

## Market Commentary

**Recap:** Oil futures resumed their ascent on Thursday, after data released on Wednesday showed U.S. crude oil inventories falling by 4.1 million barrels for the week ended July 23, marking the ninth weekly decline in 10 weeks. Brent pushed above \$76 a barrel, while WTI climbed toward \$74 a barrel, as weakness in the U.S. dollar helped to lift prices. September WTI broke above \$72.48; the 62% retracement provided by the July high of \$76.98 and the July low of \$65.21 and extended its gains beyond the downward trend line that can be depicted on a daily spot continuation chart. This opens up the opportunity for a run at \$75. This spot contract settled at \$73.62, a gain of \$1.23, or 1.7%, the highest front month settlement since July 13. Brent for September delivery added \$1.31, or 1.8%; to settle at \$76.05 a barrel, while the more actively traded October contract tacked on \$1.23, or 1.7%, to settle at \$75.10 a barrel. August RBOB closed up 1.9% at \$2.35 a gallon, the highest front-month settlement since October 2014. August heating oil rose nearly 1.6% to \$2.19 a gallon for the highest finish since November 2018. The August contracts expire at the end of Friday's session.

**Technical Analysis:** While it appears that investors are downplaying COVID-19 and its impact on demand, the direction of crude oil prices is still very closely tied to the coronavirus, as the Delta variant continues to spread across the globe. There is risk to the demand outlook due to new restrictions, but so far there has been no noticeable impact on demand for fuel. Perhaps what is helping drive crude oil prices higher these past couple of days is the drop in gasoline and distillate stocks. So far, we're not seeing any signs of demand destruction from the new coronavirus outbreak despite what the media is saying. Furthermore, the Federal Reserve even said on Wednesday in its policy statement that the U.S. economic recovery is still on track despite the rise in coronavirus infections. However, along with the spread of the Delta variant, is Beijing's crackdown on the misuse of import quotas combined with the impact of high crude prices, which could see China's growth in oil imports sink to the lowest in two decades in 2021, despite an expected rise in refining rates in the second half. And then there is OPEC and its allies, gearing up to increase output. With all of these underlying factors, it is getting difficult to think that crude oil prices will have a smooth ride to the upside. It is because of this, we remain cautious in taking on significant length.

**Fundamental News:** Shell's CEO, Ben van Beurden, said volatility in commodity prices may continue for some time. Meanwhile, Shell's CFO, Jessica Uhl, said global fuel sales are at 90% to 100% of pre-pandemic levels.

Gasoline stocks held in the Amsterdam-Rotterdam-Antwerp terminal in the week ending July 29<sup>th</sup> fell by 8.73% on the week and by 42.52% on the year to 795,000 tons, while gasoil stocks fell by 0.81% on the week and by 18.95% on the year to 2.087 million tons and fuel oil stocks increased by 4.59% on the week but fell by 14.58% on the year to 1.072 million tons. Naphtha stocks increased by 69.07% on the week but fell by 11.83% on the year to 328,000 tons and jet fuel stocks increased by 2.63% on the week and by 24.97% on the year to 1.171 million tons.

U.S. economic growth solidly in the second quarter as massive government aid and vaccinations against COVID-19 fueled spending on travel-related services. The U.S. Commerce Department said GDP increased at a 6.5% annualized rate in the second quarter. The economy grew at a revised 6.3% rate in the first quarter. The Commerce Department also published revisions to GDP data, which showed the economy contracting 3.4% in 2020, instead of 3.5% as previously estimated. The revisions to growth in other years and quarters were minor. From 2015 to 2020, GDP increased at an average annual rate of 1.1%, unrevised from previously published estimates. The Commerce Department also reported that consumer spending in the second quarter increased by 11.8%, while business investment increased by 8% in the second quarter.

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

WTI - Sep \$73.78, up 16 cents

RBOB - Aug \$2.3540, down 34 points

HO - Aug \$2.1917, down 1 point

## All NYMEX | Prior Settlements

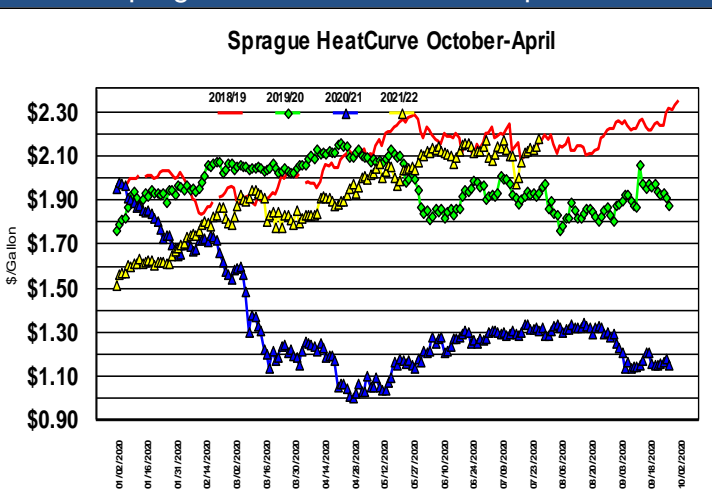
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-21	\$2.1894	\$0.0334	\$0.0568
Sep-21	\$2.1921	\$0.0344	\$0.0585
Oct-21	\$2.1917	\$0.0346	\$0.0592
Nov-21	\$2.1901	\$0.0350	\$0.0604
Dec-21	\$2.1870	\$0.0353	\$0.0613
Jan-22	\$2.1821	\$0.0352	\$0.0619
Feb-22	\$2.1738	\$0.0350	\$0.0623
Mar-22	\$2.1602	\$0.0345	\$0.0619
Apr-22	\$2.1418	\$0.0338	\$0.0609
May-22	\$2.1292	\$0.0328	\$0.0598
Jun-22	\$2.1211	\$0.0320	\$0.0592
Jul-22	\$2.1182	\$0.0314	\$0.0588
Aug-22	\$2.1164	\$0.0310	\$0.0584
Sep-22	\$2.1147	\$0.0308	\$0.0567
Oct-22	\$2.1138	\$0.0303	\$0.0576
Nov-22	\$2.1128	\$0.0298	\$0.0573
Dec-22	\$2.1109	\$0.0297	\$0.0576

Sprague HeatCurve October 2021-April 2022		Close	Change
Crude - WTI	Sep Brent- WTI Spread \$2.43	\$73.6200	\$1.2300
Crude - Brent		\$76.0500	\$1.3100
Natural Gas		\$4.0590	\$0.0920
Gasoline		\$2.3514	\$0.0432

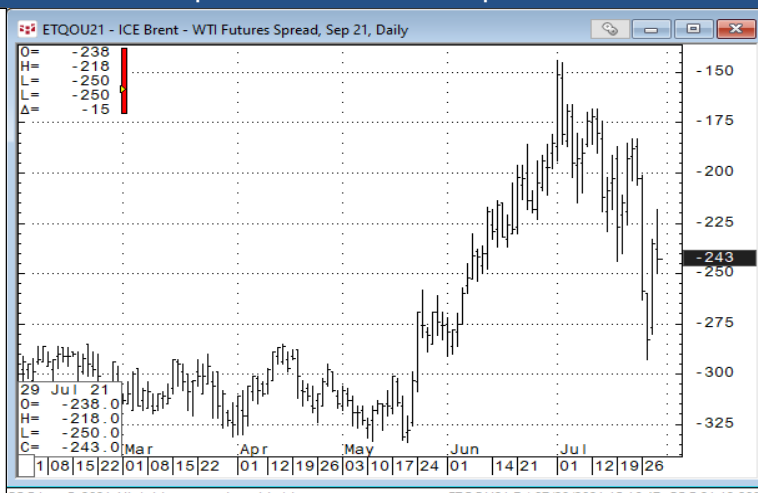
## EIA Working Gas Storage Report

	23-Jul-21	16-Jul-21	Change	23-Jul-2020
East	583	562	21	704
Midwest	702	683	19	813
Mountain	184	183	1	195
Pacific	246	247	-1	313
South Central	999	1,002	-3	1,212
Salt	269	279	-10	340
Nonsalt	729	723	6	872
Total	2,714	2,678	36	3,237

## Sprague HeatCurve October-April



## ICE September Brent-WTI Spread



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