

## Market Commentary

**Recap:** Commodity prices fell across the board on Monday amid concern over the economic health of China, as property giant Evergrande dragged down global financial markets. This raised concern, as China is a global swing demand center for crude oil. Crude oil futures fell, as the dollar strengthened, with the soon to expire October contract falling as much as 2.9% before trimming losses to settle at \$70.29 a barrel, down \$1.68, or 2.3%. The more actively traded November contract slipped \$1.68, or 2.3%, to settle at \$70.14 a barrel. November Brent fell \$1.42, or 1.9%, to settle at \$73.92 a barrel. Both WTI and Brent jumped more than 3% last week to trade at seven-week highs. October gasoline lost 2.6% to \$2.115 a gallon and October heating oil shed 2.3% to \$2.159 a gallon.

**Technical Analysis:** Traders will be tuned into the Federal Reserve's two-day policy meeting, which is to commence on Tuesday, looking for clues to the timing of its plan to eventually begin to taper its monthly bond purchases. Meanwhile, crude production in the Gulf of Mexico continues to slowly recover from Hurricane Ida, which made landfall on the Louisiana coast on Aug. 29. The Bureau of Safety and Environmental Enforcement on Monday estimated 18.2% of Gulf crude production, equal to around 331,078 barrels a day, remained shut in, along with 26.8% of natural-gas output. The slow return of crude output was seen helping lift prices in recent weeks, though the pace of the recovery picked up last week. November WTI, the soon to be spot contract, broke below the 10-day moving average, but stopped short of reaching the 50-day moving average. The inability to hold below \$70 indicates buying below this market, and for that reason, we expect to see prices continue to recover from Monday's sell-off. A push back above \$72 will breathe fresh air into the market and we would expect to see a push toward \$74.

**Fundamental News:** Goldman Sachs Commodities Research said an increase in demand of 900,000 bpd from a potentially colder winter could lead to a \$5/barrel increase on its fourth quarter \$80/barrel Brent price forecast. It said that tight global gas supplies creates potentially meaningful bullish catalyst for the market this winter than downside risk from another COVID wave.

Citi lowered its 2021 global demand estimate to 96.4 million bpd from 97.3 million bpd, while it left its estimate for next year "effectively unchanged" at 101 million bpd. Its current forecasts are up 5.7 million bpd year on year for 2021 and up 4.6 million bpd year on year for 2022. The bank cut its third quarter Brent forecast to \$73/barrel from \$77/barrel and its fourth quarter forecast to \$74/barrel from \$78/barrel.

European gasoline arrivals in the U.S. in the week ending September 16<sup>th</sup> increased by 12% on the week to 340,000 bpd. Nine tankers discharged a total of 2.4 million barrels on the U.S. East Coast. Meanwhile, the first diesel imports from Europe were observed since late August. A ship discharged about 264,000 bpd of European ULSD for the first time this month.

Royal Dutch Shell PLC warned that production from two of its largest U.S. Gulf of Mexico fields will not resume until next year after Hurricane Ida. It said it expected its crude transfer station in the Gulf of Mexico to be offline for repairs until the end of 2021 due to damages from Hurricane Ida. The outage will disrupt about 300,000 bpd of production capacity. The company said it expected facilities on its WD-143 "C" platform and production from the Olympus platform, which flows across the WD-143 "C" platform, to resume in the fourth quarter. Production from its Mars and Ursa facilities, which flow across the WD-143 "A" platform, was estimated to resume in the first quarter of 2022.

IIR Energy reported that U.S. oil refiners are expected to shut in 879,000 bpd of capacity in the week ending September 24<sup>th</sup>, increasing available refining capacity by 853,000 bpd.

**Early Market Call - as of 8:00 AM EDT**

WTI - Nov \$70.93, up 78 cents

RBOB - Oct \$2.1296, up 1.38 cents

HO - Oct \$2.1830, up 2.36 cents

## All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Oct-21	\$2.1590	-\$0.0501	\$0.0007
Nov-21	\$2.1561	-\$0.0503	-\$0.0005
Dec-21	\$2.1499	-\$0.0498	-\$0.0029
Jan-22	\$2.1419	-\$0.0493	-\$0.0055
Feb-22	\$2.1287	-\$0.0493	-\$0.0094
Mar-22	\$2.1100	-\$0.0493	-\$0.0133
Apr-22	\$2.0891	-\$0.0488	-\$0.0154
May-22	\$2.0754	-\$0.0482	-\$0.0166
Jun-22	\$2.0655	-\$0.0477	-\$0.0168
Jul-22	\$2.0616	-\$0.0475	-\$0.0179
Aug-22	\$2.0595	-\$0.0472	-\$0.0189
Sep-22	\$2.0587	-\$0.0468	-\$0.0197
Oct-22	\$2.0590	-\$0.0463	-\$0.0202
Nov-22	\$2.0585	-\$0.0459	-\$0.0208
Dec-22	\$2.0567	-\$0.0453	-\$0.0214
Jan-23	\$2.0547	-\$0.0450	-\$0.0222
Feb-23	\$2.0472	-\$0.0447	-\$0.0231

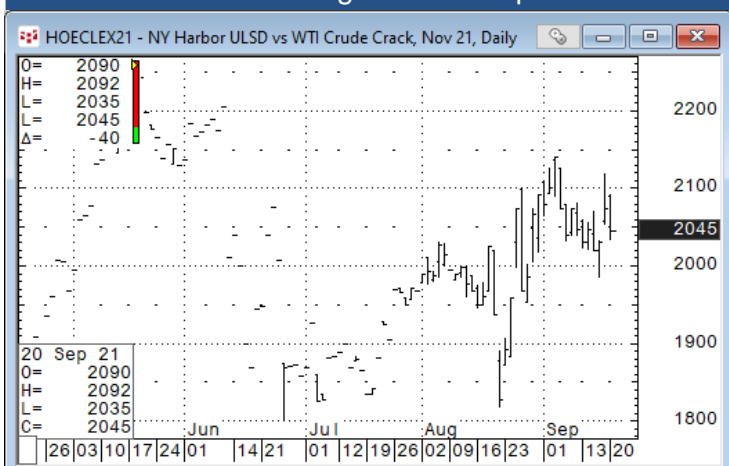
## Sprague HeatCurve October 2021-April 2022 \$2.1341

	Close	Change
Crude - WTI	\$70.1400	-\$1.6800
Crude - Brent	\$73.9200	-\$1.4200
Natural Gas	\$4.9850	-\$0.1200
Gasoline	\$2.1152	\$0.0561

## ICE November Brent-WTI Spread



## November Heating Oil Crack Spread



## November RBOB Crack Spread

