

Market Commentary

Recap: The oil market on Wednesday continued to retrace its previous losses after posting an inside trading session on Tuesday. The market was still supported by China's pledge to act to support its economic growth and expectations that the U.S. Federal Reserve will stop raising interest rates soon after U.S. retail sales increased by less than expected in June. The crude market traded mostly sideways overnight before it breached its previous high and extended its gains to over \$1.20 as it posted a high of \$76.97 ahead of the release of the EIA's weekly petroleum stocks report. However, the market erased most of its gains upon release of the inventory report, which showed a lower than expected draw of 708,000 barrels in crude stocks. The August WTI contract sold off to a low of \$75.07 ahead of the close and settled down 40 cents at \$75.35. The September Brent contract settled down 17 cents at \$79.46. The product markets ended the session higher, with the heating oil market settling up 4.24 cents at \$2.6418 and the RB market settling up 2.61 cents at \$2.7205.

Technical Analysis: The oil market is seen trading sideways within its recent range from about \$77.35 to \$73.80. The market will likely retrace some of its losses on Thursday as the market is expecting the Federal Reserve to stop increasing interest rates following the expected rate hike later this month. The market is seen finding resistance at its high of \$76.97, \$77.30 and \$77.33. More distant resistance is seen at \$78.52-\$78.62, the \$80.00 level and \$80.39. Support is seen at its low of \$75.07, \$73.88-\$73.84, \$73.40, \$72.98, \$72.67, \$72.19 followed by \$71.19 and \$70.98.

Fundamental News: The EIA reported that U.S. crude oil stocks in the SPR increased by about 1,000 barrels in the week ending July 14th, the first increase since January 2021. The SPR stood at 346.759 million barrels in the week ending July 14th, compared with 346.758 million barrels in the week ending July 7th. The U.S. Department of Energy has started buying oil to refill the SPR after inventories fell to their lowest level since 1983 in recent months due to congressional mandates to release oil from the reserve to lower prices. The EIA reported that U.S. Midwest distillates stocks increased by 600,000 barrels to 30.9 million barrels, the highest level since February 2022. The EIA stated that U.S. Midwest refinery utilization rate increased by 0.02% to 98.8%, the highest level since July 2021.

Bloomberg reported that China would be blocked from purchasing oil from the U.S. SPR under legislation scheduled for a Senate vote on Wednesday. The amendment to the National Defense Authorization Act comes amid a renewed focus on the country's SPR, which stands at a 40-year low following the Biden administration's 180 million barrel drawdown last year. The legislation similar to a bill that passed the House in January that would prohibit the sale of U.S. oil from the reserve to any company under the control of the Chinese Communist Party and ban the export of any crude oil from the SPR to China.

The EIA's latest Drilling Productivity Report released this week is showing a decline in domestic drilling activity in the seven largest unconventional plays in the U.S., which they are forecasting will result in August production from these areas dropping by 18,000 b/d to 9.397 million b/d. The EIA also reported that the number of drilled but uncompleted wells (DUCs) fell by 24 over June to 4,804, the lowest level since June 2017.

IIR Energy reported that U.S. oil refiners are expected to shut in about 578,000 bpd of capacity in the week ending July 21st, increasing available refining capacity by 84,000 bpd. Offline capacity is expected to fall to 155,000 bpd in the week ending July 28th.

Colonial Pipeline Co is allocating space for Cycle 43 on Line 1, its main gasoline line from Houston, Texas to Greensboro, North Carolina. The current allocation is for the pipeline segment north of Collins, Mississippi.

Early Market Call - as of 9:05 AM EDT

WTI - August \$75.85, up 50 cents

RB0B - August \$2.7040, down 1.65 cents

HO - August \$2.6432, up 14 points

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Aug-23	2.6418	0.0424	0.0422
Sep-23	2.6355	0.0414	0.0435
Oct-23	2.6254	0.0383	0.0407
Nov-23	2.6074	0.0329	0.0337
Dec-23	2.5864	0.0279	0.0269
Jan-24	2.5713	0.0234	0.0213
Feb-24	2.5540	0.0197	0.0181
Mar-24	2.5315	0.0172	0.0167
Apr-24	2.5032	0.0157	0.0159
May-24	2.4840	0.0154	0.0165
Jun-24	2.4691	0.0154	0.0172
Jul-24	2.4628	0.0155	0.0179
Aug-24	2.4586	0.0153	0.0185
Sep-24	2.4548	0.0145	0.0185
Oct-24	2.4516	0.0132	0.0176
Nov-24	2.4466	0.0124	0.0172
Dec-24	2.4397	0.0120	0.0168

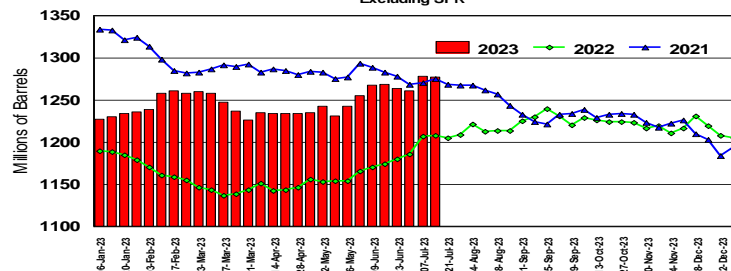
Sprague HeatCurve October 2023-April 2024

\$2.5666

	Close	Change
Crude - WTI	\$75.2900	-\$0.3700
Crude - Brent	\$79.4600	-\$0.1700
Natural Gas	\$2.6030	-\$0.0260
Gasoline	\$2.7205	\$0.0261

Total U.S. Oil Stocks

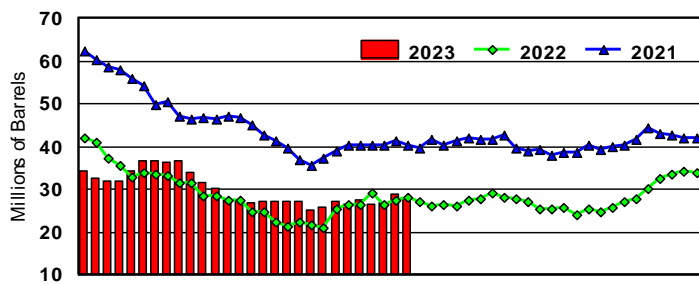
Excluding SPR



Weekly EIA Petroleum Status Report for the Week Ending July 14, 2023

Distillate Stocks

PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 708,000 barrels

Cushing, OK Crude Stocks Down 2.891 million barrels

Gasoline Stocks Down 1.066 million barrels

Distillate Stocks Up 13,000 barrels

Refinery % Operated 94.3%, up 0.6%

PADD #1

	Week Ending July 14, 2023	Week Ending July 7, 2023	Week Ending July 15, 2022
Distillate Stocks (in million bbl)			
New England	3.2	3.5	3.3
Central Atlantic	14.2	12.7	13.0
Total PADD #1	27.9	28.9	28.2
Distillate Imports (thousands b/d)	54	54	90