

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil futures turned higher on Tuesday, as tight supplies and expectations for another draw in U.S. and global crude oil inventories provided support. Gains were originally kept at bay, as U.S. inflation data for June showed U.S. consumer prices increased by the most in 13 years. However, strength in equities spilled over into the oil market, sparking off a rally which resulted in fresh highs for the day. Meanwhile, the IEA warned in a report that deadlock in the OPEC+ alliance may cause global markets to "tighten significantly." August WTI added \$1.15, or 1.6%, to settle at \$75.25 a barrel. This is the highest settlement for a spot contract in two years. September Brent settled at \$76.49 a barrel, up \$1.33, or 1.8%. August RBOB added .0411 cents, or 1.8%, to settle at \$2.3183 a gallon, while August heating oil settled at \$2.1844 a gallon, up .0346 cents, or 1.6%.

Market Outlook: August WTI bounced off of the 20-day moving average that sits between Bollinger Bands based upon a 2 standard deviation. Once above resistance at \$74.51, August WTI took off, never looking back below the psychological resistance level of \$75. At this point, it appears that this market has found fresh support and could move up toward the upper Bollinger Band. However, this market has been up at this level before, only to retreat, so therefore we would be reluctant to be buyers. Based upon this and given the sensitivity of this market, we would not discount a pullback, where we would consider being a light buyer for in and out trading. A break below \$74.82 allows for a run at \$74.11, with additional support set at \$73.50 and below that \$70.85. Resistance is seen at \$75.95 and above that at \$76.65.

Fundamental News: The International Energy Agency said stalled talks by top oil producers over releasing more supply could deteriorate into a price war just as COVID-19 vaccines are sending demand for oil surging. It said "the possibility of a market share battle, even if remote, is hanging over markets, as is the potential for high fuel prices to stoke inflation and damage a fragile economic recovery". It stated that the oil markets are likely to remain volatile until there is clarity on OPEC+ production policy. The IEA said OECD industry stocks increased by 18.1 million barrels in May, 75.8 million barrels below the 2016-2020 average to 2.945 billion barrels. It said the overhang in global oil stocks that built up last year has already been worked off. The IEA's preliminary data suggests that the third quarter could see the largest crude stock draw in at least a decade. The IEA said world oil supply increased by 1.1 million bpd in June to 95.6 million bpd as OPEC+ eased output cuts and non-OPEC production increased. Global oil demand increased by an estimated 3.2 million bpd to 96.8 million bpd in June. Oil demand is expected to increase by 5.4 million bpd in 2021 and by a further 3 million bpd in 2022.

The IEA reported that the OPEC+ countries participating in the agreement on oil output cuts in June 2021 increased production by 500,000 bpd to 40.9 million bpd, mainly due to Saudi Arabia. Saudi Arabia in June increased its production to 8.92 million bpd from 8.54 million bpd in May. However, the country is still over fulfilling its target of a 26% cut in oil production. Russia produced 9.52 million bpd in June, down from 9.53 million bpd in May. Russia complied with the terms of the agreement by 96%. The ten OPEC countries in June complied with the agreement by 123%, with non-OPEC countries complying by 97%.

The International Energy Agency said global refining runs are expected to continue rising in July and August due to increasing vaccination rates and easing social distancing measures around the world. However, the IEA expected the trend will lose momentum in winter due to seasonal maintenance of refineries. After stagnating in May, global refining throughput increased by 1.6 million bpd in June. Runs are expected to increase by another 2.7 million bpd over July and August from June levels but will start declining in September and October as refinery maintenance season begins.

Early Market Call - as of 8:30 AM EDT

WTI - Aug \$75.08 Down 0.18
RBOB - Aug \$2.3115 Down .0068
HO - Aug \$2.1764 Down .0080

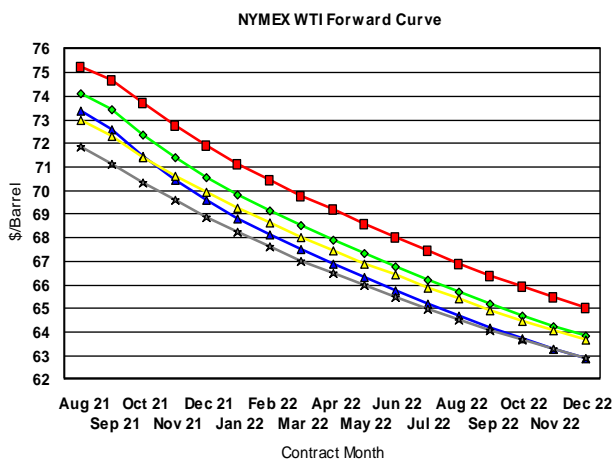
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-21	\$2.1844	\$0.0346	\$0.0795
Sep-21	\$2.1867	\$0.0344	\$0.0793
Oct-21	\$2.1865	\$0.0345	\$0.0793
Nov-21	\$2.1840	\$0.0345	\$0.0784
Dec-21	\$2.1805	\$0.0345	\$0.0775
Jan-22	\$2.1766	\$0.0343	\$0.0762
Feb-22	\$2.1694	\$0.0339	\$0.0748
Mar-22	\$2.1567	\$0.0333	\$0.0729
Apr-22	\$2.1396	\$0.0330	\$0.0719
May-22	\$2.1268	\$0.0329	\$0.0720
Jun-22	\$2.1179	\$0.0328	\$0.0725
Jul-22	\$2.1141	\$0.0328	\$0.0719
Aug-22	\$2.1112	\$0.0328	\$0.0712
Sep-22	\$2.1088	\$0.0328	\$0.0688
Oct-22	\$2.1073	\$0.0328	\$0.0701
Nov-22	\$2.1058	\$0.0329	\$0.0702
Dec-22	\$2.1034	\$0.0327	\$0.0702

Sprague HeatCurve October 2021-April 2022			\$2.1712
		Close	Change
Crude - WTI	Sep Brent- WTI Spread \$1.80	\$74.6900	\$1.2500
Crude - Brent		\$76.4900	\$1.3300
Natural Gas		\$3.6960	-\$0.0530
Gasoline		\$2.3183	\$0.0411

API Report for the Week Ending July 2, 2021

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Down 4.1 million barrels	Down 4.9 million bbls
Cushing, OK Crude Stocks		
Gasoline Stocks	Down 1.5 million barrels	Down 1.6 million barrels
Distillate Stocks	Up 3.7 million barrels	Up 1.3 million barrels
Refinery Runs		Up 0.3%, at 92.5%
Crude Imports		

WTI Forward Curve



WTI Continuation

