

Market Commentary

Recap: Oil futures initially traded to the downside on Tuesday, but recovered, as investors monitored a pickup in the spread of the delta variant of the virus that causes COVID-19 and awaited an OPEC+ decision on whether to further lift curbs on crude production. The decision by OPEC+ is expected Thursday, and remains a key event this week. After the jump to the upside, gains were trimmed, with both Brent and WTI hovering around the unchanged level just prior to the settlement phase of the market. August WTI added 7 cents, or 0.10%, to settle at \$72.98 a barrel, the sixth highest settlement for this year, August Brent ended the session up 8 cents, or 0.11%. August RBOB gained 2.38 cents, or 1%, to settle at \$2.2415 a gallon. August heating oil added 0.0063 cents, or 0.2%, to settle at \$2.1271 a gallon.

Market Outlook: OPEC's forecasts point to an oil supply deficit in August and in the rest of 2021, suggesting the group has room to raise output. However, new concerns over COVID-19 Delta Variant frightened weak longs out of the positions on Monday, but Tuesday's action suggests that some traders believe this will not change the current trend of the market. Due to the rapid pace of the vaccinations, traders have grown relatively immune to COVID-19 developments, but if the new surge eventually leads to large scale shutdowns in Asia, we may see a reaction since Asia is a huge demand center. Spain and Portugal, vacation favorites for Europeans, have imposed new restrictions on unvaccinated Britons, while 80% of Australians faced tighter restriction due to flare-ups of the virus across the country. Across the globe, there still exists an economic recovery from the pandemic and should the variant spread in other countries, any such recovery is sure to be hindered. That being said, the main trend of the market remains to the upside, but how high this market can go is cause for concern. We are still looking for the \$75 in WTI, which is a key psychological number. Should this market break above this level, we would look for a continued run to the upside, with \$77.50 our objective. To the downside support is set at \$72.70 and below that at \$70.

Fundamental News: The EIA reported that U.S. retail regular gasoline prices increased by 1% to \$2.99/gallon and diesel prices increased 0.4% to \$3.30/gallon in the week ending June 25th.

Descartes Labs said U.S. gasoline demand in the week ending June 25th reached the highest level this year, increasing 0.4% to 9.631 million bpd. Demand increased for three consecutive weeks and in four of the last five weeks.

Exports of northwest European gasoline to the United States were estimated at around 111,000 tons this week, a 60% decline week-on-week due to U.S. inventory builds. Meanwhile, diesel exports from the U.S. Gulf Coast to Europe are set to reach 380,000 tons in June, up from 152,000 tons in May.

OPEC Secretary General, Mohammad Barkindo, said at the start of the OPEC+ Joint Technical Committee meeting on Tuesday that while strong fundamentals "give us hope that we are on the right path to recovery," the global oil market is "not completely out of the woods yet". He said "the current significant uncertainties calls for prudence". The Joint Technical Committee later ended its meeting without making any policy recommendation. It maintained its 2021 global oil demand growth at 6 million bpd. OPEC+ will hold the joint ministerial monitoring committee meeting on July 1st, a day after it was previously planned to allow countries more time for talks.

OPEC and its allies forecast an oil supply deficit in August and in the rest of 2021 as economies recover from the impact of COVID-19. According to OPEC's latest monthly oil market report, the demand for its crude suggests, if output levels remain unchanged, OPEC supply will fall short of expected demand by 1.5 million bpd in August. The shortfall widens to 2.2 million bpd in the fourth quarter of 2021.

Early Market Call - as of 8:30 AM EDT

WTI - July \$7400, up \$1.02

RBOB - July \$2.2512, up 62 points

HO - July \$2.1367, up 96 points

All NYMEX | Prior Settlements

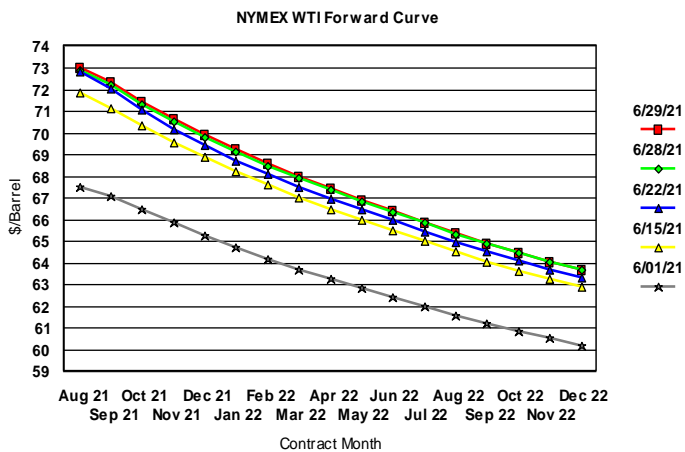
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-21	\$2.1219	\$0.0037	-\$0.0291
Aug-21	\$2.1245	\$0.0037	-\$0.0299
Sep-21	\$2.1271	\$0.0034	-\$0.0298
Oct-21	\$2.1280	\$0.0032	-\$0.0296
Nov-21	\$2.1274	\$0.0032	-\$0.0292
Dec-21	\$2.1258	\$0.0033	-\$0.0289
Jan-22	\$2.1236	\$0.0038	-\$0.0282
Feb-22	\$2.1185	\$0.0042	-\$0.0271
Mar-22	\$2.1079	\$0.0045	-\$0.0253
Apr-22	\$2.0921	\$0.0045	-\$0.0240
May-22	\$2.0793	\$0.0042	-\$0.0234
Jun-22	\$2.0697	\$0.0037	-\$0.0225
Jul-22	\$2.0673	\$0.0040	-\$0.0216
Aug-22	\$2.0658	\$0.0044	-\$0.0211
Sep-22	\$2.0646	\$0.0047	-\$0.0223
Oct-22	\$2.0640	\$0.0050	-\$0.0200
Nov-22	\$2.0632	\$0.0053	-\$0.0194

Sprague HeatCurve October 2021-April 2022		\$2.1186
	Close	Change
Crude - WTI	\$72.9800	\$0.0700
Crude - Brent	\$74.7600	\$0.0800
Natural Gas	\$3.6300	\$0.0370
Gasoline	\$2.2390	\$0.0224

API Report for the Week Ending June 25, 2021

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Down 8.15 million barrels	Down 3.6 million bbls
Cushing, OK Crude Stocks	Down 1.32 million barrels	
Gasoline Stocks	Up 2.42 barrels	Down 1.2 million barrels
Distillate Stocks	Up 428,000 barrels	Up 400,000 barrels
Refinery Runs		Up 0.4%, at 92.6%
Crude Imports		

WTI Forward Curve



WTI Continuation

