

## Market Commentary

## All NYMEX | Prior Settlements

**Recap:** Oil futures reversed early losses on Tuesday after the EIA, in its monthly report, lifted its forecast for WTI and Brent prices for this year and as traders remain optimistic that demand will increase as the global effort to reopen after shutting down due to Covid-19. July WTI bounced off of its low of \$68.47, to push back toward \$70, the high reached on Monday. Statements by a U.S. diplomat pushed prices higher in post settlement trading. The diplomat stated that even if the U.S. were to ready a nuclear deal with Iran, hundreds of U.S. sanction on Tehran would remain in place, which could mean additional Iranian oil supply would not be re-introduced in the market any time soon. July WTI settled at \$70.05 a barrel, up 82 cents, or 1.18%. Monday's high was the highest level for a spot contract in 52-weeks. August Brent settled at \$72.22 a barrel, up 73 cents, or 1%. July RBOB tacked on 1.2%, to \$2.22 a gallon, while July heating oil rose 0.9%, to \$2.14 a gallon.

**Market Outlook:** WTI came under early pressure following Monday's bearish reversal, a not too surprising move, as there has been no real change in the underlying fundamentals. This pull-back from \$70 is most likely a correction in this market, as it may have gotten a bit ahead of itself and traders seem to be lightening up on length. There are several factors playing into this correction, including the renewed talks between the U.S. and Iran and a drop in China's crude imports and a stronger dollar. With the major trend of this market remaining to the upside, we would look for another push toward \$70, with successful moves leading toward \$75. Support is set at \$66.43 and below that at \$65.

**Fundamental News:** In its Short Term Energy Outlook, the U.S. Energy Information Administration cut its 2021 world oil demand growth forecast by 10,000 barrels per day to 5.41 million bpd. It also cut its oil demand growth estimate for 2022 by 90,000 bpd to 3.64 million bpd. Total world oil demand is expected to increase to 97.67 million bpd in 2021 and to 101.31 million bpd. The EIA reported that total oil production is expected to increase by 2.64 million bpd to 96.86 million bpd in 2021 and by 4.96 million bpd to 101.82 million bpd. OPEC's oil production is expected to increase by 1.27 million bpd to 26.87 million bpd in 2021 and by 1.8 million bpd to 28.67 million bpd in 2022. U.S. oil production is forecast to increase by 20,000 bpd to 18.62 million bpd and by 1.33 million bpd to 19.95 million bpd in 2022. The EIA reported that U.S. petroleum demand in 2021 is forecast to increase by 1.49 million bpd to 19.61 million bpd and increase by 1 million bpd to 20.61 million bpd in 2022. U.S. gasoline demand is expected to increase by 710,000 bpd to 8.74 million bpd in 2021 and by 230,000 bpd to 8.97 million bpd in 2022. Distillate demand is expected to increase by 30,000 bpd to 4.08 million bpd in 2021 and by 140,000 bpd to 4.22 million bpd in 2022. In regards to prices, the EIA expects Brent prices to remain near current levels in the third quarter, averaging \$68/barrel and \$65.19/barrel in 2021, up 4.7% from a previous forecast. However, in 2022 it expects Brent prices to average \$60/barrel. The EIA forecast this year's WTI crude prices at an average \$61.85/barrel, up 5% from a previous forecast. U.S. regular retail gasoline prices are expected to average \$2.92/gallon this summer, up from \$2.07/gallon last year.

Foreign trade data from the U.S. Census Bureau showed that U.S. crude oil exports reached 3.24 million bpd in April compared with 2.61 million bpd the March.

According to S&P Global Platts, crude oil production from OPEC and its allies increased by 430,000 bpd in May, led by Saudi Arabia, which accounted for about 84% of the total monthly increase. OPEC's 13 members produced 25.71 million bpd in May, its highest level since April 2020, when Saudi Arabia launched a brief price war after a breakdown in talks with Russia over how to manage the oil market through the pandemic. Its nine non-OPEC allies, led by Russia, produced 13.21 million bpd, unchanged from the previous month.

**Early Market Call - as of 8:25 AM EDT**

WTI - July \$70.42, up 37 cents  
 RBOB - July \$2.2330, up 1.4 cents  
 HO - July \$2.1445, up 95 points

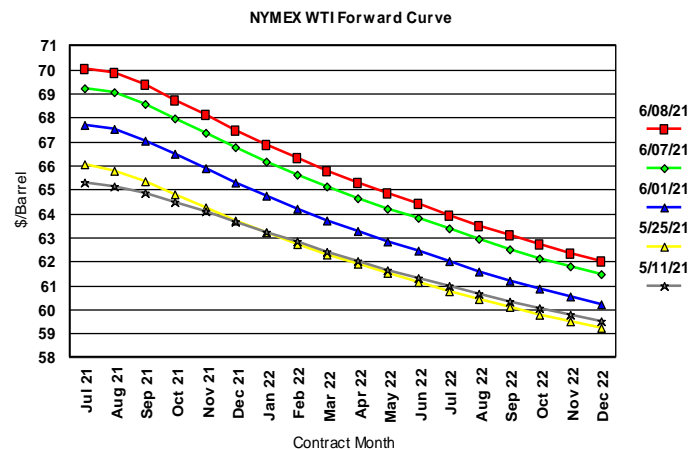
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-21	\$2.1350	\$0.0194	\$0.0279
Aug-21	\$2.1378	\$0.0194	\$0.0285
Sep-21	\$2.1408	\$0.0196	\$0.0290
Oct-21	\$2.1427	\$0.0198	\$0.0296
Nov-21	\$2.1428	\$0.0195	\$0.0297
Dec-21	\$2.1414	\$0.0192	\$0.0293
Jan-22	\$2.1394	\$0.0191	\$0.0295
Feb-22	\$2.1341	\$0.0194	\$0.0305
Mar-22	\$2.1245	\$0.0198	\$0.0315
Apr-22	\$2.1100	\$0.0198	\$0.0319
May-22	\$2.0999	\$0.0192	\$0.0313
Jun-22	\$2.0913	\$0.0186	\$0.0307
Jul-22	\$2.0894	\$0.0183	\$0.0306
Aug-22	\$2.0883	\$0.0180	\$0.0306
Sep-22	\$2.0876	\$0.0176	\$0.0299
Oct-22	\$2.0872	\$0.0173	\$0.0303
Nov-22	\$2.0868	\$0.0168	\$0.0299

Sprague HeatCurve October 2021-April 2022		\$2.1345
	Close	Change
Crude - WTI	\$69.8700	\$0.8300
Crude - Brent	\$72.2200	\$0.7300
Natural Gas	\$3.1280	\$0.0580
Gasoline	\$2.2190	\$0.0259

API Report for the Week Ending June 4, 2021

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Down 2.1 million barrels	Down 4.1 million bbls
Cushing, OK Crude Stocks	Down 400,000 barrels	
Gasoline Stocks	Up 2.4 million barrels	Up 1 million bbls
Distillate Stocks	Up 3.8 million barrels	Up 400,000 barrels
Refinery Runs		Up 0.7%, at 89.4%
Crude Imports		

## WTI Forward Curve



## WTI Continuation



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