

## Market Commentary

**Recap:** Oil futures rose for the third straight day, further ignoring the bearish U.S. inventory report and the spread of the Covid-19 Delta variant, as well as reports on Thursday stating China released 22 million barrels of oil from its strategic reserve in a bid to keep a check on rising oil prices. However there are expectations that economies recovering from the pandemic will continue to add demand while supply from non-OPEC sources continues to lag, leaving a market that may soon be hungry for barrels. Crude and refined products futures climbed July 22 even as equities edged lower following higher-than-expected US unemployment figures. According to the US Labor Department, US jobless claims climbed to 419,000 the week ended July 17, up from the prior week's 368,000 figure, which itself was adjusted higher. WTI for September delivery added \$1.61, or 2.3%, to settle at \$71.91 per barrel, September Brent settled at \$73.79 a barrel, up 41.56, or 2.2%. August RBOB tacked on nearly 2.6% to \$2.27 a gallon and August heating oil inched up by 2.2% to \$2.13 a gallon.

**Technical Analysis:** The bulls can point to stability in refined products crack spreads, which held up relatively well during the July 19 selloff, reflecting some optimism on the gasoline and diesel demand front. The NYMEX front-month RBOB crack spread against ICE Brent was trading around \$20.81 per barrel midday July 22, up from \$19.17 per barrel July 19, while the USLD crack was trading around \$15.80 per barrel, up from \$14.83 per barrel. With refined products crack spreads and margins holding up, refiners have little incentive to cut runs, which should help to tighten inventories. However, OPEC and its allies have plenty of spare capacity, and while the group would benefit from not increasing output at a fast pace, it is doubtful they would view such a scenario as optimum given demand and political consideration. September WTI recaptured \$71.10, the 50% retracement provided by the July 6 high of \$76.98 and the July 20 low of \$65.21. Moving oscillators are pointing to the upside, which will give technical traders confidence, boosting the likelihood of this market reaching \$72.48, the 62% retracement of the aforementioned high and low.

**Fundamental News:** Morgan Stanley still sees the oil market in a stronger deficit in the second half of this year than in the first half of this year. It expects OPEC to remain cohesive and keep the market in a modest deficit in 2022. It continues to forecast Brent prices trading in the mid-to-high \$70s over the remainder of the year. It sees the Brent-WTI spread averaging \$2/barrel in the second half of this year, but added that risks are skewed to the downside on a potentially continued inventory drawdown at Cushing, Oklahoma. Barclays increased its 2021 oil demand estimates by 250,000 bpd. It expects U.S. oil demand to increase by 1.6 million bpd year on year this year compared with a previous estimate of 1.4 million bpd. It said the Covid-19 variants could slow down demand recovery but the effect would be muted compared with earlier this year.

Barclays raised its 2021 oil price forecasts by \$3-\$5/barrel due to a faster than expected normalization of OECD inventories. It stated that supply-demand dynamics point to a slow move higher in prices over the next few months. It however, lowered its oil price forecasts by \$3/barrel for 2022 on expectation of a larger surplus. It sees Brent prices averaging \$69/barrel this year, up from a previous forecast of \$66/barrel and \$68/barrel in 2022 on expectation of a larger surplus. U.S. WTI prices are forecast to average \$67/barrel this year, up from a previous forecast of \$62/barrel, and average \$65/barrel next year. Barclays said oil prices could increase to \$100/barrel over the coming months if OPEC+ is too slow in bringing back supplies. Barclays does not think OPEC+ will be able to continue tapering at 400,000 bpd beyond this year if Iranian supplies increase.

**Early Market Call - as of 8:15 AM EDT**

WTI - Sep \$71.72, down 18 cents  
 RBOB - Aug \$2.2670, down 63 points  
 HO - Aug \$2.1307, down 15 points

## All NYMEX | Prior Settlements

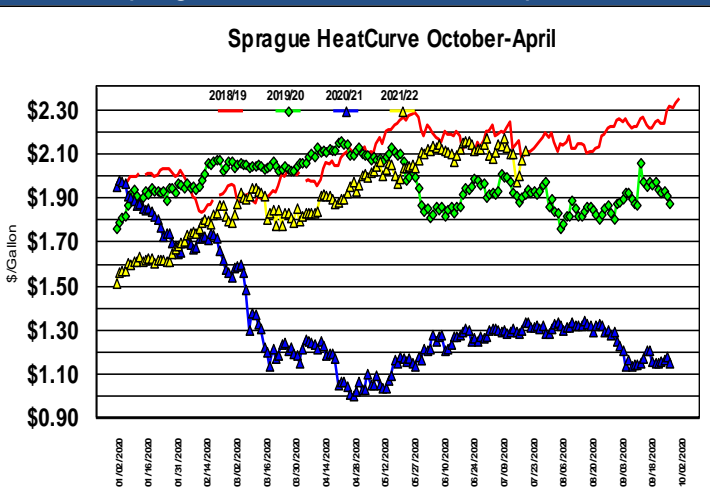
Month	USLD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-21	\$2.1326	\$0.0456	\$0.0200
Sep-21	\$2.1336	\$0.0450	\$0.0195
Oct-21	\$2.1325	\$0.0447	\$0.0188
Nov-21	\$2.1297	\$0.0442	\$0.0183
Dec-21	\$2.1257	\$0.0434	\$0.0171
Jan-22	\$2.1202	\$0.0422	\$0.0150
Feb-22	\$2.1115	\$0.0409	\$0.0125
Mar-22	\$2.0983	\$0.0393	\$0.0105
Apr-22	\$2.0809	\$0.0376	\$0.0088
May-22	\$2.0694	\$0.0362	\$0.0086
Jun-22	\$2.0619	\$0.0350	\$0.0083
Jul-22	\$2.0594	\$0.0342	\$0.0082
Aug-22	\$2.0580	\$0.0336	\$0.0084
Sep-22	\$2.0566	\$0.0330	\$0.0070
Oct-22	\$2.0562	\$0.0324	\$0.0080
Nov-22	\$2.0555	\$0.0318	\$0.0077
Dec-22	\$2.0533	\$0.0311	\$0.0075

Sprague HeatCurve October 2021-April 2022		\$2.1147	
		Close	Change
Crude - WTI	Sep Brent-	\$71.9100	\$1.6100
Crude - Brent	WTI Spread	\$73.7900	\$1.5600
Natural Gas	\$1.88	\$4.0030	\$0.0440
Gasoline		\$2.2732	\$0.0565

## EIA Working Gas Storage Report

	16-Jul-21	09-Jul-21	Change	16-Jul-2020
East	562	543	19	690
Midwest	683	662	21	796
Mountain	183	180	3	189
Pacific	247	250	-3	311
South Central	1,002	995	7	1,222
Salt	279	283	-4	350
Nonsalt	723	712	11	872
Total	2,678	2,629	49	3,210

## Sprague HeatCurve October-April



## ICE September Brent-WTI Spread

