

## Market Commentary

**Recap:** Oil futures turned lower for the second straight session on Wednesday, as the dollar rallied to its highest level in almost a year and after the EIA reported a 4.6 million barrel increase in U.S. crude oil inventories, defying expectations for a 4.5 million barrel decline. This marks the first time crude oil inventories rose in eight weeks. Higher energy costs this month have stoked speculation that the Organization of Petroleum Exporting Countries and its allies may ease supply cuts more quickly. West Texas Intermediate crude futures for November delivery fell 46 cents or 0.6%, to settle at \$74.83 a barrel while Brent for November delivery dropped 45 cents or 0.6%, to end the session at \$78.64 a barrel. October RBOB rose 1.2%, to \$2.229 a gallon and October heating oil climbed by 0.8% to \$2.308 a gallon. The October contracts expire at the end of Thursday's session.

**Technical Analysis:** Prompted by several factors, traders appear to be booking profits in crude oil after five straight days of gains. Among these factors are demand concerns amid the rising number of COVID-19 cases, shortages of gasoline in some regions, strength in the U.S. dollar and an unexpected increase in U.S. crude oil and product inventories. Asian imports are expected to decline for a second month in September as the top importing region suffers from lack of demand. Seaborne imports are expected to decline to 31.71 million barrels per day in September from August, while physical traders in Asia are reporting no shortage of available cargoes and refiners are reluctant to buy more crude, given subdued demand in many countries amid lockdowns and travel restrictions due to the pandemic. A rise in the U.S. dollar could make dollar denominated crude oil less attractive to foreign buyers. Traders are now shifting their focus to OPEC+ ahead of its upcoming production meeting, where most are expected to keep supplies tight. At this point, we could see further dips down toward the 10-day moving average which is currently set at \$72.92 and possibly down toward the 50-day moving average currently set at \$69.82. To the upside, resistance is seen at \$76.98 and above that at \$77.74.

**Fundamental News:** In opening remarks to a technical OPEC+ meeting on Wednesday, OPEC Secretary General, Mohammad Barkindo, said that the group's gradual production increases were addressing an increase in oil demand while preventing excess supplies building up.

The OPEC+ Joint Technical Committee sees the oil market in a 1.4 million bpd surplus next year under its base scenario, slightly below the previous forecast of 1.6 million bpd. It sees the market in a 1.1 million bpd deficit this year, assuming demand growth of about 6 million bpd. It assumes demand growth of 4.2 million bpd next year.

Sources said OPEC+ is likely to stick to an existing deal to add 400,000 bpd to its output for November when it meets next week, despite oil reaching a three-year high above \$80/barrel and pressure from consumers for more supply. OPEC+, which has held regular meetings, agreed in September to continue with its existing plans for an October output rise.

Crude deliveries from the U.S. SPR have been proceeding since earlier in September after a hiatus during most of July and August. Over the past three weeks, 2.6 million barrels of oil have been drawn, leaving the SPR crude storage at the lowest level since September 2003. That includes a 880,000 barrel decline in the latest EIA weekly report.

IIR Energy reported that U.S. oil refiners are expected to shut in about 853,000 bpd of capacity offline in the week ending October 1<sup>st</sup>, increasing available refining capacity by 54,000 bpd. Offline capacity is expected to increase to about 1.3 million bpd in the week ending October 8<sup>th</sup>.

**Early Market Call - as of 9:25 AM EDT**

WTI - Nov \$73.82, down \$1.02

RBOB - Oct \$2.2015, down 1.54 cents

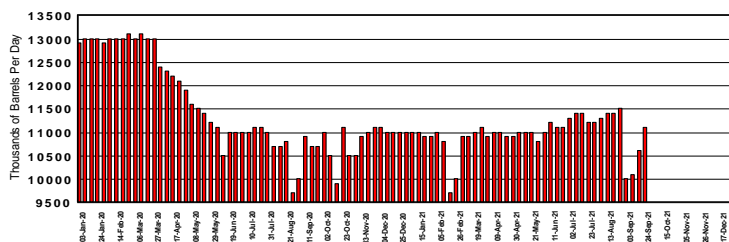
HO - Oct \$2.3020, down 53 points

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Oct-21	\$2.3075	\$0.0185	\$0.0959
Nov-21	\$2.3047	\$0.0187	\$0.0960
Dec-21	\$2.2994	\$0.0175	\$0.0974
Jan-22	\$2.2905	\$0.0169	\$0.0972
Feb-22	\$2.2752	\$0.0166	\$0.0967
Mar-22	\$2.2551	\$0.0163	\$0.0970
Apr-22	\$2.2328	\$0.0158	\$0.0966
May-22	\$2.2178	\$0.0157	\$0.0968
Jun-22	\$2.2058	\$0.0155	\$0.0966
Jul-22	\$2.2004	\$0.0158	\$0.0969
Aug-22	\$2.1970	\$0.0162	\$0.0973
Sep-22	\$2.1949	\$0.0166	\$0.0952
Oct-22	\$2.1938	\$0.0169	\$0.0974
Nov-22	\$2.1914	\$0.0168	\$0.0970
Dec-22	\$2.1876	\$0.0166	\$0.0967
Jan-23	\$2.1834	\$0.0172	\$0.0955
Feb-23	\$2.1738	\$0.0178	\$0.0940

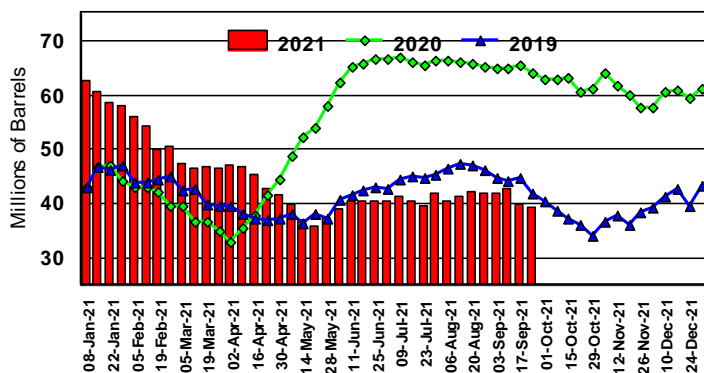
Sprague HeatCurve October 2021-April 2022		\$2.2815
	Close	Change
Crude - WTI	\$74.8300	-\$0.4600
Crude - Brent	\$78.6400	-\$0.4500
Natural Gas	\$5.4770	-\$0.4030
Gasoline	\$2.2293	\$0.0274

### U.S. Domestic Crude Production



## Weekly EIA Petroleum Status Report for the Week Ending September 24, 2020

### Distillate Stocks PADD #1



### Overall U.S. Stats

**Crude Oil Stocks(excluding SPR)** Down 3.481 million barrels

Cushing, OK Crude Stocks Down 1.476 million barrels

**Gasoline Stocks** Up 3.474 million barrels

**Distillate Stocks** Down 2.554 million barrels

**Refinery % Operated** 87.5%, Up 5.4%

### PADD #1

Distillate Stocks (in million bbls)	Week Ending Sep 24, 2021	Week Ending Sep 17, 2021	Week Ending Sep 25, 2020
New England	7.1	7.5	12.7
Central Atlantic	20.9	21.6	35.9
Total PADD #1	39.1	39.9	62.9
Distillate Imports (thousands b/d)	270	149	131