

Market Commentary

Recap: Tensions in the Mideast, along with a weaker U.S. dollar gave rise to crude oil prices on Thursday but renewed Covid-19 restrictions across the globe worked to keep a lid over this market. Israeli jets struck what its military said were rocket launch sites in Lebanon early on Thursday in response to two rockets fired towards Israel from Lebanese territory, in an escalation of cross-border hostilities amid heightened tensions with Iran. Meanwhile, Japan is set to expand emergency restrictions to more prefectures while China has imposed curbs in some cities and canceled flights, threatening fuel demand. September WTI settled at \$69.09 a barrel, up 94 cents, or 1.4%, while October Brent rose 91 cents, or 1.3%, to settle at \$71.29 a barrel. September RBOB settled at \$2.294 a gallon, up 2%, while September heating oil finished up 1.5%, settling at \$2.106 a gallon.

Technical Analysis: Thursday's price action indicates that buyers are still loitering down below, waiting to buy this market on dips, as they establish higher support levels on hopes that an economic recovery is on the horizon. But just as buyers are waiting down below, sellers are hanging about, adding fresh pressure on this market. Volatility remains strong, as this market continues to react to an array of news. It is not yet known and hard to determine the impact the spread of the Delta variant will have on demand making this the dominant factor at the moment. What is known, are the inventory numbers, in which crude oil is expected to maintain a longer-term bullish tone as long as reports show tightening supply, especially in gasoline and distillates. September WTI bounced off of the bottom line on a descending channel that can be depicted on a daily spot continuation chart. Given the support we have seen underneath this market, we would look for a run at \$69.71, with successful breaks leading toward a run at \$71.10.

Fundamental News: According to senior administration officials, President Joe Biden will sign an executive order on Thursday that sets a target for zero-emissions vehicles to account for half of all automobiles sold in the U.S. by 2030. Establishing the non-binding goal is part of a series of actions Biden will announce aimed at jump-starting a shift toward electric vehicles and part of the administration's broader agenda to tackle climate change and compete with China. The executive order calls for half of new car sales to be of electric vehicles powered by batteries and fuel cells or plug-in electric hybrids by the end of the decade. Leaders from auto companies and labor unions are expected to join President Biden at the White House on Thursday afternoon. The EPA and the Transportation Department were also set to propose new requirements on greenhouse gas emissions and fuel efficiency for cars, SUVs and pickup trucks through model year 2026. The White House estimated the new EPA rules would save around 200 billion gallons of gasoline and reduce 2 billion metric tons of carbon pollution, resulting in \$900 in savings for consumers over a vehicle lifespan. Officials said the fuel efficiency and emissions standards would result in about \$140 billion in net benefits over the life of the program.

UBS said oil should resume its upward trend despite the spread of the Delta variant. It believes the return to economic normalization will continue globally, lending support to oil prices in the months ahead. It expects global oil demand to exceed 99 million bpd this year as economic recovery continues, up from a low of 78 million bpd in April 2020. UBS said it believes ongoing declines in global oil inventories should see prices resumed their upward trend. It added that with OPEC+ firmly in control of supply, and maintaining its cautious stance, the crude market is likely to tighten further. UBS expects Brent crude to trade between \$75/barrel and \$80/barrel in the second half of the year.

The Wall Street Journal reported that Exxon Mobil Corp is considering a pledge to reduce its net carbon emissions to zero by 2050. The report said the oil major had not made a final decision on the net-zero pledge. It added that Exxon planned to unveil a series of strategic moves on environmental and other issues before the end of the year.

Early Market Call - as of 8:10 AM EDT

WTI - Sep \$69.88 UP 0.80
RBOB - Sep \$2.3042 UP 0.0103
HO - Sep \$2.1198 UP 0.0142

All NYMEX | Prior Settlements

Month	USLD (HO)	Prior Settle	Change In
	Close	Change	One Week
Sep-21	\$2.1060	\$0.0319	-\$0.0861
Oct-21	\$2.1087	\$0.0317	-\$0.0830
Nov-21	\$2.1092	\$0.0312	-\$0.0809
Dec-21	\$2.1080	\$0.0312	-\$0.0790
Jan-22	\$2.1060	\$0.0314	-\$0.0761
Feb-22	\$2.1007	\$0.0319	-\$0.0731
Mar-22	\$2.0900	\$0.0320	-\$0.0702
Apr-22	\$2.0735	\$0.0303	-\$0.0683
May-22	\$2.0626	\$0.0288	-\$0.0666
Jun-22	\$2.0561	\$0.0276	-\$0.0650
Jul-22	\$2.0551	\$0.0268	-\$0.0631
Aug-22	\$2.0548	\$0.0260	-\$0.0616
Sep-22	\$2.0549	\$0.0251	-\$0.0615
Oct-22	\$2.0558	\$0.0245	-\$0.0580
Nov-22	\$2.0566	\$0.0240	-\$0.0562
Dec-22	\$2.0560	\$0.0235	-\$0.0549
Jan-23	\$2.0551	\$0.0233	-\$0.0534

Sprague HeatCurve October 2021-April 2022			\$2.1006
		Close	Change
Crude - WTI	Oct Brent- WTI Spread	\$68.7400	\$0.9500
Crude - Brent		\$71.2900	\$0.9100
Natural Gas	\$2.55	\$4.1400	-\$0.0180
Gasoline		\$2.2940	\$0.0440

EIA Working Gas Storage Report

	30-Jul-21	23-Jul-21	Change	30-Jul-2020
East	604	583	21	716
Midwest	719	702	17	828
Mountain	184	184	0	201
Pacific	244	246	-2	311
South Central	976	999	-23	1,214
Salt	250	269	-19	336
Nonsalt	726	729	-3	877
Total	2,727	2,714	13	3,269

Sprague HeatCurve October-April

ICE October Brent-WTI Spread

