

Market Commentary

Recap: A north bound tropical disturbance is coming up through the Gulf of Mexico and is expected to reach the far upper Texas coast or along the coast of Louisiana. This disturbance has the potential of becoming a tropical storm, which has put traders on alert. The possibility of refinery shut-ins, combined with expectation for a 2.9 million barrel draw in U.S. crude oil inventories, sparked a buying frenzy in oil futures. Signs of expectations for increasing forward demand can be seen in time spreads, which reached new highs on Monday. The July/August WTI spread, the prompt month spread firmed to the highest level for a front month spread since May 2020, while the Dec21/Dec22 spread trading at \$6.00, the widest this spread has traded since 2018.

The July WTI contract jumped 1.8%, to \$72.16, a 32 month high, this spot contract finished the session at \$72.12 a barrel up \$1.24, or 1.75%. Brent for August delivery added \$1.13, or 1.55%, to settle at \$73.99 a barrel.

Market Outlook: The bullish chatter in the oil markets is getting louder, as supply growth lags demand growth in the near term. OPEC+ has managed to maintain supply discipline, adding to the noise. We would expect the gasoline inventory numbers to be the main focus, with traders hoping for a bullish report. That being said, we have not changed our view for this market, and that is for prices to continue to head higher while heading into headwinds on the way up. \$75 remains our near term objective, with a push through this level leading the way toward \$78. Support is seen at \$69.29 and below that at \$66.43.

Fundamental News: Leading Iranian moderate presidential candidate, Abdolnaser Hemmati, said Iran could hold talks with the United States if Washington adhered to "positive coexistence" with Tehran.

Iran's government said the country has made 6.5 kg or 14 lbs of uranium enriched to up to 60%. Iranian government spokesman, Ali Rabiei, said the country had also produced 108 kg of uranium enriched to 20% purity, indicating quicker output than the rate required by the Iranian law that created the process.

Fitch increased its 2021 and 2022 oil price assumptions for Brent and WTI benchmarks due to stronger year-to-date prices. It also increased its oil price assumptions due to a deficit in the market caused by a recovery in demand. It forecast a Brent crude price of \$63/barrel for 2021 and \$55/barrel for 2022, compared with a previous estimate of \$58/barrel and \$53/barrel, respectively. WTI is forecast to reach \$60/barrel and \$52/barrel for 2021 and 2022, respectively, compared with a previous estimate of \$55/barrel and \$50/barrel.

Goldman Sachs Economics Research increased its estimate for Saudi Arabia's oil production by about 500,000 bpd to 10 million bpd by the end of 2021. It stated that with oil prices rising above \$70/barrel, it sees risks in the oil sector as being significantly skewed to the upside. Goldman Sachs does not rule out oil prices reaching \$100/barrel.

Vitol's CEO, Russell Hardy, said that oil will not be in a super cycle. He predicts a return of 5.5 million bpd to markets in the next 12 months. Gasoline demand is expected to reach pre-pandemic levels in the fourth quarter, while diesel demand has already returned to normal levels. However, aviation fuel demand recovery is a long way behind. Oil demand is expected to return to pre-COVID levels in mid- to second-half of 2022. Oil demand is expected to reach 105-110 million bpd with demand peaking around 2030 and a fast decline after 2040. Vitol's CEO sees the return of Iranian oil in September-November of this year. He said oil prices could increase to \$78/barrel later this year. He added that OPEC+ discipline will support prices and sees oil prices around \$70-\$80/barrel this year.

Early Market Call - as of 8:25 AM EDT

WTI - July \$72.32, up 20 cents

RBOB - July \$2.1632, down 73 points

HO - July \$2.1025, down 98 points

All NYMEX | Prior Settlements

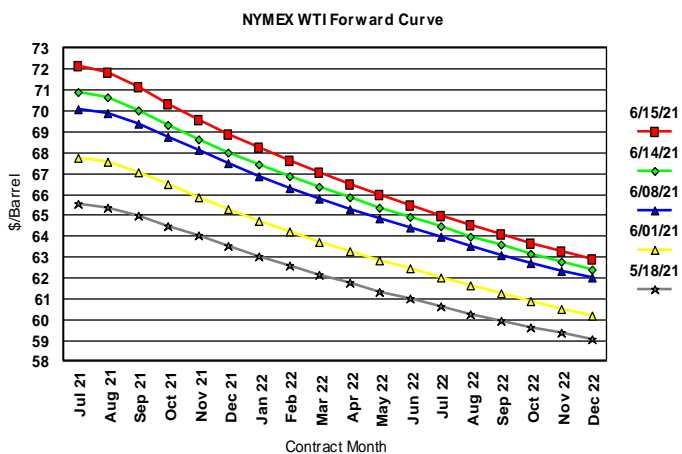
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-21	\$2.1123	\$0.0007	-\$0.0227
Aug-21	\$2.1147	\$0.0000	-\$0.0231
Sep-21	\$2.1177	-\$0.0001	-\$0.0231
Oct-21	\$2.1193	-\$0.0004	-\$0.0234
Nov-21	\$2.1189	-\$0.0008	-\$0.0239
Dec-21	\$2.1166	-\$0.0014	-\$0.0248
Jan-22	\$2.1137	-\$0.0019	-\$0.0257
Feb-22	\$2.1078	-\$0.0023	-\$0.0263
Mar-22	\$2.0969	-\$0.0028	-\$0.0276
Apr-22	\$2.0813	-\$0.0034	-\$0.0287
May-22	\$2.0699	-\$0.0041	-\$0.0300
Jun-22	\$2.0606	-\$0.0048	-\$0.0307
Jul-22	\$2.0582	-\$0.0051	-\$0.0312
Aug-22	\$2.0565	-\$0.0056	-\$0.0318
Sep-22	\$2.0552	-\$0.0060	-\$0.0331
Oct-22	\$2.0540	-\$0.0065	-\$0.0332
Nov-22	\$2.0530	-\$0.0070	-\$0.0338

Sprague HeatCurve October 2021-April 2022		\$2.1087
	Close	Change
Crude - WTI	\$71.8600	\$1.2300
Crude - Brent	\$73.9900	\$1.1300
Natural Gas	\$3.2400	-\$0.1120
Gasoline	\$2.1705	-\$0.0007

API Report for the Week Ending June 11, 2021

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Down 8.5 million barrels	Down 2.9 million bbls
Cushing, OK Crude Stocks	Down 1.5 million barrels	
Gasoline Stocks	Up 2.9 million barrels	Down 800,000 barrels
Distillate Stocks	Up 2 million barrels	Up 100,000 barrels
Refinery Runs		Up 0.2%, at 91.5%
Crude Imports		

WTI Forward Curve



WTI Continuation

