

Market Commentary

Recap: Oil prices rose on Friday after an unexpected fall in the May U.S. unemployment rate and OPEC's decision to bring forward to Saturday discussions on whether to extend record production cuts. The major oil producers are expected to reach an official agreement to extend record production cuts of 9.7 million barrels per day through July, according to The Wall Street Journal. The group decided to move forward a meeting that had been planned for June 9-10, after a tentative plan to meet on June 4 fell apart. Also adding support was the first tropical storm of the season in the U.S. Gulf of Mexico. Storm Cristobal was expected to enter the central Gulf this week and making landfall on Sunday. WTI for July delivery rose \$2.14, or 5.7%, to settle at \$39.55 a barrel, for a weekly gain of 11.4%. August Brent climbed \$2.31 or 5.8%, to end at \$42.30 a barrel, up 11.8% on the week. Both benchmarks tallied their sixth consecutive weekly gain and marked a fourth session at their highest settlement since March 6. July RBOB rose 5.6% to \$1.2136 a gallon, finishing 12.5% higher for the week, and July heating oil added 7.1% to \$1.1506 a gallon, tacking on 11% for the week.

Technical Analysis: Since May, when oil prices bounced off of the lows, July WTI has been trending within an upward channel that has formed on a daily bar chart. With the upward move supported by bullish fundamentals, traders are placing bets that prices will make further advancements. We would continue to look for the gap that now sits between \$40.50 and \$41.88. Support is set at \$36.20 and below that at \$35.72, the channel bottom. To the upside resistance is set at \$43.03, the channel top and above that at \$46.

Fundamental News: Goldman Sachs has estimated that less than half of U.S. 2020 crude oil production was hedged in January of this year but due to the price action in March many U.S. E & P companies rushed to protect cash flows and currently some 66% of U.S. oil production is hedged, the highest rate in five years. An analyst at Evaluate Energy estimates that of the 161 public upstream companies that produce in North America, 121 of them hedge some oil this year.

Baker Hughes reported that US oil and natural gas rig count in the week ending June 5th fell for the fifth consecutive week by 17 to 284. The number of rigs searching for oil fell by 16 to 206 in the week ending June 5th.

OPEC and its allies led by Russia will meet on Saturday to discuss extending record oil production cuts and to approve a new approach that aims to force laggards such as Iraq and Nigeria to comply better with the existing curbs. Two OPEC+ sources said Saudi Arabia and Russia had agreed to extend the deeper cuts until the end of July but they said Saudi Arabia was also pushing to extend them until the end of August.

Saudi Arabia's Energy Minister, Prince Abdulaziz bin Salman, said that OPEC and its allies, a group known as OPEC+, were working to hold their oil output policy meeting on Saturday. Mexico's President, Andres Manuel Lopez Obrador, said that Mexico is not in a position to make additional oil output cuts beyond those already agreed at the April meeting of the OPEC+ group.

Royal Dutch Shell Plc said there has been no impact to offshore oil production from Tropical Storm Cristobal, but it expects a minimal impact to drilling. Shell is evacuating non-essential workers in the Gulf as the storm moves north to reach the Louisiana coast by Sunday night.

Equinor is shutting in production on the Titan platform ahead of Tropical Storm Cristobal. It is evacuating the remaining workers from the platform on Friday.

Murphy Oil began evacuating its personnel in the US Gulf of Mexico. Previously, the company said it was removing only non-essential workers from the possible path of Tropical Storm Cristobal.

Early Market Call - as of 8:45 AM EDT

WTI - July \$38.74, down 81 cents

RBOB - July \$1.2152, up 18 points

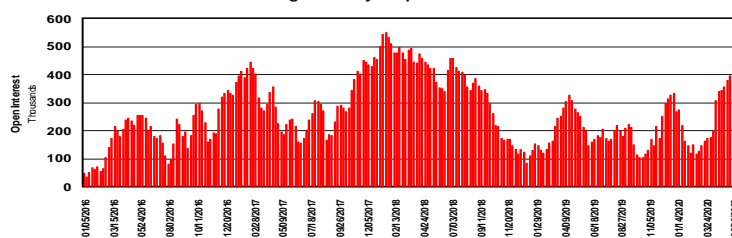
HO - July \$1.1461, down 45 points

All NYMEX | Prior Settlements

| Month | ULSD (HO) Close | Prior Settle Change | Change In One Week |
|--------|--------------------|------------------------|-----------------------|
| Jul-20 | 1.1506 | 0.0765 | -0.1140 |
| Aug-20 | 1.1794 | 0.0725 | -0.1098 |
| Sep-20 | 1.2050 | 0.0693 | -0.1060 |
| Oct-20 | 1.2283 | 0.0673 | -0.1044 |
| Nov-20 | 1.2490 | 0.0654 | -0.1026 |
| Dec-20 | 1.2650 | 0.0635 | -0.1009 |
| Jan-21 | 1.2807 | 0.0615 | -0.0987 |
| Feb-21 | 1.2947 | 0.0594 | -0.0965 |
| Mar-21 | 1.3051 | 0.0571 | -0.0935 |
| Apr-21 | 1.3094 | 0.0553 | -0.0905 |
| May-21 | 1.3153 | 0.0536 | -0.0881 |
| Jun-21 | 1.3237 | 0.0520 | -0.0860 |
| Jul-21 | 1.3395 | 0.0508 | -0.0844 |
| Aug-21 | 1.3542 | 0.0497 | -0.0828 |
| Sep-21 | 1.3664 | 0.0489 | -0.0816 |
| Oct-21 | 1.3783 | 0.0484 | -0.0806 |
| Nov-21 | 1.3881 | 0.0481 | -0.0806 |

| Sprague Heat Weighted Strip October -April 20/2021 | | | \$1.2795 |
|--|------------------------------------|-----------|-----------|
| | | Close | Change |
| Crude - WTI | Aug Brent- WTI Spread \$2.50 | \$39.8000 | \$2.0800 |
| Crude - Brent | | \$42.3000 | \$2.3100 |
| Natural Gas | | \$1.7820 | -\$0.0400 |
| Gasoline | | \$1.2136 | \$0.0646 |

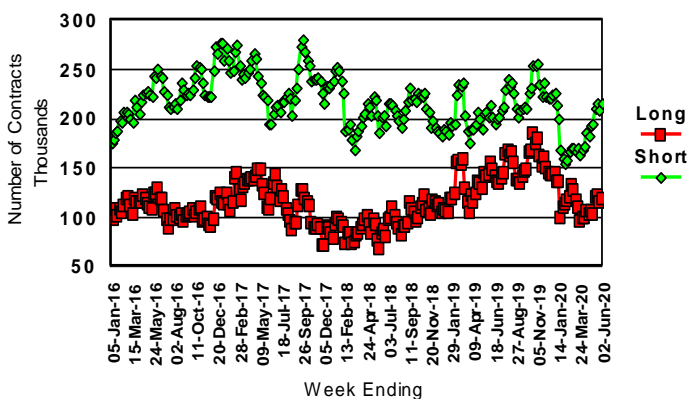
WTI Futures & Options: NYMEX & ICE Combined
Managed Money Reportable Positions



Commitment of Traders Report for the Week Ending June 2, 2020

Producer/Merchant Heat Positons

CFTC Commitment of Traders Report



Managed Money Heat Positons

CFTC Commitment of Traders Report

