

## Market Commentary

## All NYMEX | Prior Settlements

**Recap:** Oil futures rose on Wednesday, as the focus has shifted from the spread of COVID-19 to tight supplies after the EIA reported a 4.1 million barrel drop in U.S. crude oil inventories. Oil has risen 45% this year, helped by demand recovery and supply curbs by the Organization of the Petroleum Exporting Countries and allies. OPEC+ agreed to increase supply by 400,000 barrels per day from August, unwinding more of last year's record supply cut, but this is seen as too low by some analysts given the rebound in demand expected this year. However, a rising number of coronavirus cases worldwide, despite vaccination programs, has limited the upside for oil and remains a concern. September WTI added 74 cents, or 1%, to settle at \$72.39 a barrel, the highest front month settlement since July 14th. Brent for September delivery raked on 26 cents, or nearly 0.4%, to \$74.74 a barrel, while the most actively traded October contract rose 3 cents, or 0.5%, to \$73.87 a barrel. August RBOB slipped almost 0.3% to \$2.31 a gallon, while August heating oil added 0.5% to \$2.16 a gallon.

**Technical Analysis:** Oil prices have gone back and forth since bouncing off of the lows set last week, as it continues to search for direction. As the battle between the bulls and the bears continues, we would expect to see more of this back and forth trading. Worth noting is that the shorter term moving average has crossed above the longer term average, which typically means a higher move is coming. With that in mind, and the fact that WTI is approaching a downward trend line, we would hold off on buying this market until we get a clear break above this line, as this market is still quite sensitive to the spread of the coronavirus and its impact on demand. Should we get the break above the line, we could see this market make a run toward \$75. To the downside, support is seen at \$71.10 and below that at \$70.

**Fundamental News:** The summer rebound in global fuel demand could start slowing down, as analysts expect gasoline consumption to taper off due to resurgent coronavirus cases and structural changes in commuting patterns. Gasoline demand in the United States has nearly recovered to 2019 levels. However, coronavirus cases worldwide have started to increase after falling in May and June, undermining the recovery. Gasoline demand in the United States and Europe is hitting a plateau, and those two regions account for about a third of global petroleum consumption, making them key to the rebound in oil and refining markets. The IEA expects global fuel demand to reach pre-pandemic levels by next year, but analysts say that could be pushed further out if coronavirus infections and the slow pace of vaccinations worldwide further entrenches structural changes in demand, including more telecommuting and less air travel.

The EIA said U.S. crude stockpiles in the week ending July 23<sup>rd</sup> fell to their lowest since January 2020 as imports and production declined. Crude inventories fell by 4.1 million barrels on the week to 435.6 million barrels. Stocks at the Cushing, Oklahoma fell by 1.27 million barrels to 35.4 million barrels, also their lowest since January 2020. Inventories in the Midwest overall fell to the lowest level since October 2018. Net U.S. crude imports fell last week by 616,000 bpd, while weekly field production fell by 200,000 bpd to 11.2 million bpd.

IIR Energy reported that U.S. oil refiners are expected to shut in 313,000 bpd of capacity in the week ending July 30<sup>th</sup>, increasing available refining capacity by 324,000.

Enterprise Products Partners LP said volume across its crude oil pipelines increased 5% in the second quarter on the back of a recovery in demand as the global economy continues to reopen following COVID-19 lockdowns. Enterprise said overall pipeline volume increased to 6.4 million bpd, slightly below the 6.7 million bpd in 2019. Total crude oil pipeline transportation volume increased to 2 million bpd in the second quarter from 1.9 million bpd in the first quarter and a year earlier.

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

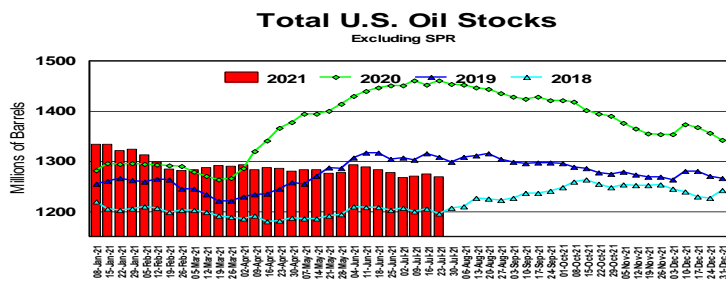
WTI - Sep \$72.75, up 35 cents

RBOB - Aug \$2.3152, up 69 cents

HO - Aug \$2.1662, up 1.10 cents

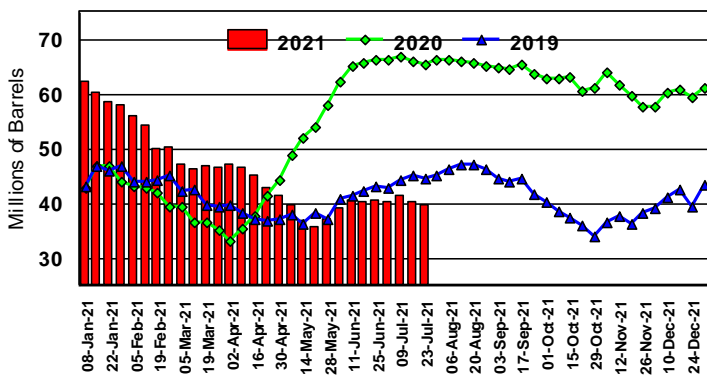
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-21	\$2.1560	\$0.0121	\$0.0690
Sep-21	\$2.1577	\$0.0121	\$0.0691
Oct-21	\$2.1571	\$0.0117	\$0.0693
Nov-21	\$2.1551	\$0.0117	\$0.0696
Dec-21	\$2.1517	\$0.0122	\$0.0694
Jan-22	\$2.1469	\$0.0127	\$0.0689
Feb-22	\$2.1388	\$0.0128	\$0.0682
Mar-22	\$2.1257	\$0.0125	\$0.0667
Apr-22	\$2.1080	\$0.0126	\$0.0647
May-22	\$2.0964	\$0.0130	\$0.0632
Jun-22	\$2.0891	\$0.0132	\$0.0622
Jul-22	\$2.0868	\$0.0135	\$0.0616
Aug-22	\$2.0854	\$0.0133	\$0.0610
Sep-22	\$2.0839	\$0.0131	\$0.0595
Oct-22	\$2.0835	\$0.0131	\$0.0597
Nov-22	\$2.0830	\$0.0132	\$0.0593
Dec-22	\$2.0812	\$0.0134	\$0.0590

Sprague HeatCurve October 2021-April 2022		\$2.1412
	Close	Change
Crude - WTI	\$72.3900	\$0.7400
Crude - Brent	\$74.7400	\$0.2600
Natural Gas	\$4.0440	\$0.0730
Gasoline	\$2.3082	-\$0.0059



## Weekly EIA Petroleum Status Report for the Week Ending July 23, 2020

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Down 4.089 million barrels  
 Cushing, OK Crude Stocks Down 1.268 million barrels  
**Gasoline Stocks** Down 2.253 million barrels  
**Distillate Stocks** Down 3.088 million barrels  
**Refinery % Operated** 91.1%, Down 0.3%

### PADD #1

Distillate Stocks (in million bbls)	Week Ending July 23, 2021	Week Ending July 16, 2021	Week Ending July 24, 2020
New England	6.7	6.7	13.0
Central Atlantic	19.7	19.8	38.4
Total PADD #1	39.6	40.4	66.2
Distillate Imports (thousands b/d)	176	77	136