

Market Commentary

Recap: Oil futures fell from session highs, but remained in positive territory after the Energy Information Administration said U.S. crude oil inventories fell 6.7 million barrels in the week ending June 25, marking the sixth straight week of declines. Upon the initial selloff, prices rebounded, with August WTI briefly recapturing the \$74 level, but it could not sustain enough momentum to keep moving higher. August WTI rose 49 cents, or 0.7%, to settle at \$73.47 a barrel. Brent for August delivery added 37 cents, or 0.49%. Both benchmarks are just below highs last reached in 2018, and are set to record their seventh monthly gain in the past eight months. August RBOB rose marginally to end at \$2.2518 a gallon, while August heating oil finished at \$2.1283 a gallon, up 0.2%.

Technical Analysis: Oil futures have risen more than 50% this year, tracking for their best first half since 2009. A surge in demand, along with a supply squeeze has helped to fuel the higher move. The market is currently plagued by an underinvestment, as the coronavirus surged across the globe, with investments down 30% from five years ago in terms of oil and gas investment and \$250 billion of underinvestment in 2020 alone. The elevation in prices could soon deflate, as OPEC+ meets this week, which could put a cap on additional gains. Another driver of this market are the months long negotiations between the U.S. and Iran, which now face the prospect of new delays and rising risk that they'll fail to resurrect a landmark deal between the Islamic Republic and world powers. In the near term, we expect to see a bit of sideways activity however, with WTI trending just below the \$75 level, we believe that it is just a matter of time before this level is breached. Where it will go from there depends on how all the aforementioned plays out. Resistance above \$75 is seen at \$77.50, with support coming in at \$72.70 and below that at \$70.

Fundamental News: An OPEC+ panel has warned of "significant uncertainties" and the risk of a potential global oil market imbalance after April 2022. A report showed that the Joint Technical Committee sees an overhang of crude by the end of 2022 under different scenarios looking at supply and demand in the oil market. Under a base scenario, OECD oil stocks would stand at 96 million barrels and 125 million barrels below the 2015-2019 average for the third and fourth quarters of 2021, respectively. The report stated that "in 2022, a significant increase is seen, leading to an overhang of 181 million barrels by the end of the year".

Goldman Sachs Commodities Research said more oil production is needed from OPEC+ to balance the market by 2022 as supply risk looms elsewhere. The banks expects a 500,000 bpd output increase from OPEC+ given the risk of the Delta COVID variant. It forecast oil demand will increase by an additional 2.2 million bpd by year-end, leaving a 5 million bpd supply shortfall, well in excess of what Iran and shale producers can bring online.

With OPEC scheduled to meet on Thursday, many expect an increase in oil supply, which could pressure oil prices lower. The coalition is considering whether to continue increasing its output. Two sources stated that OPEC+ is expected to discuss a potential extension of its current oil supply deal beyond April 2022 when it meets on Thursday. Kazakhstan's Energy Minister, Nurlan Nogaev, said possible supply hikes are being discussed for August or September. Russia is considering making a proposal to increase output, while Saudi Arabia has signaled it prefers a gradual approach.

According to analysts, including Bank of America Corp and Fitch Ratings, Russia will be able to keep pace with any easing of OPEC+ production cuts in both the short and medium term. Russia could increase its output by about 700,000 bpd from current levels within six to 12 months. That could return the country to just under the post-Soviet annual production record of 11.25 million bpd reached in 2019.

Early Market Call - as of 8:10 AM EDT

WTI - Aug \$75.75, up \$2.28

RBOB - Aug \$2.2847, up 4.29 cents

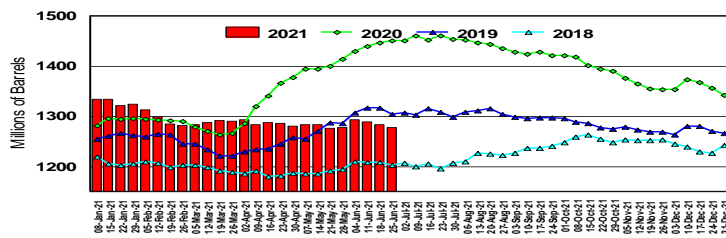
HO - Aug \$2.1755, up 4.73 cents

All NYMEX | Prior Settlements

Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jul-21	2.1287	0.0068	-0.0307
Aug-21	2.1283	0.0038	-0.0341
Sep-21	2.1307	0.0036	-0.0346
Oct-21	2.1314	0.0034	-0.0349
Nov-21	2.1303	0.0029	-0.0355
Dec-21	2.1284	0.0026	-0.0358
Jan-22	2.1260	0.0024	-0.0356
Feb-22	2.1206	0.0021	-0.0348
Mar-22	2.1097	0.0018	-0.0332
Apr-22	2.0935	0.0014	-0.0322
May-22	2.0801	0.0008	-0.0320
Jun-22	2.0700	0.0003	-0.0317
Jul-22	2.0671	-0.0002	-0.0312
Aug-22	2.0653	-0.0005	-0.0307
Sep-22	2.0640	-0.0006	-0.0320
Oct-22	2.0633	-0.0007	-0.0295
Nov-22	2.0622	-0.0010	-0.0292

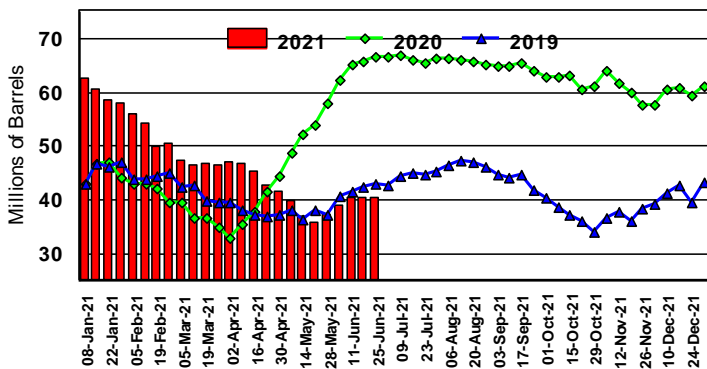
Sprague HeatCurve October 2021-April 2022		\$2.1209
	Close	Change
Crude - WTI	\$73.4700	\$0.4900
Crude - Brent	\$75.1300	\$0.3700
Natural Gas	\$3.6500	\$0.0200
Gasoline	\$2.2444	\$0.0054

Total U.S. Oil Stocks
Excluding SPR



Weekly EIA Petroleum Status Report for the Week Ending June 25, 2020

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 6.718 million barrels
Cushing, OK Crude Stocks Down 1.46 million barrels
Gasoline Stocks Up 1.522 million barrels
Distillate Stocks Down 869,000 barrels
Refinery % Operated 92.9%, Up 0.7%

PADD #1

	Week Ending June 25, 2021	Week Ending June 18, 2021	Week Ending June 26, 2020
Distillate Stocks (in million bbls)	7.6	7.7	13.1
New England	20.3	20.0	39.2
Central Atlantic	40.5	40.4	66.4
Total PADD #1			
Distillate Imports (thousands b/d)	208	256	123