

## Market Commentary

## All NYMEX | Prior Settlements

**Recap:** On Monday, the oil market erased its early rally to a four-week high, as Hurricane Ida weakened after forcing the shutdown of 1.74 million bpd of U.S. Gulf oil production ahead of the storm. The market was also pressured as OPEC+ looked set to proceed with a planned oil output increase at its meeting on Wednesday. OPEC+ is expected to discuss a 400,000 bpd increase in its oil output. The market posted a high of \$69.64 on the opening before it started to erase its gains as Hurricane Ida made landfall on Sunday and weakened to a Category 1 hurricane. However, the market traded lower despite the fact that oil output was still shut in and refineries remained shut in the aftermath of the storm. The market fell to a low of \$67.67 in overnight trading before it bounced off that level and traded back towards the \$69.00 level, still remaining below its session highs. The September WTI contract settled up 47 cents or 0.68% at \$69.21, while the Brent contract settled up 71 cents or 0.98% at \$73.41. The product markets settled in positive territory once again, with the heating oil market settling up 3.11 cents at \$2.1403 and the RBOB market settling up 3.85 cents at \$2.3127.

**Technical Analysis:** The oil market is seen remaining supported as production in the Gulf remains shut in as oil companies continue to evaluate the offshore installations and the refineries that were shut ahead of the hurricane. However, its gains will be limited as the market awaits the outcome of the OPEC+ meeting on Wednesday, when the OPEC+ producers are expected to discuss a 400,000 bpd increase in its output. The market is seen finding resistance at its high of \$69.64, \$70.67 and \$71.16, its 62% retracement level from a low of \$61.74 to a high of \$76.98. Support is seen at \$67.67, \$67.52, \$67.02, \$66.92 and \$65.41.

**Fundamental News:** Hurricane Ida pummeled U.S. Gulf Coast energy suppliers, knocking out most of the region's offshore wells and nearly half its motor fuel production. The storm crashed on Sunday into the Louisiana coast, tearing through U.S. offshore oil and gas fields with 150 mile per hour winds and pushing up to 12 feet of water ashore. Tracking firm GasBuddy said production losses, including at six Gulf Coast refineries, will lift retail gasoline prices by 5 to 10 cents/gallon. Colonial Pipeline, the largest U.S. fuel pipeline network, halted motor fuel deliveries from Houston to Greensboro, North Carolina. Its lines supply nearly half the gasoline used along the U.S. East Coast and an extended May shutdown led to fuel shortages. On Monday, the Bureau of Safety and Environmental Enforcement said a total of 1.72 million bpd or 95% of oil production and 2,087 mmcf/d or 94% of natural gas output remain shut in the U.S. side of the Gulf of Mexico following evacuations at 288 platforms due to Hurricane Ida. The shut-in refining capacity totaled 2.11 million bpd or about 12% of the national total. That includes two Valero Energy plants in Louisiana that combined process 335,000 bpd and Phillips 66's 255,000 bpd Alliance, Louisiana, refinery. Oil companies on Monday will begin damage surveys of offshore platforms before taking crews back and restoring any output. Royal Dutch Shell on Sunday was seeking to resume some production at one of seven platforms halted by the storm. The Louisiana Offshore Oil Port halted deliveries ahead of the storm after forecasts indicated possible impacts to its operational areas.

IIR Energy reported that U.S. oil refiners are expected to shut in 1,628,000 bpd of capacity in the week ending September 3<sup>rd</sup>, cutting available refining capacity by 1,360,000 bpd.

Tight supplies of gasoline on the U.S. East Coast are being pressured by refinery outages from Hurricane Ida. According to the U.S. Department of Energy, at least nine refineries in Louisiana that account for 13% of U.S. processing capacity on Monday had reduced or halted production. Those plants process 2.3 million bpd of crude into gasoline and other fuels.

**Early Market Call - as of 8:30 AM EDT**

WTI - Oct \$68.52, down 70 cents

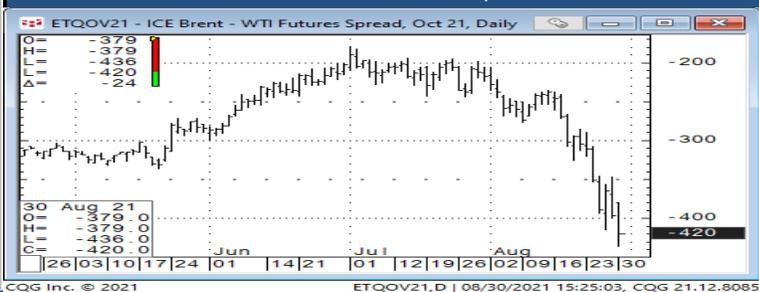
RBOB - Sep \$2.2750, down 2.67 cents

HO - Sep \$2.1180, down 2.03 cents

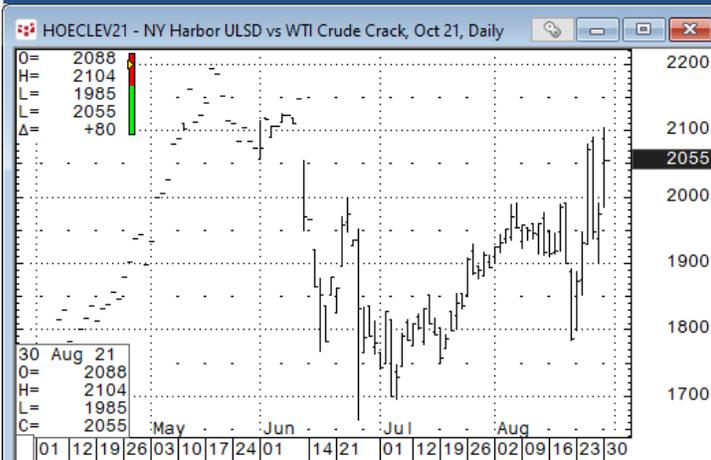
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Sep-21	\$2.1403	\$0.0311	\$0.1352
Oct-21	\$2.1378	\$0.0308	\$0.1296
Nov-21	\$2.1324	\$0.0293	\$0.1255
Dec-21	\$2.1275	\$0.0288	\$0.1240
Jan-22	\$2.1224	\$0.0287	\$0.1231
Feb-22	\$2.1138	\$0.0286	\$0.1225
Mar-22	\$2.1008	\$0.0274	\$0.1202
Apr-22	\$2.0822	\$0.0263	\$0.1171
May-22	\$2.0689	\$0.0255	\$0.1135
Jun-22	\$2.0597	\$0.0252	\$0.1110
Jul-22	\$2.0577	\$0.0251	\$0.1091
Aug-22	\$2.0569	\$0.0252	\$0.1077
Sep-22	\$2.0570	\$0.0252	\$0.1078
Oct-22	\$2.0582	\$0.0254	\$0.1058
Nov-22	\$2.0587	\$0.0256	\$0.1053
Dec-22	\$2.0575	\$0.0254	\$0.1037
Jan-23	\$2.0567	\$0.0252	\$0.1030

Sprague HeatCurve October 2021-April 2022			\$2.1171
		Close	Change
Crude - WTI	Oct Brent- WTI Spread \$4.20	\$69.2100	\$0.4700
Crude - Brent		\$73.4100	\$0.7100
Natural Gas		\$4.3050	-\$0.0830
Gasoline		\$2.3127	\$0.0385

### ICE October Brent-WTI Spread



### October Heating Oil Crack Spread



### October RBOB Crack Spread

