

Market Commentary

Recap: Oil prices seesawed between negative and positive territory in what was a volatile session, as concern over the rising cases of the Delta coronavirus variant weighed on prices while expectations of lower U.S. inventories provided some support. The 2021 oil rally, which has seen WTI and Brent both rise around 48% year-to-date, has been driven by the resumption of economic growth as businesses have reopened and consumer demand for gasoline has risen, with discipline within OPEC and its allies aiding the higher move. However, recent developments with COVID-19 could see this turn quickly. WTI fell as much as 3.2%, to a session low of \$69.19 a barrel before paring losses, while Brent lost as much as 2.5%, hitting a session low of \$71.05 a barrel. September WTI retraced 2% from its low to settle at \$70.56 a barrel, down 70 cents, or 1%. Brent for October delivery also bounced 2% from its low, to settle at \$72.41, down 48 cents, or .7%. Petroleum products also slipped, with September RBOB falling 0.2%, to settle at \$2.2708 a gallon, while September heating oil shedding 0.4% to close at \$2.1265 a gallon.

Market Outlook: Tuesday's activity pushed the minor trend for crude oil to the downside. WTI is trending sideways within a symmetrical triangle. This typically means more sideways trading, but with the market being as volatile as it has been, we are looking for a break out of this formation, with a slight bias to the downside. A settlement below \$70 will add additional downside pressure, with a sustained move below \$69.71 accelerating downside momentum and allowing for a push toward \$65.21. On the upside, resistance rests at \$71.10 and above that at \$72.48. A push above \$74.23 will shift the trend of this market to the upside and open up the opportunity for a run at \$75.

Fundamental News: Refinitiv research showed that flows of diesel and gasoil from the United States to Europe were expected to remain steady week on week, though weaker arbitrage economics were expected to constrain shipments for the foreseeable future as Europe grappled with ample spot diesel supplies from the East. It expects about 76,000 tons to arrive in Europe this week, matching last week's volumes.

According to the EIA, U.S. retail regular gasoline prices increased 0.5% to \$3.059/gallon and retail diesel prices increased by 0.7% to \$3.367/gallon in the week ending July 30th.

Total global oil shipments in July increased to 34.170 million bpd. Saudi Arabia loaded 6.38 million bpd onto ships in July, an increase of almost 640,000 bpd compared with June. The increase was enough to lift global flows by about 276,000 bpd. Shipments from the North Sea in July increased to 2.12 million bpd from 1.65 million bpd, while shipments from Kuwait increased to 2.039 million bpd in July from 1.763 million bpd.

According to BloombergNEF, shale explorers are facing almost \$12 billion in losses this year from bad bets on oil. Of the 50 U.S. drillers, Devon Energy Corp, Pioneer Natural Resources Co and Diamondback Energy Inc are on track to see the largest losses, with more than \$1 billion each in hedging losses. It is the worst hedging performance in records dating back to mid-2017. The group hedged almost one-third of estimated 2021 output and the practical impact that they are locked in to reap about \$5 less than WTI. The group of 50 companies locked in protections on average at \$49.51/barrel, however some had hedges even lower. Unhedged output helped to offset those losses, with explorers on average realizing prices at \$5.21/barrel below the average U.S. oil price during the period.

Early Market Call - as of 8:30 AM EDT

WTI - Sep \$69.27, down \$1.29
 RBOB - Sep \$2.2543, down 1.65
 HO - Sep \$2.0975, down 2.89 cents

All NYMEX | Prior Settlements

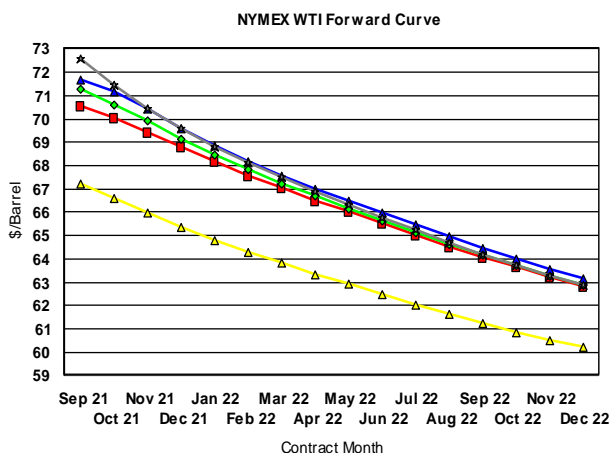
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Sep-21	\$2.1264	-\$0.0094	-\$0.0192
Oct-21	\$2.1281	-\$0.0083	-\$0.0173
Nov-21	\$2.1281	-\$0.0073	-\$0.0153
Dec-21	\$2.1260	-\$0.0067	-\$0.0135
Jan-22	\$2.1225	-\$0.0059	-\$0.0117
Feb-22	\$2.1158	-\$0.0052	-\$0.0102
Mar-22	\$2.1041	-\$0.0040	-\$0.0091
Apr-22	\$2.0876	-\$0.0027	-\$0.0078
May-22	\$2.0769	-\$0.0011	-\$0.0065
Jun-22	\$2.0704	\$0.0002	-\$0.0055
Jul-22	\$2.0692	\$0.0010	-\$0.0041
Aug-22	\$2.0686	\$0.0017	-\$0.0035
Sep-22	\$2.0684	\$0.0025	-\$0.0037
Oct-22	\$2.0688	\$0.0032	-\$0.0016
Nov-22	\$2.0693	\$0.0040	-\$0.0005
Dec-22	\$2.0684	\$0.0045	\$0.0006
Jan-23	\$2.0668	\$0.0050	\$0.0014

Sprague HeatCurve October 2021-April 2022			\$2.1170
		Close	Change
Crude - WTI	Oct Brent- WTI Spread \$2.38	\$70.0300	-\$0.5800
Crude - Brent		\$72.4100	-\$0.4800
Natural Gas		\$4.0270	\$0.0920
Gasoline		\$2.2708	-\$0.0039

API Report for the Week Ending July 30, 2021

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Down 879,000 barrels	Down 3.1 million bbls
Cushing, OK Crude Stocks	Up 659,000 barrels	
Gasoline Stocks	Down 5.75 million bbls	Down 1.8 million barrels
Distillate Stocks	Down 717,000 barrels	Down 500,000 barrels
Refinery Runs		Up 0.6%

WTI Forward Curve



WTI Continuation

