

Market Commentary

Recap: After a feeble attempt to trade higher on Monday, oil prices reversed to the downside as OPEC+ is expected to ease output cuts, while the number of confirmed Coronavirus cases continues to tick up. OPEC and its allies are hoping global demand will improve as some economies have reopened from closures due to the coronavirus pandemic. August WTI fell 45 cents, or 1.1%, to settle at \$40.10 a barrel, while September Brent lost 52 cents, or 1.2%, to settle at \$42.72 a barrel. August RBOB ended down 0.8% at \$1.2734 a gallon and August heating oil lost 1.4%, to settle at \$1.22235 a gallon.

Technical Analysis: Since the beginning of June, WTI has been trading between \$41.63 and \$34.31, while it continues hovering around the 10-day moving average, where it appears to be building a base of support. Technically speaking, we would look for a dip down toward the bottom of the range, where it should encounter a significant amount of support. Should WTI break below the bottom of this range, we could see a reversal to the downside, with \$30 in sight. Support within the range is set at \$37 and \$35. To the upside, resistance is set at \$42.17 and \$46.19.

Fundamental News: According to the EIA productivity report, U.S. total shale regions oil production in August was seen down about 56,000 bpd at 7.49 million bpd, compared with a decline of 55,000 bpd in July.

The Wall Street Journal reported that an alliance of crude producers led by Saudi Arabia is pushing OPEC and its allies to increase oil production starting in August, amid signs that demand is returning to normal levels following coronavirus-related lockdowns. OPEC and its Russia-led allies are set to meet via web conference Wednesday to debate the group's current and future production.

OPEC's Secretary General, Mohammad Barkindo, said a gradual increase in oil demand as countries ease coronavirus lockdowns and record supply cuts by OPEC and its allies are bringing the oil market closer to balance.

Saudi Arabia and Iraq confirmed their full commitment to the OPEC+ agreement. The countries' Oil Ministers in a joint statement said efforts by OPEC+ to meet their output cuts will enhance market stability. Iraq's Oil Minister said Iraq will improve compliance with OPEC+ cuts to reach 100% by the start of August and pledged to compensate in July-September for the overproduction in May and June. Separately, Nigeria's Oil Minister, Timipre Sylva, in a phone call with his Saudi counterpart, discussed the global oil markets, improvements in oil demand and the progress made towards the full implementation of the OPEC+ agreement. Nigeria's Oil Minister said his country will raise its compliance with OPEC+ oil cuts to 100% and will compensate for its overproduction in May and June.

Saudi Arabia's Saudi Aramco will reduce its August-loading shipments of medium and heavy crude grades to at least six Asian buyers. This is the fourth consecutive month the company is cutting shipments for heavier grades. Aramco will cut Arab Heavy crude supplies for August by about 10% of their contracted volumes while Arab Medium supplies were also reduced. However, buyers were given the option to switch these supplies to lighter crude grades.

Industry sources said Saudi Arabia's oil exports in August will remain the same as in July as the extra barrels the kingdom is set to produce next month under an OPEC+ deal will be consumed domestically to meet rising power generation demand.

Libya's National Oil Corp resumed a force majeure on all oil exports on Sunday and said the United Arab Emirates was behind the renewed blockade on oil exports.

Early Market Call - as of 8:50 AM EDT

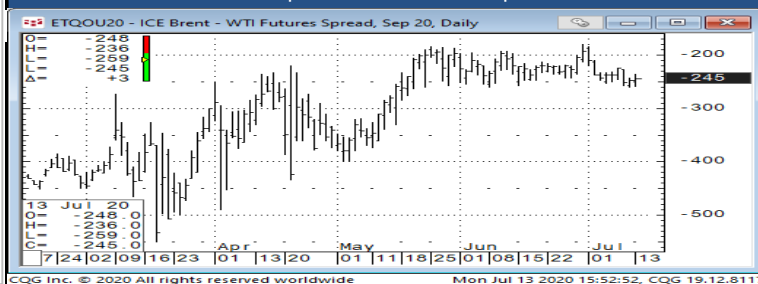
WTI - Aug \$39.39, down 71 cents
 RBOB - Aug \$1.2361, down 3.73 cents
 HO - Aug \$1.2081, down 1.52 cents

All NYMEX | Prior Settlements

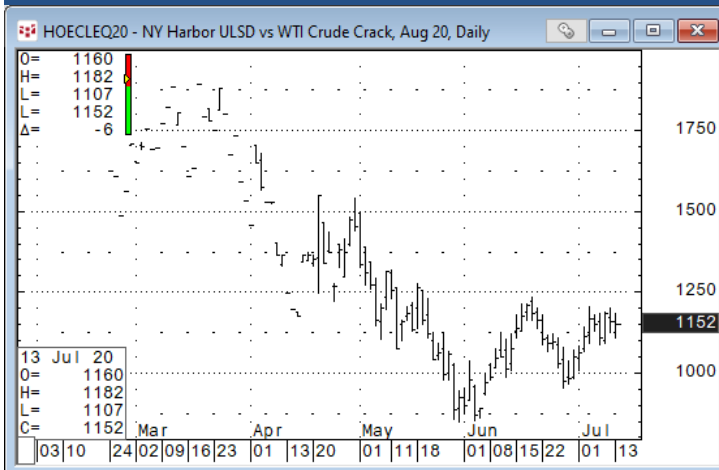
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-20	1.2235	-0.0177	0.0182
Sep-20	1.2361	-0.0162	0.0175
Oct-20	1.2494	-0.0159	0.0178
Nov-20	1.2630	-0.0158	0.0180
Dec-20	1.2751	-0.0159	0.0178
Jan-21	1.2885	-0.0157	0.0173
Feb-21	1.2991	-0.0153	0.0166
Mar-21	1.3049	-0.0151	0.0158
Apr-21	1.3059	-0.0149	0.0140
May-21	1.3112	-0.0146	0.0118
Jun-21	1.3188	-0.0143	0.0097
Jul-21	1.3318	-0.0140	0.0084
Aug-21	1.3441	-0.0134	0.0072
Sep-21	1.3550	-0.0129	0.0059
Oct-21	1.3657	-0.0125	0.0044
Nov-21	1.3764	-0.0119	0.0026
Dec-21	1.3854	-0.0116	0.0014

Sprague Heat Weighted Strip October -April 20/2021		\$1.2865
	Close	Change
Crude - WTI	\$40.3200	-\$0.4400
Crude - Brent	\$42.7200	-\$0.5200
Natural Gas	\$1.7390	-\$0.0660
Gasoline	\$1.2734	-\$0.0097

ICE September Brent-WTI Spread



August Heating Oil Crack Spread



August RBOB Crack Spread

