

Market Commentary

Recap: Oil futures gained on Wednesday after the EIA reported the third consecutive weekly decline in U.S. crude oil inventories. However, prices suffered their first monthly decline since April amidst rising concerns over the global spreading of the coronavirus. November WTI rose 93 cents, or 2.4%, to settle at \$40.22 a barrel. Based on the front-month contracts, the November contract finished the month down 5.6%, but ended the quarter 2.4% higher. December Brent, which became the front month contract at the close of business, added 74 cents, or 1.8%, to close at \$42.30. The expiring November contract slipped 8 cents, or 0.2%, to settle at \$40.95 a barrel. October RBOB fell 0.07%, to \$1.2008 a gallon and October heating oil added 3.3%, to settle at \$1.1454 a gallon. For the month, RBOB futures based on the most-active contracts settled 5.9% lower, while heating-oil futures fell 4.2%.

Technical Analysis: Despite the unexpected draw in crude oil inventories, stockpiles at the NYMEX delivery point at Cushing, OK increased 1.4 million barrels. This, in conjunction with the spreading of COVID-19 puts an overall bearish tone over the market. That being said, this market remains flat. At this point, we need some type of stimulus to get the market moving in either direction. For scalping purposes, we would look to sell WTI up at the 50 and 100-day moving averages, looking to take profits below the 10-day average. Resistance is set at \$40.43 and \$40.66. To the downside, support rests at \$39.96 and below that at \$36.39.

Fundamental News: The EIA reported that U.S. crude oil production in July increased by 538,000 bpd to 10.984 million bpd from a revised 10.446 million bpd in June. Meanwhile, monthly gross natural gas production in the U.S. lower 48 states increased by 1.9 billion cubic feet/day in July to 100.8 bcf/d.

According to a Reuters survey, oil prices will remain near current levels this year as rising novel coronavirus cases threaten to slow the pace of demand recovery and counter output cuts by top producers. The survey of 40 analysts and economists forecast benchmark Brent crude averaging \$42.48/barrel in 2020. That compares with an average of \$42.54/barrel this year and last month's forecast of \$42.75/barrel. Brent is projected to average \$50.41/barrel in 2021. The price of WTI is expected to average \$38.70/barrel compared with \$38.82/barrel predicted in August. It has averaged \$38.20 this year. Global demand is seen contracting by 8 million-9.8 million bpd this year, slightly less than the 8 million-10 million bpd consensus last month.

Oil workers organized by Norway's Lederne labor union will go on strike on Wednesday following a breakdown of wage talks. The strike among 43 workers will trigger a shutdown of Equinor's Johan Sverdrup oilfield, the largest oil-producing field in Western Europe. The labor union later stated that it will escalate offshore industrial action to four additional fields on October 4th. A further 126 union members will halt work at the Equinor-operated Gudrun, Gina Krog and Kvitebjørn fields and the Neptune Energy operated Gjøa field, which have combined capacity of 260,000 bpd of oil equivalent. Members of two other unions, Industri Energi and Safe, said they will not go on strike.

Separately, Equinor said it can maintain safe operations at Norway's Johan Sverdrup oilfield, despite a strike among some of the field's workers. The field has an output capacity of 470,000 bpd, which is close to a quarter of Norway's oil output and about 12% of the country's combined oil and gas production.

IIR Energy reported that U.S. oil refiners are expected to shut in 4.2 million bpd from the previous week. Offline capacity is expected to fall to 3.8 million bpd in the week ending October 9th.

Early Market Call - as of 8:50 AM EDT

WTI - Nov \$39.67, down 55 cents

RBOB - Nov \$1.1738, down 78 points

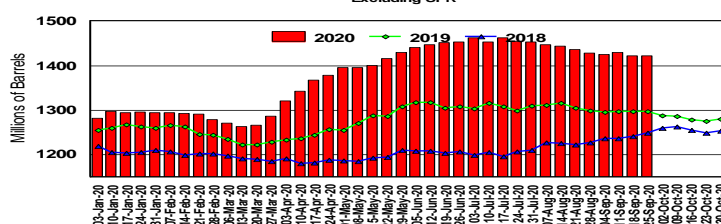
HO - Nov \$1.1430, down 90 points

All NYMEX | Prior Settlements

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Oct-20	1.1454	0.0364	-0.0379
Nov-20	1.1522	0.0365	-0.0344
Dec-20	1.1655	0.0340	-0.0316
Jan-21	1.1808	0.0331	-0.0278
Feb-21	1.1950	0.0326	-0.0242
Mar-21	1.2060	0.0323	-0.0216
Apr-21	1.2116	0.0316	-0.0200
May-21	1.2204	0.0310	-0.0183
Jun-21	1.2315	0.0304	-0.0164
Jul-21	1.2475	0.0298	-0.0147
Aug-21	1.2620	0.0290	-0.0127
Sep-21	1.2761	0.0285	-0.0110
Oct-21	1.2882	0.0279	-0.0090
Nov-21	1.2985	0.0279	-0.0075
Dec-21	1.3071	0.0276	-0.0056
Jan-22	1.3182	0.0275	-0.0043
Feb-22	1.3269	0.0273	-0.0042

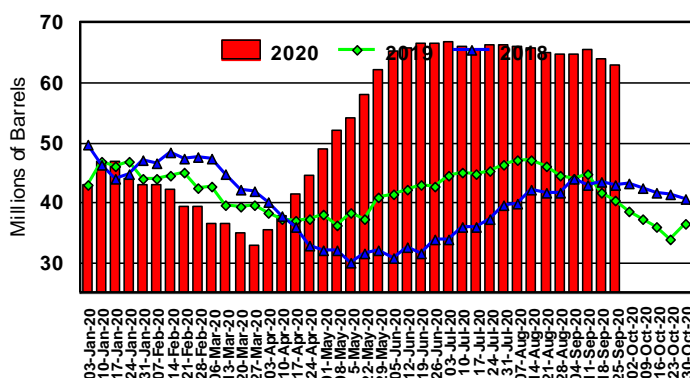
Sprague Heat Weighted Strip October -April 20/2021			\$1.1815
		Close	Change
Crude - WTI	Nov Brent-	\$40.2200	\$0.9300
Crude - Brent	WTI Spread	\$40.9500	-\$0.0800
Natural Gas	\$0.73	\$2.5270	-\$0.0340
Gasoline		\$1.2008	-\$0.0009

Total U.S. Oil Stocks Excluding SPR



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

Distillate Stocks PADD #1



Overall U.S. Stats

Crude Oil Stocks(excluding SPR) Down 1.98 million barrels

Cushing, OK Crude Stocks Up 1.785 barrels

Gasoline Stocks Up 683,000 barrels

Distillate Stocks Down 3.184 million barrels

Refinery % Operated 75.8%, up 1%

PADD #1

	Week Ending Sep 25, 2020	Week Ending Sep 18, 2020	Week Ending Sep 28, 2019
Distillate Stocks (in million bbls)	12.7	12.5	7.0
New England	35.9	37.2	21.8
Central Atlantic	62.9	63.8	40.4
Total PADD #1			
Distillate Imports (thousands b/d)	131	127	42