

## Market Commentary

**Recap:** Oil prices climbed more than 2% on Friday after the International Energy Agency (IEA) bumped up its 2020 demand forecast but record-breaking new coronavirus cases in the U.S. tempered expectations for a fast recovery in fuel consumption. Prices also found support after data showed U.S. energy firms cut the number of oil and natural gas rigs operating to a record low for a 10th week in a row. Strength in the stock market also lifted oil prices. August WTI rose 93 cents, or about 2.4%, to settle at \$40.55 a barrel, after sliding 3.1% on Thursday to hit the lowest level for a front-month contract since June 30. Brent for September delivery added 89 cents, or 2.1%, at \$43.24 a barrel, following a 2.2% drop a day earlier to its lowest finish since July 1. For the week, WTI saw a 0.3% weekly decline, while Brent's Friday gain led to a weekly increase of 1%, according to Dow Jones Market Data, based on the front-month contracts. August RBOB rose 2.6% at \$1.2831 a gallon, gaining 1.9% for the week, and August heating oil rose 1.4% to \$1.2412 a gallon, for weekly rise of 0.8%.

**Technical Analysis:** After bouncing around for most of the week, oil prices stabilized on Friday, with bulls breathing a sigh of relief. WTI appears to have hammered out a bottom at the 10-day moving average, which is currently set at \$40.03. Once again, we would look for continued attempts to take this market higher, but would not discount retreats back toward the \$35 level, where buyers should show up. Prior to the \$35 level, support is set at \$37, with resistance set at \$42.17 and above that at \$46.19.

**Fundamental News:** The International Energy Agency increased its 2020 oil demand forecast but warned that the spread of COVID-19 posed a risk to the outlook. The IEA raised its forecast to 92.1 million bpd, up 400,000 bpd from its outlook last month, citing a smaller-than-expected second-quarter decline. It sees oil demand in 2021 increasing by 5.3 million bpd. It stated the easing of lockdown measures in many countries caused a strong rebound to fuel deliveries in May, June and likely also July. However, oil refining activity in 2020 is set to fall by more than the IEA anticipated last month and to grow less in 2021. Global refinery runs are expected to fall by 6.4 million bpd in 2020 but increase by 4.7 million bpd in 2021. The IEA said "for refiners, any benefit from improving demand is likely to be offset by expectations of much tighter feedstock markets ahead. Refining margins will also be challenged by a major product stocks overhang from the very weak second quarter of 2020." The IEA stated that if OPEC+ cuts remain in place, 2020 global supply will fall by 7.1 million bpd and then increase by 1.7 million bpd in 2021. It estimates that U.S. oil production in May fell by 1.3 million bpd on the month and by 500,000 bpd in June. Global oil supply fell by 2.4 million bpd in June to a nine-year low of 86.9 million bpd. The IEA stated that crude oil floating storage in June fell by 34.9 million barrels to 176.4 million barrels. OECD industry stocks increased by 81.7 million barrels to 3.216 billion barrels in May, 258.5 million barrels over the five year average.

On Friday, Libya National Oil Corporation lifted its force majeure on all oil exports after a half-year blockade by eastern forces, but said technical problems caused by the shutdown would keep production low. It said the first tanker to load is the Kriti Bastion at the Es Sider oil port and added that it would "take a long time" to increase output due to "the significant damage to reservoirs and infrastructure" caused by the blockade. Meanwhile, two sources at Libya's Es Sider port said the Kriti Bastion oil tanker had entered on Friday and was loading oil. The Aframax tanker, chartered by Vitol, is expected to load a 650,000 barrel cargo after receiving all the necessary permissions.

IIR Energy reported that U.S. oil refiners are expected to shut in about 4.3 million bpd of capacity in the week ending July 10<sup>th</sup>, cutting available refining capacity by 198,000 bpd from the previous week. Offline capacity is expected to fall to 4.2 million bpd in the week ending July 17<sup>th</sup>, and further decline to 3.5 million bpd in the subsequent week.

**Early Market Call - as of 8:15 AM EDT**

WTI - Aug \$40.16, down 39 cents

RBOB - Aug \$1.2612, down 2.19 cents

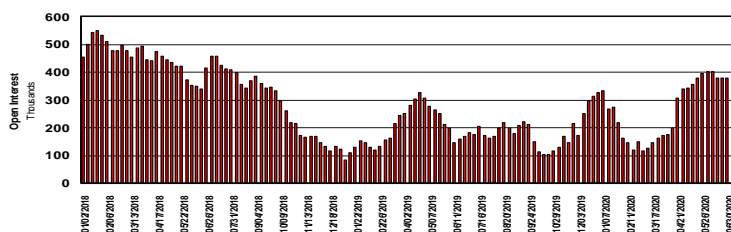
HO - Aug \$1.2249, down 1.63 cents

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-20	1.2412	0.0173	-0.0101
Sep-20	1.2523	0.0161	-0.0086
Oct-20	1.2653	0.0150	-0.0070
Nov-20	1.2788	0.0137	-0.0057
Dec-20	1.2910	0.0126	-0.0050
Jan-21	1.3042	0.0122	-0.0047
Feb-21	1.3144	0.0121	-0.0048
Mar-21	1.3200	0.0121	-0.0052
Apr-21	1.3208	0.0120	-0.0061
May-21	1.3258	0.0121	-0.0081
Jun-21	1.3331	0.0120	-0.0101
Jul-21	1.3458	0.0120	-0.0107
Aug-21	1.3575	0.0121	-0.0111
Sep-21	1.3679	0.0123	-0.0114
Oct-21	1.3782	0.0127	-0.0121
Nov-21	1.3883	0.0130	-0.0126
Dec-21	1.3970	0.0134	-0.0131

Sprague Heat Weighted Strip October -April 20/2021		\$1.3020
	Close	Change
Crude - WTI	\$40.7600	\$0.9300
Crude - Brent	\$43.2400	\$0.8900
Natural Gas	\$1.8050	\$0.0260
Gasoline	\$1.2831	\$0.0326

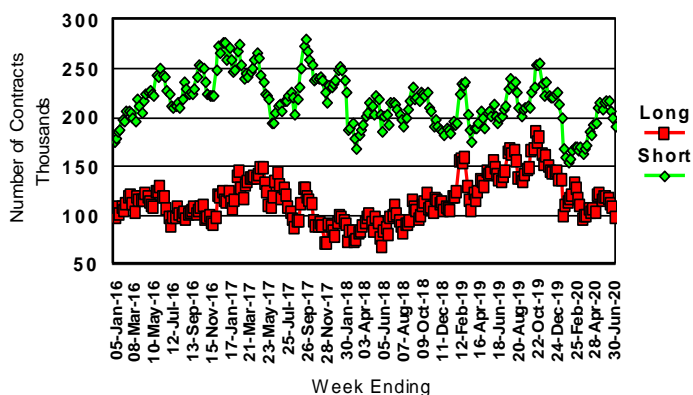
WTI Futures & Options: NYMEX & ICE Combined Managed Money Reportable Positions



## Commitment of Traders Report for the Week Ending July 7, 2020

### Producer/Merchant Heat Positons

CFTC Commitment of Traders Report



### Managed Money Heat Positons

CFTC Commitment of Traders Report

