

## Market Commentary

**Recap:** Oil futures, which gapped lower on the opening, reversed to the upside as investors worried about worsening tensions between the U.S. and China. Both WTI and Brent posted significant monthly gains during the month of May on signs of increasing demand due to the easing of coronavirus restrictions and production cuts by OPEC+. According to Bloomberg, WTI has increased by nearly 80 percent this month--the highest increase since 1983. Still, this month's price rise has not been enough to offset the losses that the benchmark, along with all other benchmarks, suffered in the prior three months. WTI, therefore, is still 45 percent lower than it was at the beginning of the year and lower than the breakeven point for many U.S. shale producers. That being said, the surge in prices follows the steepest decline on record, leaving oil with a lot more ground to cover before it regains oil highs. July WTI settled at \$35.49 a barrel, up \$1.78, or 5.3%.

**Technical Analysis:** WTI surged above \$35 a barrel in late session trading in what was a volatile trading session. If this rally can sustain itself, this puts the gap above in focus. Resistance is set at \$36.35 and above that at \$40.11, the 50% retracement set by the December high of \$62.95 and the April low of \$17.27. Support is set at \$34.72 and below that at \$33.37.

**Fundamental News:** According to a Reuters survey, oil prices will gradually gain this year with demand improving and supply falling. The survey forecast Brent crude would average \$37.58/barrel in 2020, about 5% above April's \$35.84/barrel consensus, but still lower than the \$42.37/barrel average so far this year. WTI is seen averaging \$32.78/barrel, up from a previous forecast of \$31.47/barrel.

US and Canadian energy firms cut the number of oil and natural gas rigs operating to a record low as they cut spending on new drilling. Baker Hughes reported that the US oil and gas rig count fell by 17 to an all-time low of 301 in the week ending May 29<sup>th</sup>. The number of US oil rigs fell by 15 to 222 this week, their lowest since June 2009, while the number of gas rigs fell by 2 to 77.

The EIA reported that US crude oil production in March fell by 28,000 bpd or 0.2% to 12.716 million bpd, the lowest level since October. Oil output fell in most states, and in federal waters in the Gulf of Mexico, but increased in Texas. Output in Texas increased by 1.2% to 5.42 million bpd in March. Monthly gross natural gas production in the US Lower 48 states increased for the first time in four months to 105.41 billion cubic feet/day in March from 105.21 bcf/d in February.

According to a Reuters survey, OPEC's oil output fell to its lowest level in two decades in May as Saudi Arabia and other members started to deliver a record supply cut. The 13 members of OPEC produced 24.77 million bpd in May, down 5.91 million bpd from April's level. OPEC and its allies agreed to cut production by a record 9.7 million bpd starting May 1<sup>st</sup>. OPEC's share is 6.084 million bpd. So far in May, they delivered 4.48 million bpd of the pledged cut, equal to 74% compliance. The largest fall in output came from Saudi Arabia, which pumped a record 11.7 million bpd in April. Saudi supply is expected to fall even further in June.

IIR Energy reported that US oil refiners are expected shut in 4.2 million bpd of capacity in the week ending May 29<sup>th</sup>, increasing available refining capacity by 142,000 bpd from the previous week. Offline capacity is expected to fall to 3.2 million bpd in the week ending June 5<sup>th</sup>.

**Early Market Call - as of 8:30 AM EDT**

WTI - July \$35.34, down 15 cents  
 RBOB - July \$1.0830, up 45 points  
 HO - July \$1.0433, up 67 points

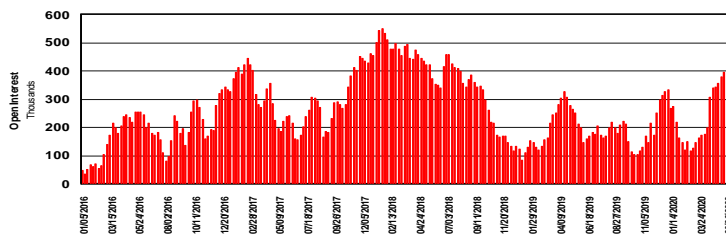
## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jun-20	0.9647	0.0391	0.0173
Jul-20	1.0366	0.0615	-0.0168
Aug-20	1.0696	0.0547	-0.0164
Sep-20	1.0990	0.0510	-0.0136
Oct-20	1.1239	0.0479	-0.0138
Nov-20	1.1464	0.0456	-0.0165
Dec-20	1.1641	0.0435	-0.0185
Jan-21	1.1820	0.0420	-0.0201
Feb-21	1.1982	0.0413	-0.0218
Mar-21	1.2116	0.0408	-0.0243
Apr-21	1.2189	0.0401	-0.0265
May-21	1.2272	0.0396	-0.0288
Jun-21	1.2377	0.0392	-0.0299
Jul-21	1.2551	0.0391	-0.0312
Aug-21	1.2714	0.0391	-0.0328
Sep-21	1.2848	0.0392	-0.0345
Oct-21	1.2977	0.0398	-0.0377

Sprague Heat Weighted Strip October -April 20/2021		\$1.1815
	Close	Change
Crude - WTI	\$35.4900	\$1.7800
Crude - Brent	\$35.3300	\$0.0400
Natural Gas	\$1.8490	\$0.0220
Gasoline	\$1.0259	\$0.0274

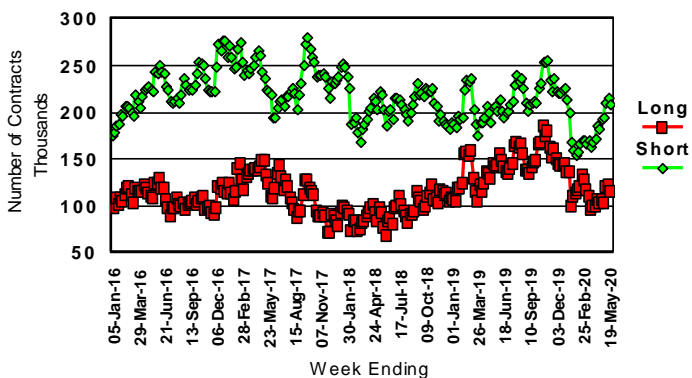
**July Brent-WTI Spread**  
 \$(-0.16)

WTI Futures & Options: NYMEX & ICE Combined Managed Money Reportable Positions



## Commitment of Traders Report for the Week Ending June 26, 2020

**Producer/Merchant Heat Positons**  
 CFTC Commitment of Traders Report



**Managed Money Heat Positons**  
 CFTC Commitment of Traders Report

