

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil futures reversed early gains on Wednesday after Reuters reported that Saudi Arabia and the United Arab Emirates reached a compromise over a global supply deal that will allow the UAE to boost its output and following the EIA report, which reflected a decline in U.S. gasoline demand. Prices remained under pressure for the remainder of the session, as traders further analyzed the EIA report, which was delayed due to a "technical issue." The data revealed that domestic crude supplies fell for an eighth week in a row, but implied demand for gasoline declined, leading to an increase in supplies of the fuel. August WTI fell \$2.12, or 2.8%, to settle at \$73.13 a barrel, while September Brent slipped \$1.73, or 2.3%, to close at \$74.76 a barrel. August RBOB shed 1.1% to \$2.29 a gallon and August heating oil lost 1.9% to \$2.14 a gallon.

Technical Analysis: The rally in oil faded, with August WTI breaking through several levels of support, as falling U.S. fuel demand gave a surprise blow to this market. Fundamentals have slightly shifted to the downside, with China's half-year crude imports declining, while U.S. demand for gasoline slipped during the height of the U.S. summer driving season. The disagreement over supply policy within the OPEC+ led to the end of talks last week on boosting production without agreement. If the group cannot agree to raise supply soon, high oil prices will most likely lead to demand destruction in even more cost sensitive emerging markets, especially India. This could pressure prices. Technically, this market looks like it has more room to the downside, with \$70 within sight. Below this level, support is seen at \$69.73 and \$68.52. To the upside, resistance is seen at \$73.59, \$74.98 and \$76.98.

Fundamental News: An OPEC+ source said Saudi Arabia and the United Arab Emirates have reached a compromise over OPEC+ policy. The Organization of the Petroleum Exporting Countries, Russia and their allies, a group known as OPEC+, still need to take a final decision on output policy, after talks this month were abandoned because of the Saudi-UAE dispute. The OPEC+ source said Riyadh had agreed to Abu Dhabi's request to have UAE's baseline, the level from which cuts under the OPEC+ agreement on supply curbs are calculated, set at 3.65 million bpd from April 2022, up from 3.168 million now. Giving the UAE a higher production baseline paves the way for extending the overall pact to the end of 2022. The United Arab Emirates' energy minister said that an agreement had not been reached yet with OPEC+ regarding its position on an extension of an oil supply deal. The UAE's talks are still ongoing and any deal would need the support of other OPEC+ nations.

IIR Energy reported that U.S. oil refiners are expected to shut in 370,000 bpd of capacity in the week ending July 16th, cutting available refining capacity by 176,000 bpd from the previous week. Offline capacity is expected to increase to 446,000 bpd in the week ending July 23rd.

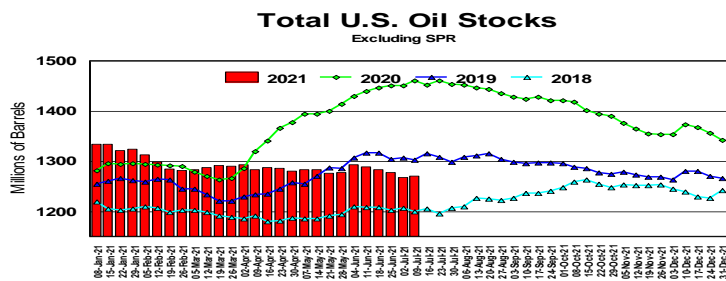
On Wednesday, a bipartisan group of U.S. senators introduced legislation that would increase access to gasoline with a higher ethanol blend. The bill is an attempt to increase demand for corn-based ethanol. The bill would extend a waiver that would allow year-round sales of a 15% ethanol fuel blend known as E15.

Europe's crude imports from the U.S. Gulf are expected to fall this month from June's 14-month high. According to Bloomberg, 20 tankers carrying about 11.4 million barrels arrived in Europe so far in July after loading crude from the U.S. Gulf. An additional 25 tankers carrying 16.2 million barrels are expected to arrive by the end of the month. The total volume for July was set to be 27.6 million barrels or 890,000 bpd, compared with 1.19 million bpd in June.

Early Market Call - as of 8:20 AM EDT
WTI - Aug \$71.93, down \$1.20
RBOB - Aug \$2.2673, down 2.62 cents
HO - Aug \$2.1150, down 2.85 cents

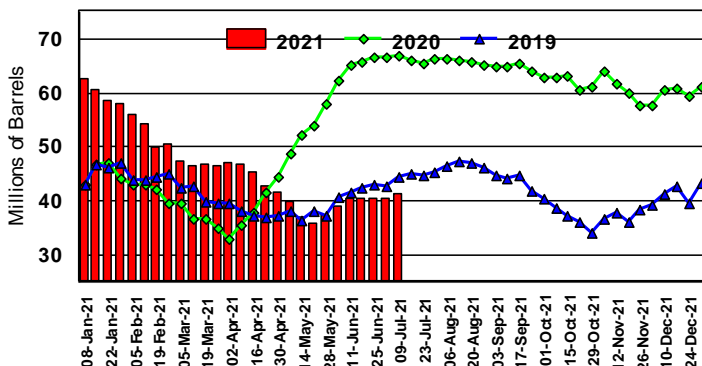
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-21	\$2.1435	-\$0.0409	\$0.0544
Sep-21	\$2.1452	-\$0.0415	\$0.0540
Oct-21	\$2.1450	-\$0.0415	\$0.0542
Nov-21	\$2.1427	-\$0.0413	\$0.0537
Dec-21	\$2.1397	-\$0.0408	\$0.0533
Jan-22	\$2.1362	-\$0.0404	\$0.0524
Feb-22	\$2.1295	-\$0.0399	\$0.0512
Mar-22	\$2.1175	-\$0.0392	\$0.0501
Apr-22	\$2.1011	-\$0.0385	\$0.0492
May-22	\$2.0891	-\$0.0377	\$0.0494
Jun-22	\$2.0809	-\$0.0370	\$0.0497
Jul-22	\$2.0779	-\$0.0362	\$0.0494
Aug-22	\$2.0760	-\$0.0352	\$0.0493
Sep-22	\$2.0743	-\$0.0345	\$0.0476
Oct-22	\$2.0735	-\$0.0338	\$0.0488
Nov-22	\$2.0727	-\$0.0331	\$0.0492
Dec-22	\$2.0705	-\$0.0329	\$0.0493

Sprague HeatCurve October 2021-April 2022		\$2.1310
	Close	Change
Crude - WTI	\$72.6400	-\$2.0500
Crude - Brent	\$74.7600	-\$1.7300
Natural Gas	\$3.6600	-\$0.0360
Gasoline	\$2.2935	-\$0.0248



Weekly EIA Petroleum Status Report for the Week Ending July 9, 2020

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 7.9 million barrels
 Cushing, OK Crude Stocks Down 1.59 million barrels
Gasoline Stocks Up 1 million barrels
Distillate Stocks Up 3.7 million barrels
Refinery % Operated 91.8%, Down 0.4%

PADD #1

Distillate Stocks (in million bbls)	Week Ending July 9, 2021	Week Ending June 25, 2021	Week Ending July 3, 2020
New England	6.9	7.0	12.8
Central Atlantic	20.0	20.5	39.3
Total PADD #1	41.3	40.4	66.0
Distillate Imports (thousands b/d)	66	114	93