

## Market Commentary

**Recap:** Oil prices fell on Wednesday as investors worried about fuel demand due to fresh outbreaks of COVID-19, though prices drew some support after US stocks of diesel fuel fell for the first time in weeks and US oil production dropped sharply. Traders also analyzed a monthly report released Wednesday from OPEC, which forecasts global oil demand will decline in the second half of the year, but at a much slower pace than the first half, which was marked by lockdowns of businesses to limit the spread of COVID-19. WTI for July delivery fell 42 cents, or 1.1%, to settle at \$37.96 a barrel. It was trading at \$37.52 before the supply data. August Brent slipped 25 cents, or 0.6%, to settle at \$40.71 a barrel. July RBOB rose 0.7% to \$1.2153 a gallon, while July heating ended little changed at \$1.182 a gallon.

**Technical Analysis:** Oil prices seesawed during the trading session after gapping lower on the opening, but showed signs of a recovery after the release of the EIA report. The July contract settled just below its 10-day moving average of \$37.97 and should now act as a pivotal area. Ultimately, we would look for a push toward \$40, with breaks above this level looking to fill the gap up to \$41. To the downside, support is set at \$35 and below that at \$33.

**Fundamental News:** U.S. shale producers are expected to restore about 500,000 bpd of crude output by the end of June, amounting to a quarter of what they shut since the coronavirus pandemic cut fuel demand and pressured oil prices. U.S. producers cut supply by about 2 million bpd while the recovery in benchmark oil prices to around \$40/barrel makes some shale output profitable again, even though that level is unlikely to spur additional new drilling activity. Larger producers are restarting operations of low-cost plays in Texas but also in expensive shale basins in North Dakota and Oklahoma. Producers are also pumping oil out of storage, which filled when demand fell. However, the increase in production may not last as North American oil companies have cut spending by 35% and U.S. rig counts fell to a record low. Producers also cautioned that rolling coronavirus outbreaks may continue to restrict fuel demand.

In its monthly report, OPEC forecast a gradual recovery in oil demand that has been affected by the coronavirus crisis and said record supply cuts by the group and other producers were already helping rebalance the market. It said world oil demand would fall by 6.4 million bpd in the second half of 2020, a less severe decline than the 11.9 million bpd fall in the first six months. OPEC left unchanged its forecast that world oil demand in 2020 will fall by 9.07 million bpd. It cut its forecasts for demand for its crude in 2020 to 23.6 million bpd, down 700,000 bpd from its previous forecast. OPEC said its crude oil output fell by 6.3 million bpd in May to 24.195 million bpd as the group implemented record supply cut. OPEC delivered 84% of its pledged supply cuts in May. It said the oil market has reacted positively to the OPEC+ decision to extend its oil supply cut. It stated that despite the cuts, OPEC still sees a surplus in the market this year, in part because it now expects supply from outside the group to be about 300,000 bpd higher than previously expected. OECD commercial oil stocks increased by 107.7 million barrels in April to stand 140.6 million barrels above the latest five-year average.

A source reported that overall compliance with the OPEC+ oil output cuts deal stood at 87% in May.

OPEC+ sources stated that OPEC+ technical experts made no recommendation on further extending a record oil supply cut in talks on Wednesday and decided to focus on compliance of laggards in the deal ahead of ministerial talks on Thursday.

### Early Market Call - as of 8:25 AM EDT

WTI - July \$38.01, up 5 cents

RBOB - July \$1.2177, up 24 points

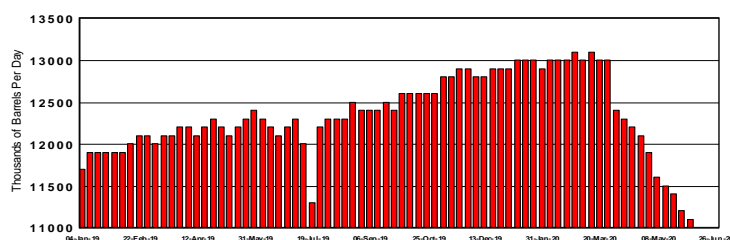
HO - July \$1.1806, down 14 points

## All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Jul-20	1.1820	-0.0002	-0.0090
Aug-20	1.1966	-0.0021	0.0004
Sep-20	1.2145	-0.0021	0.0047
Oct-20	1.2322	-0.0021	0.0073
Nov-20	1.2468	-0.0023	0.0093
Dec-20	1.2581	-0.0032	0.0108
Jan-21	1.2701	-0.0040	0.0121
Feb-21	1.2799	-0.0048	0.0136
Mar-21	1.2859	-0.0055	0.0154
Apr-21	1.2862	-0.0067	0.0178
May-21	1.2895	-0.0080	0.0192
Jun-21	1.2949	-0.0091	0.0210
Jul-21	1.3075	-0.0095	0.0226
Aug-21	1.3191	-0.0100	0.0240
Sep-21	1.3295	-0.0103	0.0246
Oct-21	1.3398	-0.0104	0.0250
Nov-21	1.3495	-0.0103	0.0246

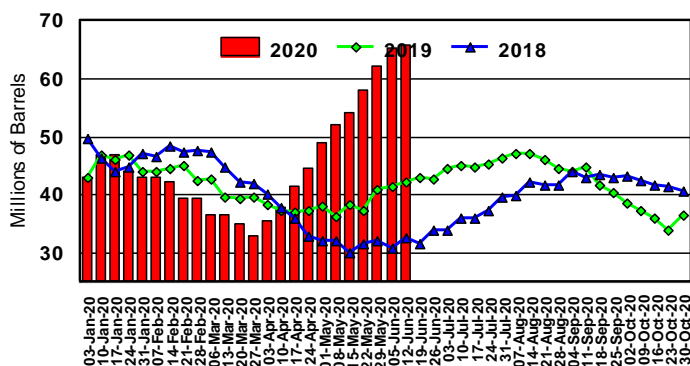
Sprague Heat Weighted Strip October -April 20/2021			\$1.2683
		Close	Change
Crude - WTI	Aug Brent- WTI Spread \$2.50	\$38.2100	-\$0.4400
Crude - Brent		\$40.7100	-\$0.2500
Natural Gas		\$1.6380	\$0.0240
Gasoline		\$1.2153	\$0.0080

### U.S. Domestic Crude Production



## Weekly EIA Petroleum Status Report for the Week Ending June 12, 2020

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Up 1.215 million barrels

Cushing, OK Crude Stocks Down 2.608 million barrels

**Gasoline Stocks** Down 1.666 million barrels

**Distillate Stocks** Down 1.358 million barrels

**Refinery % Operated** 73.8%, up 0.7%

### PADD #1

Distillate Stocks (in million bbls)	Week Ending June 12, 2020	Week Ending June 5, 2020	Week Ending June 13, 2019
New England	12.7	12.4	5.6
Central Atlantic	38.2	37.5	23.8
Total PADD #1	65.7	65.2	42.3
Distillate Imports (thousands b/d)	138	173	100