 points

HO - Aug \$1.2521, up 2.1 cents

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-20	1.2311	0.0315	-0.0616
Sep-20	1.2437	0.0311	-0.0513
Oct-20	1.2583	0.0294	-0.0430
Nov-20	1.2731	0.0272	-0.0390
Dec-20	1.2860	0.0256	-0.0373
Jan-21	1.2995	0.0245	-0.0359
Feb-21	1.3096	0.0237	-0.0339
Mar-21	1.3148	0.0231	-0.0313
Apr-21	1.3147	0.0227	-0.0292
May-21	1.3177	0.0220	-0.0278
Jun-21	1.3230	0.0212	-0.0273
Jul-21	1.3351	0.0210	-0.0263
Aug-21	1.3464	0.0208	-0.0254
Sep-21	1.3565	0.0207	-0.0248
Oct-21	1.3661	0.0206	-0.0243
Nov-21	1.3757	0.0209	-0.0244
Dec-21	1.3839	0.0209	-0.0244

Sprague Heat Weighted Strip October-April 20/2021			\$1.2967
		Close	Change
Crude - WTI	Sep Brent- WTI Spread \$2.38	\$40.7600	\$0.8400
Crude - Brent		\$43.1400	\$1.1100
Natural Gas		\$1.7340	\$0.0630
Gasoline		\$1.2592	\$0.0423

EIA Working Gas Storage Report				
	26-Jun-20	19-Jun-20	Change	Year Ago
East	639	619	20	518
Midwest	740	716	24	559
Mountain	173	165	8	132
Pacific	304	299	5	252
South Central	1,222	1,212	10	903
Salt	368	372	-4	260
Nonsalt	854	840	14	643
Total	3,077	3,012	65	2,365

Sprague HeatCurve October-April

ICE September Brent-WTI Spread

