

Market Commentary

Recap: Oil prices rose early in the session, with Brent futures trading at \$75 a barrel for the first time since August of 2019, while WTI drew closer to the \$74 mark. Prices were boosted by signs of tightening supplies, amid expectations for a global demand recovery. Both benchmarks have risen for the past four weeks in response to the global rollout of COVID-19 vaccinations and an expected pick-up in summer travel. However, the strong sentiment was dampened by expectations of an increase in U.S. crude oil supplies and reports from Reuters and Bloomberg stating OPEC and their allies, have discussed the possibility of raising production levels even more, starting in August. OPEC+ will hold its next meeting on July 1. It has already implemented a plan to gradually raise production from May through July, amid a recovery in oil demand. July WTI, which expired at the end of Tuesday's session, fell 60 cents, or 0.8%, to settle at \$73.06 a barrel, while the most actively traded August contract fell 27 cents, or 0.4%, to settle at \$72.85 a barrel. August Brent lost 9 cents, or 0.1%, to settle at \$74.81 a barrel. July RBOB added nearly 1.3%, to \$2.22 a gallon, with prices based on the most-active contract marking their highest finish since May 24, 2018. July heating oil rose 1.1%, to \$2.15 a gallon.

Market Outlook: At this point, there appears to be a lot of downplay of the lower move, as expectations for increasing demand continue to dominate. There are those however, that see the possibility of more OPEC+ supply blocking the way for higher prices. Ultimately, we look for WTI to continue to fight its way toward the psychological level of \$75, while \$70 provides a strong level of support. We had previously written about the ascending triangle that can be depicted on a daily spot continuation chart, which this market had broken out of at the end of May. The projected upside target of this move is \$78.33. If we get above \$75, this would be our upside target.

Fundamental News: An OPEC+ source said OPEC+ is discussing a further gradual increase of oil output from August, but no decision had been taken on the exact volume yet. OPEC and its allies, known as OPEC+, is returning 2.1 million bpd to the market from May through July as part of a plan to gradually unwind last year's record oil output cuts, as demand recovers from the pandemic. OPEC+ meets next on July 1st.

According to officials, Russia is considering proposing an OPEC+ oil-output increase at the group's meeting next week because the nation sees a supply deficit in the market. Russia expects the current global oil-output deficit to persist in the medium term. However, another official said the country's final position going into the July 1st meeting with its OPEC+ partners is still being shaped. Separately, an industry source said Russian producers see August as a good time to further ease oil output cuts despite the expected return of Iranian oil to the market as the market is in deficit.

Citi Research raised its Brent crude oil forecast by \$4/barrel to \$72/barrel this year and by \$8/barrel to \$67/barrel next year. It expects Brent crude prices to average \$77/barrel in the third quarter and \$78/barrel in the fourth quarter, up \$4/barrel and \$9/barrel, respectively from its previous forecast. It sees spot Brent reaching \$85/barrel before the fourth quarter.

Trafigura Group said oil could reach \$100/barrel in the next 12 to 18 months as the recovery from the pandemic drives a rebound in demand. The increase in consumption driven by the U.S. and Europe and the "structural underinvestment" in new production will underpin a further increase in prices.

Schlumberger's CEO said oil demand and supply will rebalance sooner than previously expected on lower investment in new production.

Early Market Call - as of 8:30 AM EDT

WTI - July \$73.68, up 83 cents
 RBOB - July \$2.2474, up 2.29 cents
 HO - July \$2.1705, up 1.95 cents

All NYMEX | Prior Settlements

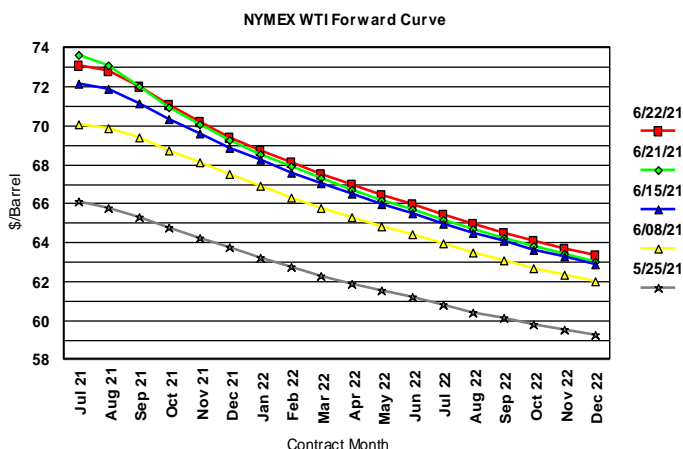
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-21	\$2.1510	\$0.0242	\$0.0387
Aug-21	\$2.1544	\$0.0247	\$0.0397
Sep-21	\$2.1569	\$0.0244	\$0.0392
Oct-21	\$2.1576	\$0.0244	\$0.0383
Nov-21	\$2.1566	\$0.0244	\$0.0377
Dec-21	\$2.1547	\$0.0245	\$0.0381
Jan-22	\$2.1518	\$0.0243	\$0.0381
Feb-22	\$2.1456	\$0.0238	\$0.0378
Mar-22	\$2.1332	\$0.0232	\$0.0363
Apr-22	\$2.1161	\$0.0229	\$0.0348
May-22	\$2.1027	\$0.0224	\$0.0328
Jun-22	\$2.0922	\$0.0222	\$0.0316
Jul-22	\$2.0889	\$0.0218	\$0.0307
Aug-22	\$2.0869	\$0.0215	\$0.0304
Sep-22	\$2.0854	\$0.0212	\$0.0289
Oct-22	\$2.0840	\$0.0211	\$0.0300
Nov-22	\$2.0826	\$0.0208	\$0.0296

Sprague HeatCurve October 2021-April 2022			\$2.1461
		Close	Change
Crude - WTI	Aug Brent- WTI Spread \$1.96	\$72.8500	-\$0.2700
Crude - Brent		\$74.8100	-\$0.0900
Natural Gas		\$3.2580	\$0.0670
Gasoline		\$2.2243	\$0.0274

API Report for the Week Ending June 18, 2021

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Down 7.2 million barrels	Down 6.3 million bbls
Cushing, OK Crude Stocks	Down 2.6 million barrels	
Gasoline Stocks	Up 960,000 barrels	Up 1.3 million barrels
Distillate Stocks	Up 990,000 barrels	Up 1 million barrels
Refinery Runs		Up 0.5%, at 93.1%
Crude Imports		

WTI Forward Curve



WTI Continuation

