

## Market Commentary

**Recap:** Crude oil futures moved lower Wednesday as U.S. government data revealed that domestic crude supplies fell for a fifth straight week, but the stocks were down by less than the market expected and product inventories climbed. Crude stockpiles were down 3.1 million barrels for the week ended July 12. They were forecast to fall by 4.2 million barrels. The American Petroleum Institute on Tuesday reported a decline of 1.4 million barrels. The drop in production and imports due to Hurricane Barry helped to offset lower refinery activity, therefore aiding in the inventory decline. Product inventories increased for the week ending July 12, with gasoline stockpiles building by 3.6 million barrels, and distillate inventories increasing by 5.7 million barrels. Both WTI and Brent were trading above unchanged just before the release of the report, but quickly fell into a downward trend that lasted for the remainder of the session. August WTI fell as much as 2%, to a session low of \$56.47 a barrel before trimming losses to settle at \$56.78, down 84 cents or 1.5%. September Brent fell 1.3% to a session low of \$63.50 a barrel before it too pared gains to settle at \$63.66. This was the lowest settlement for both WTI and Brent in almost 2 weeks. August RBOB fell 1.3 cents, or 0.7%, to \$1.8787 a gallon, while August heating oil settled at \$1.8926 a gallon, down 1.2 cents, or 0.7%.

**Technical Analysis:** The technical scenario in WTI played out nicely, as August WTI bounced off of and slipped through key technical levels. After settling the 10, 50 and 200 day-moving averages on Tuesday, this spot contract came back up to test the 10 and 50 day averages, only to slip right back below them. The retreat from these levels gathered enough momentum to push August WTI below \$57.08, the 38% retracement provided by the June low of \$50.80 and the April high of \$67.23. This level, along with the 50 and 10-day moving averages currently set at \$57.79 and \$58.44 respectively, will now provide a level of resistance. Support is set at \$56.00 and below that at \$55.04.

**Fundamental News:** The EIA reported that US crude oil stocks fell more than expected last week, while gasoline and distillate inventories increased sharply, due to the impact of Hurricane Barry in the Gulf of Mexico. Crude inventories fell by 3.1 million barrels, with stocks in Cushing, Oklahoma falling by 1.35 million barrels. US crude oil production fell 300,000 bpd in the week ending July 12<sup>th</sup> to 12 million bpd. Meanwhile, gasoline stocks increased by 3.6 million barrels and distillate stocks increased by 5.7 million barrels.

Ratings agency Moody's Investor Services said that the Mexican government should significantly increase its financial support for its national oil company, Pemex. The company is the world's most heavily indebted oil company and on the verge of losing its investment grade rating after Fitch downgraded it to speculative grade, or junk status, in June. Moody's said the capital investment for Pemex's exploration and production would be insufficient to replace reserves, which have been declining in recent years, and that it needed more to meet its production targets.

Major Russian oil companies have challenged a plan by Transneft that aims to resolve a problem of tainted oil stuck in Russia's pipeline and storage system by diluting it with clean crude. They said mixing crude would undermine the quality and price of Russian exports for longer, as it might take until mid-2020 to fully flush out Transneft's pipeline network, rather than emptying it now and selling the tainted crude at a big discount.

IIR Energy reported that US oil refiners are expected to shut in 656,000 bpd of capacity in the week ending July 19<sup>th</sup>, cutting available refining capacity by 355,000 bpd from the previous week. Offline capacity is expected to fall to 276,000 bpd in the week ending July 26<sup>th</sup>.

### Early Market Call - as of 8:20 AM EDT

WTI - Aug \$57.17, up 39 cents

RBOB - Aug \$1.8902, up 1.1 cents

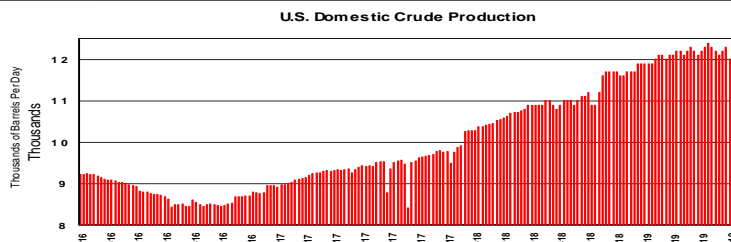
HO - Aug \$1.9103, up 1.78 cents

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-19	1.8926	-0.0123	-0.0984
Sep-19	1.9009	-0.0122	-0.0969
Oct-19	1.9083	-0.0129	-0.0956
Nov-19	1.9133	-0.0136	-0.0958
Dec-19	1.9151	-0.0142	-0.0962
Jan-20	1.9155	-0.0143	-0.096
Feb-20	1.9112	-0.0143	-0.0951
Mar-20	1.9025	-0.0144	-0.0947
Apr-20	1.889	-0.0146	-0.0946
May-20	1.8793	-0.0149	-0.0944
Jun-20	1.8728	-0.0151	-0.0943
Jul-20	1.8729	-0.0151	-0.0939
Aug-20	1.8743	-0.0149	-0.0936
Sep-20	1.8763	-0.0149	-0.0936
Oct-20	1.878	-0.0149	-0.0931
Nov-20	1.8791	-0.0146	-0.0923
Dec-20	1.8782	-0.0143	-0.0917

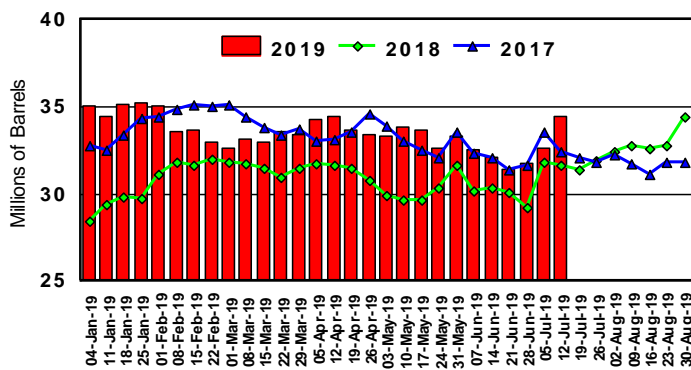
### Sprague HeatCurve Oct 2019-Apr 2020 \$1.9095

Other Front Month NYMEX		Close	Change
Crude - WTI	Sep Brent-	\$56.9200	-\$0.8200
Crude - Brent	WTI Spread	\$63.6600	-\$0.6900
Natural Gas	\$6.74	\$2.3040	-\$0.0020
Gasoline		\$1.8787	-\$0.0131



## Weekly EIA Petroleum Status Report for the Week Ending July 12, 2019

### Distillate Stocks PADD #2



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Down 3.116 million barrels

Cushing, OK Crude Stocks Down 1.351 barrels

**Gasoline Stocks** Up 3.565 million barrels

**Distillate Stocks** Up 5.686 million barrels

**Refinery % Operated** 94.4%, down 0.3%

### PADD #1

Distillate Stocks (in million bbls)	Week Ending July 12, 2019	Week Ending July 5, 2019	Week Ending July 13, 2018
New England	6.4	6.0	5.5
Central Atlantic	25.9	24.8	18.5
Total PADD #1	45.1	44.4	36.0
Distillate Imports (thousands b/d)	113	77	109