

Market Commentary

Recap: The oil market was on the defensive Thursday due in part to the release of IEA latest market outlook. The IEA reduced its 2020 oil demand forecast by 140,000 b/d to 91.9 million b/d, and also revised downward its 2021 demand outlook by 240,000 b/d to 97.1 million b/d. This was the agency's first demand reduction in several months and it reflects the slowing of mobility due to the pandemic and the weakness in the aviation sector. The agency did note though that Chinese demand for oil has recovered substantially. But with the equity markets spending much of the day at or near new term highs before the late day sell off, the oil market failed to build any momentum to the downside and thus mirrored yesterday's trading ranges, with the September WTI contract posting its second consecutive inside trading session, with the lightest daily volume for the week.

Technical Analysis: Given that tomorrow is the end of the trading week and it being in the middle of August as many folks are finishing up summer vacations it probably means we will see yet another light volume trading session tomorrow with a limited trading range. But we would keep an eye on the October RBOB WTI crack spread, which over the past two days has traded down and bounced off the \$6.50 per barrel level. Given the strong driving demand this month as Americans hit the roads for the final days of summer vacations we would expect to see strong gasoline demand over the next couple of weeks reflected in the EIA and API inventory reports, which we feel should push this spread back up, with a target price of \$7.30 followed by \$7.79 per barrel.

Fundamental News: The International Energy Agency cut its 2020 oil demand forecast, warning that reduced air travel due to the coronavirus pandemic would lower global oil demand this year by 8.1 million bpd. The IEA cut its 2020 outlook by 140,000 bpd to 91.9 million bpd, its first downgrade in several months. It said "jet fuel demand remains the major source of weakness." "In April the number of aviation kilometers travelled was nearly 80% lower on the year and in July the deficit was still 67%...The aviation and road transport sectors, both essential components of oil consumption, are continuing to struggle." The agency said that while supply exceeded demand in June, uncertainty over future demand along with increased output by top producers means re-balancing oil markets will be "delicate". The IEA said oil production was recovering in the United States, Canada and Brazil at the same time producers from the Organization of the Petroleum Exporting Countries and allies such as Russia were easing their output cuts. However, it added that countries that have not complied with their quotas cut back by enough to bring them into compliance, global oil supply would not necessarily increase significantly.

Genscape reported that crude oil stocks held in Cushing, Oklahoma in the week ending Tuesday, August 11th increased by 271,405 barrels but fell by 451,870 barrels from Friday, August 7th to 55,269,118 barrels.

Russia's Energy Minister, Alexander Novak, does not expect any hasty decisions on output cuts when an OPEC+ group monitoring committee meets next week as the oil market has been stable. Last month, a ministerial advisory panel to OPEC+, known as the JMMC, decided to ease the cuts to around to 7.7 million bpd until December from a previous reduction of 9.7 million bpd. The Joint Ministerial Monitoring Committee is scheduled to convene next week against the background of an oil price recovery to above \$45 a barrel from a 21-year low of below \$16 in April. Russia's Energy Minister said the meeting could be delayed to Aug. 19 from the initially planned Aug. 18. He also said there have been no additional proposals to change the deal between OPEC and other leading oil producers on production cuts.

Early Market Call - as of 8:26 AM EDT

WTI - Sep \$42.12 down 12 cents
 RBOB - Sep \$1.2464 up 1.16 cents
 HO - Sep \$1.2393 up 12 points

All NYMEX | Prior Settlements

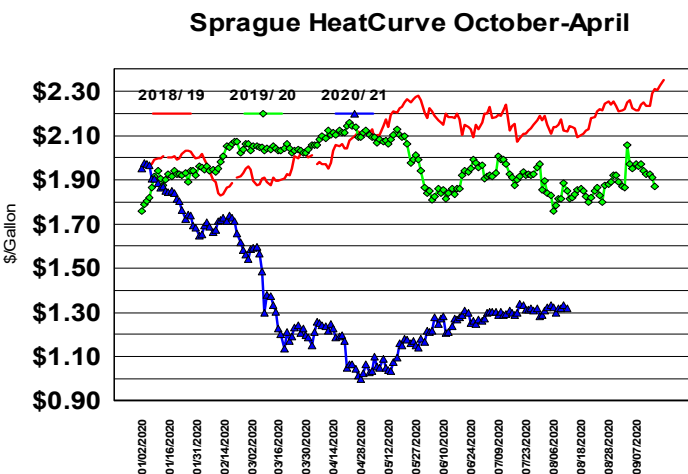
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Sep-20	1.2381	-0.0191	0.0118
Oct-20	1.2591	-0.0192	0.0100
Nov-20	1.2821	-0.0181	0.0069
Dec-20	1.3032	-0.0170	0.0052
Jan-21	1.3222	-0.0162	0.0045
Feb-21	1.3371	-0.0157	0.0041
Mar-21	1.3461	-0.0156	0.0040
Apr-21	1.3499	-0.0156	0.0042
May-21	1.3570	-0.0157	0.0043
Jun-21	1.3663	-0.0154	0.0036
Jul-21	1.3806	-0.0150	0.0029
Aug-21	1.3943	-0.0146	0.0022
Sep-21	1.4069	-0.0144	0.0018
Oct-21	1.4181	-0.0140	0.0014
Nov-21	1.4283	-0.0137	0.0012
Dec-21	1.4362	-0.0134	0.0013
Jan-22	1.4465	-0.0132	0.0011

Sprague Heat Weighted Strip October -April 20/2021		\$1.3187
	Close	Change
Crude - WTI	\$42.5200	-\$0.4300
Crude - Brent	\$44.9600	-\$0.4700
Natural Gas	\$2.1820	\$0.0300
Gasoline	\$1.2348	-\$0.0090

EIA Working Gas Storage Report

	07-Aug-20	31-Jul-20	Change	Year Ago
East	738	718	20	628
Midwest	856	830	26	721
Mountain	206	202	4	163
Pacific	314	311	3	272
South Central	1,219	1,214	5	940
Salt	337	336	1	216
Nonsalt	883	878	5	723
Total	3,332	3,274	58	2,724

Sprague HeatCurve October-April



ICE October Brent-WTI Spread

