

## Market Commentary

**Recap:** Oil futures rose Monday as a pair of tropical storms, which are expected to make landfall within-days of each other, closed in on the Gulf of Mexico, forcing the shutdown of offshore drilling rigs responsible for more than half of the region's crude production. Despite this fact, the move in oil was marginal, and not enough to push aside the concerns traders have for Covid-19 and its impact on demand. October WTI tacked on \$23 cents, or 0.5%, to settle at \$42.57 a barrel, while Brent for October delivery finished up 43 cents, or 1%, to settle at \$44.78 a barrel. Perhaps the big news of the day was RBOB futures, which jumped as much as 7% during trading. September futures pared gains, to settle at \$1.3393 a gallon, up 4.3%, while September heating oil rallied 3.3%, to end at \$1.2473 a gallon.

**Technical Analysis:** Back on August 7, we referenced the October gasoline crack spread, writing that we expected this spread to widen due to an expected active hurricane season and unseasonably low inventories level, especially in PADD 3. At that point, this spread was running at \$6.49. Since then, this spread has gained \$3.80, or 58%. With Tropical Storm Marco already hitting the Gulf of Mexico and Tropical Storm Laura, which is on its way, expected to reach hurricane status, energy companies have shut in more than 1 million barrels per day of offshore crude oil supply, the October RBOB crack spread could very easily reach \$12.

**Fundamental News:** On Sunday, the Louisiana Offshore Oil Port shut its Marine Terminal operations due to the threat of Tropical Storms Laura and Marco in the Gulf of Mexico. The LOOP said Clovelly Hub deliveries remain normal, adding it is executing an inclement weather plan. The National Hurricane Center said Marco, which weakened to a tropical storm on Sunday, is set to approach the coast of Louisiana on Monday afternoon, while Tropical Storm Laura is forecast to strengthen into a hurricane by early Tuesday and is forecast to strike the Texas/Louisiana coast Thursday as a Category 2 or 3 hurricane.

The Bureau of Safety and Environmental Enforcement (BSEE) said oil producers, including BP Plc, Chevron Corp and Royal Dutch Shell Plc, had shut 82% or 1.5 million bpd of the Gulf's offshore oil production and 57% or 1.5 million cubic feet per day of natural gas production as of Monday.

Genscape reported that crude oil stocks held in Cushing, Oklahoma in the week ending Friday, August 21<sup>st</sup> fell by 214,769 barrels and by 412,532 barrels from Tuesday, August 18<sup>th</sup> to 55,568,553 barrels.

Refineries in east Louisiana facing a weakened Tropical Storm Marco plan to keep running as the cyclone comes ashore late Monday. However, refineries in east Texas, including those operated by Exxon, Valero, Total and Motiva, are considering plans for Tropical Storm Laura, which is forecast to become a hurricane when it comes ashore along the Texas-Louisiana border late Wednesday.

Motiva Enterprises began preparations on Monday to shut the nation's largest crude oil refinery ahead of expected heavy rains from tropical storms Marco and Laura this week. Shutting the 607,000 bpd Port Arthur, Texas, refinery could take up to two days.

Valero Energy Corp plans to shut a 75,000 bpd fluid catalytic cracking unit and 75,000 bpd crude distillation unit at its 335,000 bpd Port Arthur, Texas refinery. Valero halted the restart of its 100,000 bpd coker unit and prepared for a partial shutdown of the refinery ahead of the two approaching tropical storms.

**Early Market Call - as of 8:37 AM EDT**

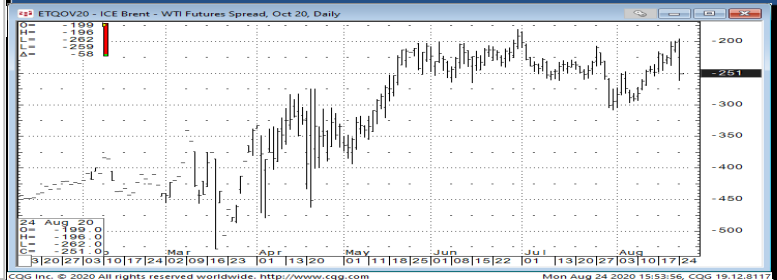
WTI - Oct \$42.90 up 28 cents  
 RBOB - Sep \$1.4090 up 4.19 cents  
 HO - Sep \$1.2667 up 1.91 cents

## All NYMEX | Prior Settlements

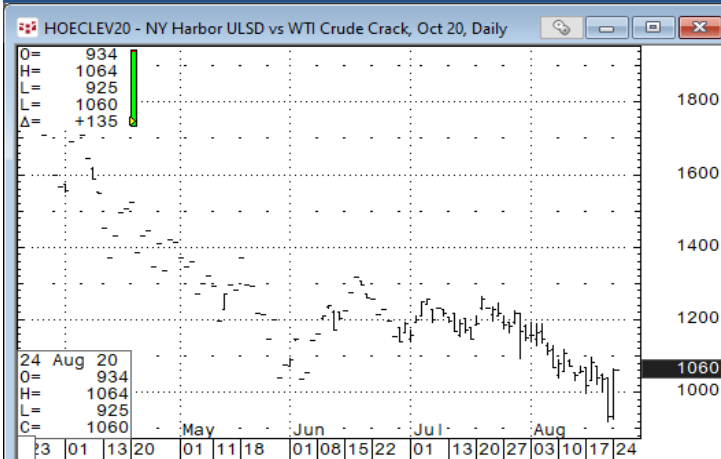
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Sep-20	1.2476	0.0396	-0.0085
Oct-20	1.2640	0.0357	0.0003
Nov-20	1.2820	0.0327	0.0056
Dec-20	1.3009	0.0299	0.0075
Jan-21	1.3197	0.0281	0.0078
Feb-21	1.3360	0.0276	0.0070
Mar-21	1.3473	0.0272	0.0054
Apr-21	1.3527	0.0264	0.0042
May-21	1.3616	0.0265	0.0027
Jun-21	1.3720	0.0264	0.0026
Jul-21	1.3864	0.0260	0.0033
Aug-21	1.4000	0.0255	0.0040
Sep-21	1.4127	0.0251	0.0046
Oct-21	1.4241	0.0248	0.0050
Nov-21	1.4346	0.0247	0.0051
Dec-21	1.4429	0.0246	0.0050
Jan-22	1.4535	0.0242	0.0053

Sprague Heat Weighted Strip October -April 20/2021			\$1.3183
		Close	Change
Crude - WTI	Oct Brent- WTI Spread \$2.20	\$42.9300	\$0.3100
Crude - Brent		\$45.1300	\$0.7800
Natural Gas		\$2.5130	\$0.0650
Gasoline		\$1.3671	\$0.0830

### ICE October Brent-WTI Spread



## October Heating Oil Crack Spread



## October RBOB Crack Spread

