

Market Commentary

All NYMEX | Prior Settlements

Recap: The oil market posted an inside trading day on Tuesday as the market erased some of its previous gains and found support over the \$68.00 level. The market traded lower amid the concerns that the power outages and flooding in Louisiana in the wake of Hurricane Ida will cut crude demand from refineries as they slowly begin to resume operations. The market's gains were also limited as the market positioned itself ahead of an OPEC meeting on Wednesday, when the oil ministers are expected to proceed with an expected increase in October. The market opened slightly lower and posted a high of \$69.34 in overnight trading before it sold off to a low of \$68.16 by mid-morning. The market later settled in a sideways trading range during the remainder of the session. The October WTI contract settled down 71 cents or 1.03% at \$68.50 and the Brent contract settled down 42 cents or 0.57% at \$72.99. Meanwhile, the product markets settled in negative territory with the heating oil market settling down 93 points at \$2.1310 and the RBOB market settling down 3.01 cents at \$2.2826.

Market Outlook: The oil market will continue to trade sideways as the market awaits for the EIA weekly petroleum stock reports and the outcome of the OPEC meeting on Wednesday. However, the market will likely retrace some of its losses and test its resistance levels amid the expected draw in crude inventories. The market is seen finding resistance at its highs of \$69.34 and \$69.64 followed by \$70.18, \$70.81 and \$71.16, its 62% retracement level from a high of \$76.98 to a low of \$61.74. Meanwhile, support is seen at its low of \$68.16, \$67.67, \$67.52, \$67.02 and \$65.41.

Fundamental News: Widespread flooding from Hurricane Ida and power outages slowed efforts on Tuesday by energy firms to assess damages at oil production facilities, ports and refineries. Nearly all of Louisiana lost electrical power on Monday after one of the most powerful hurricanes to hit the region downed transmission lines and flooded communities. Analysts said it could take two to three weeks to restart producing platforms and fully resume output at Louisiana refineries. Utilities officials said restoring power, critical to refineries, also could take weeks. Phillips 66 has not been able to begin damage assessments at its 255,600 bpd refinery on the Mississippi River in Belle Chasse, Louisiana. The plant, which was put up for sale last week, was swamped from a failed levee in Alliance. Floods have also been reported at other facilities in Louisiana. The U.S. Department of Energy estimated that nine refineries have reduced production or shut-in operations, including Exxon's 520,000 bpd Baton Rouge refinery, taking offline 2.3 million bpd of capacity or 13% of the country's total. The Bureau of Safety and Environmental Enforcement said offshore, 94% of the Gulf's oil and natural gas output remained shut on Monday. A total of 1.705 million bpd of oil production and 2.107 bcf/d of natural gas output remained shut in. A total of 278 production platforms and 11 rigs remained evacuated. Nearly a dozen ports from New Orleans to Pascagoula, Mississippi, remained closed on Monday, including Louisiana Offshore Oil Port. Port Fourchon will take weeks to recover from the impact of Hurricane Ida.

OPEC and its allies expect global oil markets to continue to tighten this year even as they increase their output remaining in a 900,000 bpd deficit but then increase to a surplus of 2.5 million bpd in 2022. The Joint Technical Committee expects global oil demand to grow by 5.95 million bpd this year in line with its previous forecast, and by 3.28 million bpd next year. The data indicates that fuel stockpiles will continue to decline during the rest of this year even as OPEC+ proceeds with its agreement to add 400,000 bpd each month. World inventories will fall at an average rate of 825,000 bpd over the next four months. World oil supply is expected to exceed demand by an average of 2.5 million bpd next year, causing inventories to increase by 913 million barrels. The projections assume the group will restore off of the almost 6 million bpd of output that remains offline.

Early Market Call - as of 8:20 AM EDT

WTI - Oct \$68.71, up 21 cents

RBOB - Sep \$2.1359, down 60 points

HO - Sep \$2.1324, up 16 points

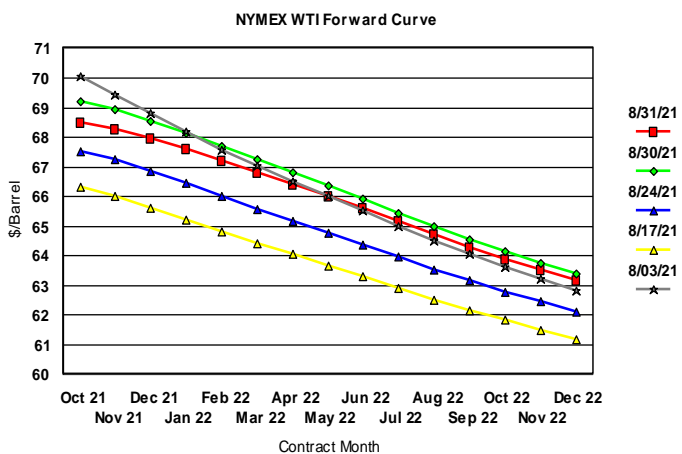
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Sep-21	2.131	-0.0093	0.0642
Oct-21	2.1302	-0.0076	0.0608
Nov-21	2.1242	-0.0082	0.0556
Dec-21	2.1191	-0.0084	0.0541
Jan-22	2.114	-0.0084	0.0538
Feb-22	2.1056	-0.0082	0.0537
Mar-22	2.0925	-0.0083	0.0516
Apr-22	2.0737	-0.0085	0.0489
May-22	2.0605	-0.0084	0.0462
Jun-22	2.0513	-0.0084	0.0443
Jul-22	2.0492	-0.0085	0.0428
Aug-22	2.0484	-0.0085	0.0419
Sep-22	2.0485	-0.0085	0.042
Oct-22	2.0493	-0.0089	0.0402
Nov-22	2.0495	-0.0092	0.0399
Dec-22	2.0481	-0.0094	0.0389
Jan-23	2.0474	-0.0093	0.0387

Sprague HeatCurve October 2021-April 2022			\$2.1088
		Close	Change
Crude - WTI	Oct Brent- WTI Spread \$4.50	\$68.5000	-\$0.7100
Crude - Brent		\$72.9990	-\$0.4200
Natural Gas		\$4.3770	\$0.0720
Gasoline		\$2.2826	-\$0.0301

API Report for the Week Ending August 27, 2021

	Actual	Mkt Expectations
Crude Oil Stocks(exl SPR)	Down 4.045 million barrels	Down 4.4 million bbls
Cushing, OK Crude Stocks	Up 2.128 million barrels	
Gasoline Stocks	Up 2.711 million barrels	Down 1.8 million barrels
Distillate Stocks	Down 1.961million barrels	Down 500,000 barrels

WTI Forward Curve



WTI Continuation

