

Market Commentary

Recap: Oil futures reversed early losses on Friday to close higher for the fourth straight week, shaking off much of its post Fed price decline and after OPEC sources said the producer group expected limited U.S. oil output growth this year despite rising prices. The group's outlook for U.S. production gives them more power to manage the market in the short-term before a potential surge in shale output in 2022. While there was general agreement on limited U.S. supply growth this year, an industry source said for 2022 forecasts ranged from growth of between 500,000 and 1.3 million barrels per day. July WTI rose \$1.13, or 1.5%, to a session high of \$72.17 a barrel, while August Brent rose 64 cents, or 0.9%, to a session high of 473.76 a barrel. On Wednesday, WTI settled at its highest level since October 2018, while Brent settled at its highest level since April 2019. July WTI rose 60 cents, or 0.8%, to settle at \$73.51 a barrel, while August Brent tacked on 43 cents, or 0.6%, to end the week at \$73.51 a barrel. July RBOB added 1.6%, to close at \$2.17 a gallon and July heating oil added 1.3% to \$2.09 a gallon.

Technical Analysis: Oil futures rose quite a bit during the week, but did give back some of their gains. Despite the slight pullback, this market remains in an upward trend. We continue to look for this market to work higher but also to encounter headwinds along the way. With the U.S. dollar causing quite a ruckus, we would keep a close eye on it, as it was one of the main drivers behind this week's move. Friday's session was an inside trading day, followed by a higher close. This is an indication of buying down below. We would not discount a short-term pullback toward the \$70 area, looking for buyers to come in. A break below this level sets up for a run at \$67. To the upside, resistance rests at \$73.50 and above that at \$75.

Fundamental News: The first storm to impact oil-producing regions of the U.S. Gulf of Mexico this year sent workers fleeing offshore oil platforms and cut some production. The National Weather Service said a weather disturbance in the central Gulf of Mexico strengthened into a tropical storm on Friday. It was moving north at about 14 miles per hour and could bring up to 12-inches of rain to the central U.S. Gulf Coast by Saturday. On Friday, Equinor ASA said it had removed staff and shut production at its Titan platform, which is about 65 miles off the coast of Louisiana. Chevron and Occidental Petroleum also removed staff and began taking precautions at their offshore oil and gas platforms. Other major producers including BP, BHP, Royal Dutch Shell and Murphy Oil said they were monitoring weather conditions but production had not been affected. Louisiana Offshore Oil Port, the region's only deepwater oil export port, was operating normally. Offshore pipeline operator Enbridge also said it was monitoring conditions.

OPEC sources said OPEC officials heard from industry experts that U.S. oil output growth will likely remain limited in 2021 despite rising prices, giving it more power to manage the market in the short term before a potentially strong increase in shale output in 2022. While there was general agreement on limited U.S. supply growth this year, for 2022 forecasts ranged from growth of 500,000 bpd to 1.3 million bpd.

IIR Energy reported that U.S. oil refiners are expected to shut in 388,000 bpd of capacity offline in the week ending June 18th, increasing available refining capacity by 95,000 bpd from the previous week.

Morgan Stanley raised its forecast for Brent crude to \$75/barrel to \$80/barrel until mid-2022.

Goldman Sachs Commodities Research said physical scarcity, caused by robust demand growth and inelastic supply, could drive Brent crude oil prices to average \$80/barrel in the third quarter, with potential spikes above that level. It said in the near term, its "highest conviction long is oil".

Early Market Call - as of 8:10 AM EDT

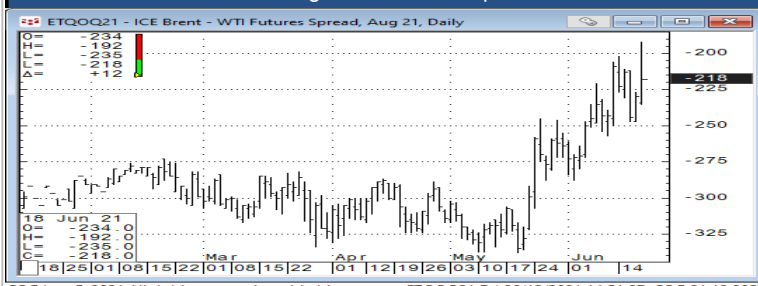
WTI - July \$71.72, up 8 cents
 RBOB - July \$2.1536, down 1.47 cents
 HO - July \$2.0808, down 1.24 cents

All NYMEX | Prior Settlements

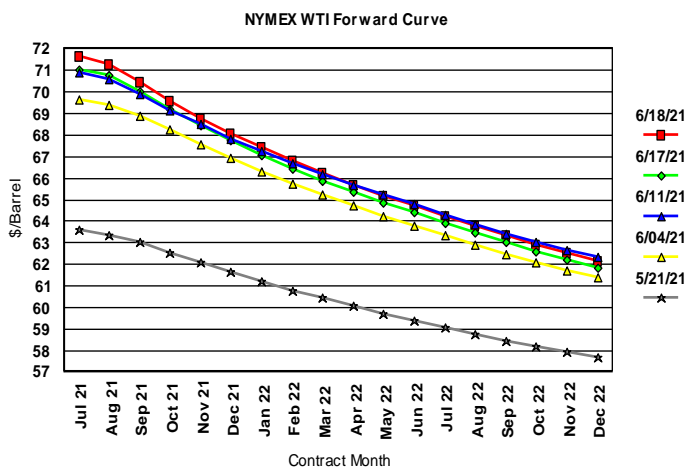
Month	USLD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-21	2.0932	0.0264	-0.0275
Aug-21	2.0967	0.0273	-0.0270
Sep-21	2.1000	0.0275	-0.0266
Oct-21	2.1012	0.0272	-0.0271
Nov-21	2.1002	0.0265	-0.0281
Dec-21	2.0983	0.0262	-0.0282
Jan-22	2.0959	0.0256	-0.0280
Feb-22	2.0903	0.0255	-0.0281
Mar-22	2.0787	0.0252	-0.0295
Apr-22	2.0619	0.0246	-0.0313
May-22	2.0490	0.0239	-0.0335
Jun-22	2.0389	0.0234	-0.0348
Jul-22	2.0362	0.0229	-0.0356
Aug-22	2.0346	0.0227	-0.0362
Sep-22	2.0336	0.0225	-0.0372
Oct-22	2.0325	0.0221	-0.0372
Nov-22	2.0315	0.0217	-0.0380

Sprague HeatCurve October 2021-April 2022		\$2.0905
	Close	Change
Crude - WTI	\$71.2900	\$0.5100
Crude - Brent	\$73.5100	\$0.4300
Natural Gas	\$3.2150	-\$0.0380
Gasoline	\$2.1683	\$0.0341

ICE August Brent-WTI Spread



WTI Forward Curve



WTI Continuation

