

## Market Commentary

**Recap:** Early on Wednesday, the oil market continued on its upward trend early in the session. The market retraced more than 62% of its move from a high of \$120.88 to a low of \$101.53 as it posted a high of \$114.05 by mid-morning. The market traded to its high as the EIA's weekly petroleum status report showed a draw in U.S. crude stocks of 2.8 million barrels on the week. However, the market quickly erased all of its gains and sold off more than \$2.50 as it traded to a low of \$109.25 in afternoon trading. The market, which posted an outside trading day, gave up its early gains on the unexpected gains reported in distillate and gasoline stocks of 2.6 million barrels each as well as the increase in U.S. oil production, while worries about slower economic growth also pressured the energy complex. The August WTI contract settled down \$1.98 at \$109.78, while the August Brent contract settled down \$1.72 at \$116.26. The product markets ended the session in negative territory, with the heating oil market settling sharply lower at \$4.0637, down 16.27 cents and the RBOB market settling at \$3.8270, down 10.81 cents.

**Technical Analysis:** The crude oil market may continue to trade lower on Thursday following the market's sharp selloff on Wednesday. The market will also look to the OPEC+ meeting for further direction and likely remain pressured as the producers are expected to continue with the previously agreed output policy that would increase output by 648,000 bpd in August. Support is seen at its low of \$109.25, \$107.79, its 50% retracement level from a low of \$101.53 to a high of \$114.05 and \$106.31, its 62% retracement level. Meanwhile, resistance is seen at \$111.16, \$112.90 and its highs of \$114.05 and \$116.58.

**Fundamental News:** The U.S. EIA reported that U.S. crude oil in the SPR fell by 7 million barrels in the week ending June 24<sup>th</sup> to 497.9 million barrels, its lowest level since April 1986. The EIA also reported that U.S. crude oil production increased by 100,000 bpd to 12.1 million bpd in the week ending June 24<sup>th</sup>, its highest level since April 2020.

OPEC and OPEC+ began a series of two-day meetings on Wednesday with sources saying chances of a big policy change look unlikely this month. At its last meeting in early June, OPEC+ decided to increase its output each month by 648,000 bpd in July and August, up from earlier increases of 432,000 bpd. At least five OPEC+ delegates said the meeting this week will focus on confirming August output policies while not discussing September. Two other delegates said the issue of production post August could emerge but it was not clear what steps could be taken.

Federal Reserve Chair, Jerome Powell, said there is a risk U.S. Federal Reserve interest rate increases will slow the economy too much, but the bigger risk is persistent inflation that starts to let public expectations about prices drift higher. He said the U.S. economy remains "in pretty strong shape," and able to cope with tighter credit conditions while avoiding recession or even a significant increase in the unemployment rate.

The U.S. economy contracted in the first quarter amid a record trade deficit. The U.S. Commerce Department said GDP fell at a 1.6% annualized rate in the first quarter. That was revised down from the 1.5% pace of decline reported last month. The economy grew at a 6.9% pace in the fourth quarter. The Commerce Department reported that consumer spending in the first quarter increased by 1.8%, while business investment increased by 10% in the first quarter. The Personal Consumption Expenditure index increased by 7.1% in the first quarter, while the core PCE index increased by 5.2%. Year-on year the PCE index increased by 6.3%, while the core PCE increased by 5.2% in the first quarter.

**Early Market Call - as of 8:20 AM EDT**

WTI - August \$108.43, down \$1.35

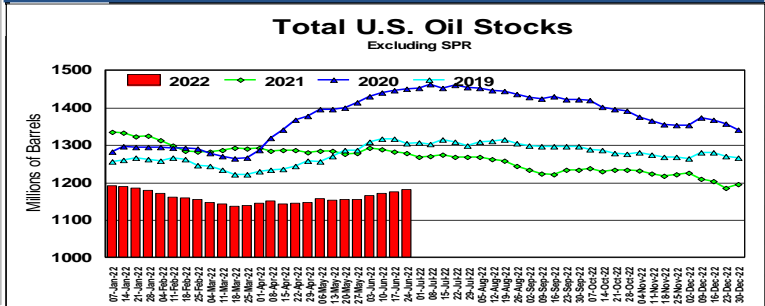
RBOB - July \$3.7008, down 12.62 cents

HO - July \$4.01, down 2.67 cents

## All NYMEX | Prior Settlements

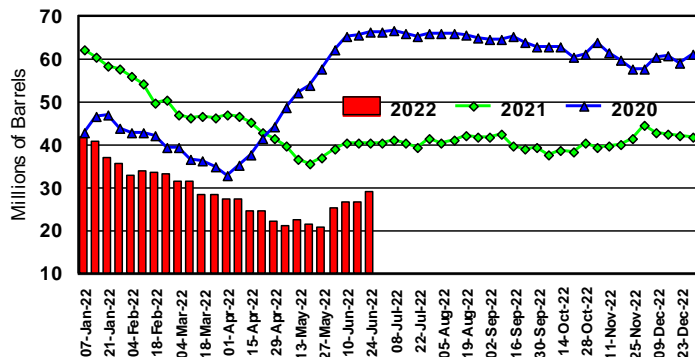
Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Jul-22	4.0367	-0.1627	-0.3679
Aug-22	3.9563	-0.1584	-0.3245
Sep-22	3.8950	-0.1403	-0.3858
Oct-22	3.8283	-0.1274	-0.2538
Nov-22	3.7526	-0.1152	-0.2279
Dec-22	3.6731	-0.1020	-0.2056
Jan-23	3.6006	-0.0918	-0.1871
Feb-23	3.5234	-0.0818	-0.1614
Mar-23	3.4312	-0.0711	-0.1251
Apr-23	3.3329	-0.0606	-0.0894
May-23	3.2545	-0.0545	-0.0635
Jun-23	3.1884	-0.0559	-0.0619
Jul-23	3.1557	-0.0559	-0.0558
Aug-23	3.1243	-0.0560	-0.0480
Sep-23	3.0902	-0.0561	-0.0393
Oct-23	3.0523	-0.0562	-0.0296
Nov-23	3.0133	-0.0566	-0.0223

Sprague HeatCurve October 2022-April 2023			\$3.5829
		Close	Change
Crude - WTI	Aug Brent-	\$109.7800	-\$1.9800
Crude - Brent	WTI Spread	\$116.2600	-\$1.7200
Natural Gas	\$6.48	\$6.4980	-\$0.0720
Gasoline		\$3.8270	-\$0.1081



## Weekly EIA Petroleum Status Report for the Week Ending June 24, 2022

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Down 2.8 million barrels  
**Cushing, OK Crude Stocks** Down 782,000 barrels  
**Gasoline Stocks** Up 2.6 million barrels  
**Distillate Stocks** Up 2.6 million barrels  
**Refinery % Operated** 95%, up 1%

### PADD #1

Distillate Stocks (in million bbls)	Week Ending June 24, 2022	Week Ending June 17, 2022	Week Ending June 25, 2021
New England	3.2	3.2	7.6
Central Atlantic	11.6	11.3	20.3
Total PADD #1	29.1	26.6	40.5
Distillate Imports (thousands b/d)	81	50	208