

Market Commentary

Recap: Oil futures fell for the second straight session as coronavirus demand concerns and an unexpected rise in U.S. crude oil inventories overshadowed weakness in the dollar. As the coronavirus spreads across the U.S. in alarming numbers, the potential for further business shutdowns heightened fear that demand would falter as all demand categories in the EIA report shows signs of declining. Oil prices have pulled back after settling Wednesday at their highest level since March. September WTI fell 83 cents, or 2%, to settle at \$41.07 a barrel, while Brent for September delivery settled at \$43.31, down 98 cents, or 2.2%. August RBOB fell 1.9% to settle at \$1.2586 a gallon and August heating oil shed 1.3%, to settle at \$1.2541 a gallon.

Technical Analysis: WTI continues to struggle above \$40, as it trends within a period of congestion. The 200-day moving average, a key technical indicator, is providing a level of resistance which coincides with the top of the congestion pattern. While this average is working to keep a lid on prices, the \$40 level is a key psychological area of support. Below \$40 is the 50-day moving average currently set at \$38.52, which has worked to keep a floor under this market. With moving oscillators crossing to the downside, we would look for a pullback toward \$40, with unsuccessful attempts to trade below this level met with a fresh round of buying. To the upside, resistance above the 50-day moving average, additional resistance is set at \$46.19.

Fundamental News: Genscape reported that crude oil stocks held in Cushing, Oklahoma in the week ending Tuesday, July 21st increased by 1,318,662 barrels and by 1,295,155 barrels from Friday, July 17th to 53,486,123 barrels.

Barclays Commodities Research said oil prices could see a correction in the near-term if a recovery in fuel demand slows further, especially in the United States. The bank lowered its oil market surplus forecast for 2020 to an average 2.5 million bpd, from a previous estimate of 3.5 million bpd. The bank also said that it remains constructive on prices for 2021, forecasting \$53 and \$50 for Brent and WTI, respectively. Barclays expects Brent to average \$41 in 2020 and WTI to average \$37. The bank lowered its demand estimates for next year, citing the continued spread of the coronavirus in key consuming countries, especially the United States.

Kremlin spokesman, Dmitry Peskov, said Russia's President, Vladimir Putin, has ordered authorities to study ideas for hedging oil prices. He added that no decisions had been made.

Chevron Corp said there is no impact to production at its facilities in the Gulf of Mexico due to tropical weather. It said no personnel has been evacuated.

Canadian oil companies are likely to restore all of the production that they shut in due to the COVID-19 pandemic, as prices have increased. Alberta curtailed some 1 million bpd this spring as lockdowns to curb the spread of the virus cut demand for gasoline and jet fuel. The Chief Executive of Suncor Energy, Mark Little, said that much of the shut in production is already being restored. He said Suncor is discussing with partners when to restore an idled production train at its Fort Hills site, and that there is a "reasonable chance" it will be online by year-end.

Separately, Cenovus sees 500,000 bpd of oil still offline in Canada. The company's Executive Vice President of Downstream said it is uncertain when that production will resume and added that rail cars are being stored to quickly ramp up oil shipments if economics make sense.

Early Market Call - as of 8:20 AM EDT

WTI - Sep \$41.35, up 28 cents
 RBOB - Aug \$1.2683, up 97 points
 HO - Aug \$1.2549, up 8 points

All NYMEX | Prior Settlements

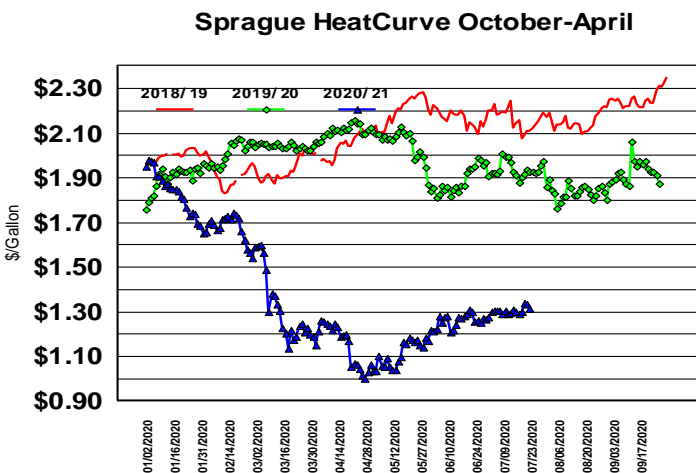
| Month | ULSD (HO) | Prior Settle | Change In |
|--------|-----------|--------------|-----------|
| | Close | Change | One Week |
| Aug-20 | 1.2541 | -0.0166 | -0.0262 |
| Sep-20 | 1.2617 | -0.0193 | -0.0203 |
| Oct-20 | 1.2741 | -0.0200 | -0.0178 |
| Nov-20 | 1.2882 | -0.0207 | -0.0169 |
| Dec-20 | 1.3011 | -0.0209 | -0.0167 |
| Jan-21 | 1.3138 | -0.0210 | -0.0159 |
| Feb-21 | 1.3231 | -0.0209 | -0.0145 |
| Mar-21 | 1.3280 | -0.0203 | -0.0138 |
| Apr-21 | 1.3286 | -0.0195 | -0.0136 |
| May-21 | 1.3327 | -0.0186 | -0.0129 |
| Jun-21 | 1.3382 | -0.0179 | -0.0111 |
| Jul-21 | 1.3504 | -0.0174 | -0.0100 |
| Aug-21 | 1.3624 | -0.0169 | -0.0095 |
| Sep-21 | 1.3730 | -0.0163 | -0.0092 |
| Oct-21 | 1.3830 | -0.0161 | -0.0085 |
| Nov-21 | 1.3927 | -0.0159 | -0.0077 |
| Dec-21 | 1.4006 | -0.0158 | -0.0067 |

| Sprague Heat Weighted Strip October -April 20/2021 | | | \$1.3110 |
|--|------------------------------------|-----------|-----------|
| | | Close | Change |
| Crude - WTI | Sep Brent- WTI Spread \$2.24 | \$41.0700 | -\$0.8300 |
| Crude - Brent | | \$43.3100 | -\$0.9800 |
| Natural Gas | | \$1.7850 | \$0.1040 |
| Gasoline | | \$1.2586 | -\$0.0242 |

EIA Working Gas Storage Report

| | 17-Jul-20 | 10-Jul-20 | Change | Year Ago |
|---------------|-----------|-----------|--------|----------|
| East | 693 | 672 | 21 | 571 |
| Midwest | 799 | 780 | 19 | 643 |
| Mountain | 190 | 186 | 4 | 150 |
| Pacific | 311 | 312 | -1 | 270 |
| South Central | 1,221 | 1,228 | -7 | 923 |
| Salt | 349 | 359 | -10 | 234 |
| Nonsalt | 872 | 869 | 3 | 689 |
| Total | 3,215 | 3,178 | 37 | 2,559 |

Sprague HeatCurve October-April



ICE September Brent-WTI Spread

