

Market Commentary

Recap: Oil futures jumped sharply higher on Monday to end the session at a fresh 32-month high, as talks between the U.S. and Iran were suspended following the presidential election of hardline judiciary chief Ebrahim Raisi, who was sanctioned by the U.S. for his 1988 role in the mass execution of political prisoners. A weaker dollar and surging stocks, along with a boost in demand added to the upside momentum. Key time spreads in WTI strengthened, indicating tighter supply. The prompt spread in WTI moved into the deepest backwardation structure since 2018. Spreads along the WTI curve rallied to their strongest level in almost seven years. The expiring July WTI contract rose as much as \$2.32, or 3.2%, to a session high of \$73.96 a barrel, before paring gains to settle at \$72.79 a barrel, up \$1.15, or 1.6%. The most actively traded August contract rose \$1.46, or 2%, to a session high of \$73.28 a barrel before it too pared gains to settle at \$72.35 a barrel, up \$1.06, or 1.5%. July RBOB added 1.3%, to settle at \$2.20 a gallon, while July heating oil rose 1.6% to \$2.13 a gallon.

Technical Analysis: The upside movement in oil futures continued on Monday, drawing support from optimism over the pace of the global COVID-19 vaccinations and an expected pick-up in summer travel. This, in conjunction with trader concern over the delay in talks between the U.S. and Iran has given bulls more incentive. The continued strength in this market indicates that bulls have the ability to absorb any weakness. That being said, we look for this market to hold on to strength as it closes in on the psychological resistance level of \$75. There is resistance set at \$74.28 prior to \$75. To the downside, support is set at \$71.13 and below that at \$70.

Fundamental News: The White House ruled out a gas tax increase to finance a major infrastructure overhaul, as bipartisan infrastructure talks gain momentum.

Genscape reported that crude oil stocks held in Cushing, Oklahoma in the week ending June 18th totaled 43,030,343 barrels, down 2,585,194 barrels on the week and down 956,552 barrels from Tuesday, June 15th.

U.S. national security adviser, Jake Sullivan, said there are still disagreements on key issues between Iran and the world powers in talks to revive their 2015 nuclear deal, adding that the final decision on the issue was up to the Supreme Leader of the Islamic Republic instead of the newly elected president.

Iranian President-Elect Ebrahim Raisi said his country's foreign policy will not be limited by the 2015 nuclear agreement. He said that the United States violated the 2015 nuclear deal and the European Union failed to fulfill its commitments. He said the United States and the EU should fulfill their pledges under the deal. He demanded an end to U.S. sanctions on Iran, suggesting he would maintain efforts to preserve the deal. He said Europeans must also must live up to the promises under the nuclear agreement.

Four traders and industrial sources said Iran could quickly export millions of barrels of oil it is holding in storage if it reaches a deal with the United States on its nuclear program and has been moving oil into place to prepare for an eventual restart. According to Oil Ministry officials, Iran plans to increase output to 3.8 million bpd from the current 2.1 million bpd. That would return the country's production level to where it was before the sanctions, but would take time because of years of low investment in mature oilfields and heavily reduced output. As a stopgap measure while it works on increasing production, the National Iranian Oil Company is expected to export from onshore and offshore storage that contains as much as 200 million barrel. This could allow the country to export an extra 1 million bpd, or 1% of global supply, for more than six months.

Early Market Call - as of 8:35 AM EDT

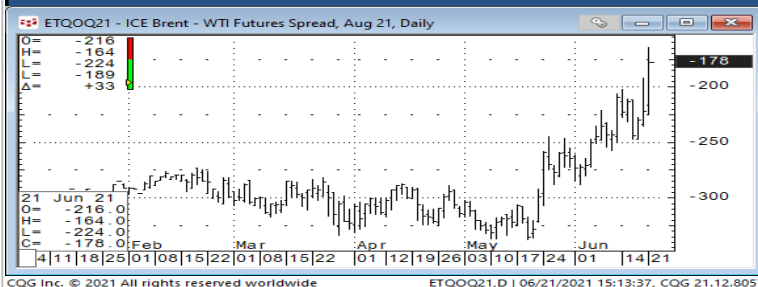
WTI - July \$73.19, down 47 cents
 RBOB - July \$2.2055, up 86 points
 HO - July \$2.1291, up 23 points

All NYMEX | Prior Settlements

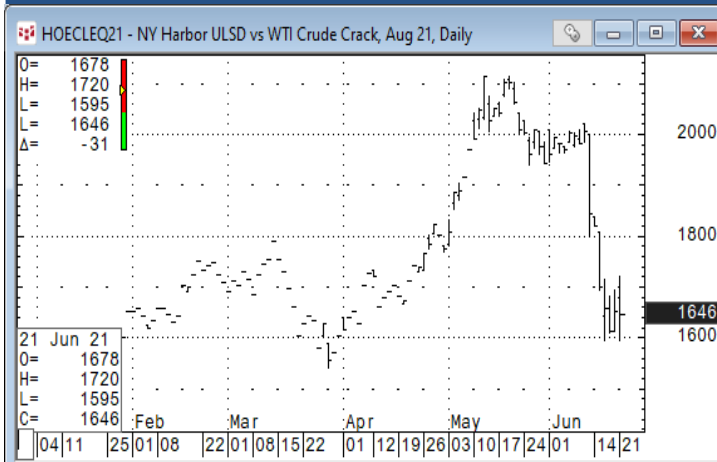
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-21	2.1268	0.0336	0.0152
Aug-21	2.1297	0.0330	0.0150
Sep-21	2.1325	0.0325	0.0147
Oct-21	2.1332	0.0320	0.0135
Nov-21	2.1322	0.0320	0.0125
Dec-21	2.1302	0.0319	0.0122
Jan-22	2.1275	0.0316	0.0119
Feb-22	2.1218	0.0315	0.0117
Mar-22	2.1100	0.0313	0.0103
Apr-22	2.0932	0.0313	0.0085
May-22	2.0803	0.0313	0.0063
Jun-22	2.0700	0.0311	0.0046
Jul-22	2.0671	0.0309	0.0038
Aug-22	2.0654	0.0308	0.0033
Sep-22	2.0642	0.0306	0.0021
Oct-22	2.0629	0.0304	0.0024
Nov-22	2.0618	0.0303	0.0018

Sprague HeatCurve October 2021-April 2022		\$2.1221
	Close	Change
Crude - WTI	\$73.1200	\$1.8300
Crude - Brent	\$74.9000	\$1.3900
Natural Gas	\$3.1910	-\$0.0240
Gasoline	\$2.1969	\$0.0286

ICE August Brent-WTI Spread



August Heating Oil Crack Spread



August RBOB Crack Spread

