

Market Commentary

Recap: The oil markets finished higher Wednesday, led by the gasoline market which finished up 3.3% followed by a 2.5% and a 1.5% gain recorded respectively in crude oil and heating oil. The positive demand numbers for the week ending August 7th released by the EIA this morning helped to support follow through buying, as fuel demand rose to 19.37 million b/d last week, the highest level recorded since March. The oil markets also found spillover support for the euphoria in the equity markets as the S&P finished just short of its February record closing high, in a broad rally led by tech stocks.

Technical Analysis: One should note that the September WTI, RBOB and heating oil contracts today, all were unable to breakout of yesterday's trading ranges and thus posted inside trading sessions, and could be a potential warning flag that tomorrow's price action could be even more volatile if and when these ranges are breached. Another potential warning flag for upcoming volatility would be that the September contract was able to settle above the 200 day moving average for the first time since January of this year. If this is confirmed again tomorrow settling above this moving average we could see at least the start of a short term bullish trend. In addition the daily stochastics also clearly moved upward today pointing potentially to an upward trending market. We would look for initial resistance in the September contract starting at \$42.94 followed by \$43.52. More distant upside price targets would be \$44.60, \$46.04, \$47.88, \$49.79 and \$50.74. Support we see at \$41.48 followed by \$38.72 and \$38.33. More distant support would be seen at \$35.30 and \$32.76.

Fundamental News: In its monthly report, OPEC stated that world oil demand will fall more steeply in 2020 than previously forecast due to the pandemic and added that there were uncertainties about next year's recovery. World oil demand will decline by 9.06 million bpd this year, up from the 8.95 million bpd decline expected a month ago. It maintained its forecast that in 2021 oil demand would rebound by 7 million bpd but stated that the view was subject to large uncertainties that may result in "a negative impact on petroleum consumption". OPEC also stated that its production increased by 980,000 bpd to 23.17 million bpd in July, mainly because Saudi Arabia and other Gulf members ended extra voluntary cuts they had made in June. That amounted to 97% compliance with the pledges.

The world's five largest oil companies collectively cut the value of their assets by nearly \$50 billion in the second quarter, and cut production rates as the coronavirus pandemic caused a fall in fuel prices and demand. Several executives said they took massive write downs because they expect demand to remain impaired for several more quarters as people travel less and use less fuel due to the ongoing global pandemic. Of the five companies, Exxon Mobil did not book sizeable impairments. By contrast, BP took a \$17 billion hit. It plans to redistribute its spending in coming years around renewables and less oil and natural gas. Of the five companies, Exxon is the largest producer, with an output level of 3.64 million bpd of oil equivalent but its production fell by 408,000 bpd of oil equivalent between the first and second quarters. The five companies, which include, Chevron, Royal Dutch Shell and Total, also cut capital expenditures by a combined \$25 billion between the quarters.

IIR Energy reported that U.S. oil refiners are expected to shut in 3.95 million bpd of capacity in the week ending August 14th, increasing available refining capacity by 288,000 bpd from the previous week. Offline capacity is expected to fall slightly to 3.86 million bpd in the following week.

Early Market Call - as of 8:20 AM EDT

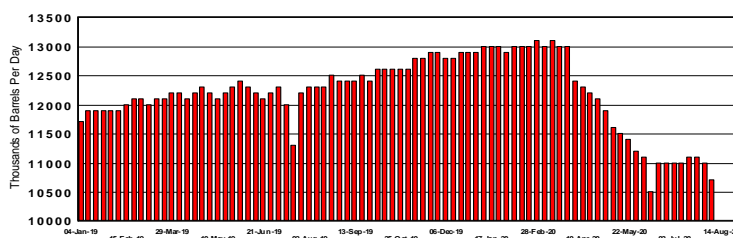
- WTI - Sep \$42.60, down 7 cents
- RBOB - Sep \$1.2435, down 3 points
- HO - Sep \$1.2496, down 76 points

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Sep-20	1.2572	0.0188	0.0059
Oct-20	1.2783	0.0183	0.0027
Nov-20	1.3002	0.0195	-0.0002
Dec-20	1.3202	0.0199	-0.0015
Jan-21	1.3384	0.0197	-0.0013
Feb-21	1.3528	0.0194	-0.0013
Mar-21	1.3617	0.0190	-0.0015
Apr-21	1.3655	0.0183	-0.0023
May-21	1.3727	0.0181	-0.0030
Jun-21	1.3817	0.0182	-0.0039
Jul-21	1.3956	0.0183	-0.0045
Aug-21	1.4089	0.0186	-0.0053
Sep-21	1.4213	0.0189	-0.0062
Oct-21	1.4321	0.0188	-0.0066
Nov-21	1.4420	0.0186	-0.0070
Dec-21	1.4496	0.0185	-0.0072
Jan-22	1.4597	0.0188	-0.0075

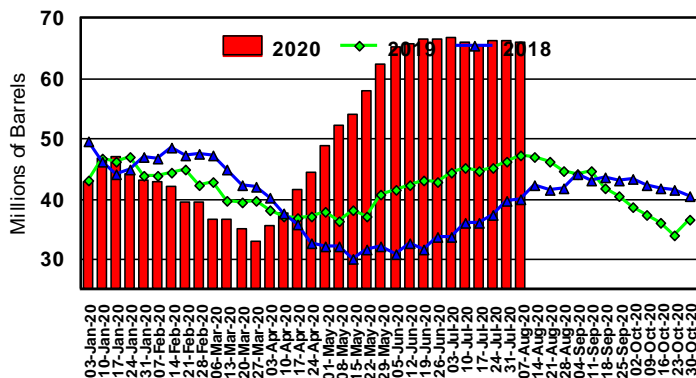
Sprague Heat Weighted Strip October -April 20/2021		\$1.3352
	Close	Change
Crude - WTI	\$42.9500	\$1.0800
Crude - Brent	\$45.4300	\$0.9300
Natural Gas	\$2.1520	-\$0.0270
Gasoline	\$1.2438	\$0.0393

U.S. Domestic Crude Production



Weekly EIA Petroleum Status Report for the Week Ending August 7, 2020

Distillate Stocks PADD #1



Overall U.S. Stats

- Crude Oil Stocks(excluding SPR) Down 4.512 million barrels
- Cushing, OK Crude Stocks Up 1.336 million barrels
- Gasoline Stocks Down 722,000 barrels
- Distillate Stocks Down 2.322 million barrels
- Refinery % Operated 81%, down 1.4%

PADD #1

Distillate Stocks (in million bbls)	Week Ending August 7, 2020	Week Ending July 31, 2020	Week Ending August 9, 2019
New England	12.6	13.3	7.4
Central Atlantic	37.9	37.8	26.1
Total PADD #1	66.2	66.2	46.3
Distillate Imports (thousands b/d)	137	72	98