

## Market Commentary

**Recap:** The oil market continued on its downward trend and posted a low of \$52.11 when the market reopened on Sunday night. However, the market bounced off its low and retraced its losses after Saudi Arabia offered some reassurance that OPEC and its allies would continue to tighten the market following its deep losses last week. Saudi Arabia's Energy Minister, Khalid Al-Falih, indicated that OPEC and non-OPEC producers would continue managing global crude supplies to avoid a surplus. Also, a Saudi oil industry source said Saudi Arabia produced 9.65 million bpd in May, a deeper cut than its production target under the global agreement to cut oil supply. The crude market rallied to a high of \$54.63 early in the session. It later erased some of its gains and traded in and out of positive territory for much of the session. The July WTI sold off ahead of the close and settled down 25 cents at \$53.25. The August Brent contract settled down 71 cents at \$61.28. Meanwhile, the product markets ended the session down more than three cents each, with the heating oil market settling down 3.39 cents at \$1.8065 and the RBOB market settling down 3.01 cents at \$1.7413.

**Technical Analysis:** The oil market on Tuesday will likely retrace some of its losses as the market awaits the release of the weekly petroleum stock reports. Also, a planned June 4 strike by Norwegian workers could lead to tighter global supply, potentially cutting Norway's oil and gas output by 400,000 bpd of oil equivalents if mediation efforts fail. The crude market is seeing finding support at its low of \$52.11, \$51.76, \$50.39 and \$50.17. Meanwhile, resistance is seen at \$54.00, its high of \$54.63, \$56.61 and \$59.70.

**Fundamental News:** Saudi Arabia's Energy Minister, Khalid Al-Falih, said consensus was building among OPEC and non-OPEC producers bound by the output cut agreement to continue working together towards oil market stability in the second half of the year. He was quoted as saying by Arab News that "We will do what is needed to sustain market stability beyond June. To me, that means drawing down inventories from their currently elevated levels." A Saudi industry source said Saudi Arabia produced 9.65 million bpd of oil in May, a deeper cut than its target set by OPEC and its allies.

A Saudi oil industry source said Saudi Arabia produced 9.65 million bpd, cutting deeper than its production target under the global pact to cut oil production.

Russia's Energy Minister, Alexander Novak, said Russia would keep its oil production in June in line with a global output agreement.

Industry association Norwegian Oil and Gas said Norway's oil and gas output could be cut by about 440,000 bpd of oil equivalents or about 11% of total production, if workers go on strike starting June 4<sup>th</sup>.

Russia's Deputy Energy Minister, Pavel Sorokin, said Russia expects steps outlined in a road map to resolve the situation around contaminated Russian oil in the Druzhba pipeline to be carried out on schedule. He said the plan in general was so far being carried out on time. He said clean oil is expected to reach Poland on June 9-10.

Goldman Sachs said crude oil prices are likely to remain steady around current levels, as increasing macro uncertainties, rising US output and large availability of core OPEC nations' spare capacity will offset supply constraints from Iran and Venezuela. It said escalating trade wars and weaker activity indicators have finally caught up with oil market sentiment.

IIR Energy reported that US oil refiners are expected to shut in 487,000 bpd of capacity in the week ending June 7<sup>th</sup>, increasing the available refining capacity by 181,000 bpd from the previous week. It also reported that offline capacity is expected to fall to 406,000 bpd in the week ending June 14<sup>th</sup>.

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

WTI - July \$52.97, down 28 cents

RBOB - July \$1.7125, down 2.86 cents

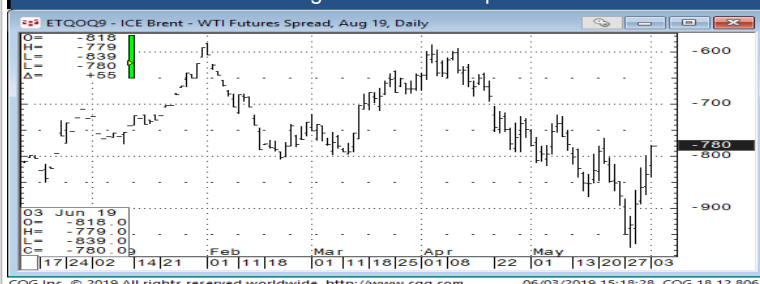
HO - July \$1.7941, down 1.25 cents

## All NYMEX | Prior Settlements

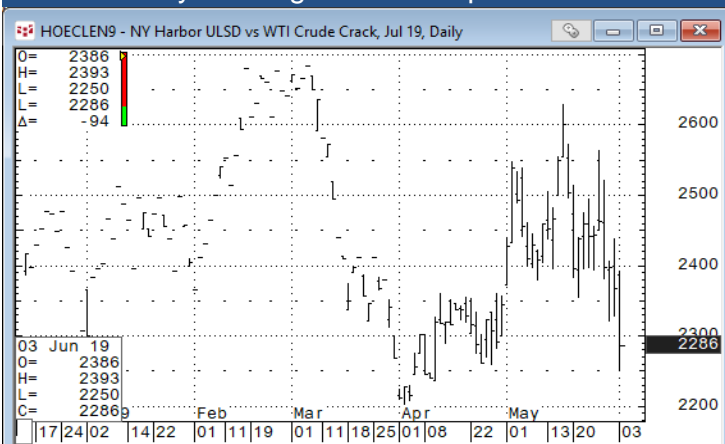
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-19	\$1.8065	-\$0.0339	-\$0.1655
Aug-19	\$1.8113	-\$0.0338	-\$0.1644
Sep-19	\$1.8205	-\$0.0327	-\$0.1618
Oct-19	\$1.8299	-\$0.0313	-\$0.1590
Nov-19	\$1.8374	-\$0.0299	-\$0.1567
Dec-19	\$1.8420	-\$0.0288	-\$0.1548
Jan-20	\$1.8453	-\$0.0278	-\$0.1531
Feb-20	\$1.8437	-\$0.0267	-\$0.1502
Mar-20	\$1.8373	-\$0.0258	-\$0.1467
Apr-20	\$1.8258	-\$0.0249	-\$0.1432
May-20	\$1.8190	-\$0.0243	-\$0.1402
Jun-20	\$1.8154	-\$0.0237	-\$0.1378
Jul-20	\$1.8170	-\$0.0229	-\$0.1343
Aug-20	\$1.8201	-\$0.0222	-\$0.1306
Sep-20	\$1.8244	-\$0.0212	-\$0.1264
Oct-20	\$1.8277	-\$0.0207	-\$0.1224
Nov-20	\$1.8298	-\$0.0201	-\$0.1198

Sprague HeatCurve Oct 2019-Apr 2020		\$1.8395
Other Front Month NYMEX		Close
Crude - WTI	July Brent-	\$53.3800
Crude - Brent	WTI Spread	\$61.2800
Natural Gas	\$7.90	\$2.4030
Gasoline		\$1.7413

### ICE August Brent-WTI Spread



## July Heating Oil Crack Spread



## July RBOB Crack Spread

