

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil futures pulled back Thursday, on lingering concerns regarding demand and as weekly unemployment claims rose in the U.S. The lower move also follows Wednesday's release of the Fed's July 28-29 meeting, in which staff economists told policy makers they were lowering their estimate for economic growth over the second half of the year. October WTI fell as much as 3.4%, to a fresh weekly low of \$41.63, but rebounded to recapture the \$42.00 level. This soon to be spot contract settled at \$42.82 a barrel, down 29 cents, or 0.7%, while October Brent lost 47 cents, or 1%, to settle at \$44.90 a barrel. September RBOB rose 0.6 cents, or 0.5%, to settle at \$1.2965 a gallon, while September heating oil slipped 0.43 cents, or 0.3%, to close at \$1.2467 a gallon.

Technical Analysis: Despite falling below the \$42 mark, October WTI bounced back to within a few cents of \$43. We would expect choppy trading conditions to linger as this market remains caught between falling U.S. inventories, the continuation of OPEC+ production cuts, amidst subdued demand.

The 10-day moving average for WTI continues to be a source of support, as the October WTI failed to settle below this number. The rebound from below \$42 is a testament as to trader uncertainty. That being said, more sideways activity is almost certain. Resistance is set at \$43.40 and above that at \$45. To the downside, support comes in at \$41.5, \$40.55 and below that at \$39.

Fundamental News: Genscape reported that crude oil stocks held in Cushing, Oklahoma in the week ending Tuesday, August 18th increased by 711,967 barrels and by 197,763 barrels from Friday, August 14th to 55,981,085 barrels.

U.S. President, Donald Trump, said U.S. companies were involved in many prospects in Iraq's oil business, as Iraqi Prime Minister, Mustafa al-Kadhimi, declared his country open for American business and investment.

An internal OPEC+ report showed that some members of the OPEC+ group of oil-producing nations would need to cut output by an extra 2.31 million bpd to make up for their recent oversupply. The report stated that the surplus seen between May and July ought to be compensated for in August and September. The internal report seen by Reuters did not say how the additional cuts would be distributed over August and September. However, if the 2.31 million bpd figure is adopted and spread equally over the two months, it would take OPEC+ oil cuts to about 8.85 million bpd. The report shows OPEC+ expects oil demand in 2020 to fall by 9.1 million bpd, 100,000 bpd more than in its previous forecast, before increasing by 7 million bpd in 2021. However, OPEC+ also see an alternative scenario in which a stronger and more-prolonged second wave of infections hits Europe, the United States, India and China in the second half of the year. Under this scenario, demand is forecast to fall by 11.2 million bpd in 2020, sending OECD commercial oil inventories in the fourth quarter to 233 million barrels above the latest 5-year average.

According to the Joint Organizations Data Initiative, Saudi Arabia's crude exports extended a decline in June to the lowest level on record, as global demand is low amid the COVID-19 pandemic. Saudi Arabia's crude exports fell by 17.3% on the month to 4.98 million bpd, their lowest since at least January 2002. Total oil shipped from Saudi Arabia, including oil products, fell by 18.7% to 6.08 million bpd from 7.48 million bpd in May, while crude stocks increased by 5.8 million barrels to 153.35 million barrels. Saudi Arabia's crude production fell nearly 12% on the month to 7.48 million bpd.

Early Market Call - as of 8:30 AM EDT

WTI - Oct \$42.40, down 42 cents

RBOB - Sep \$1.2880, down 85 points

HO - Sep \$1.2311, 1.56 cents

Month	USLD (HO)	Prior Settle	Change In
	Close	Change	One Week
Sep-20	1.2467	-0.0043	-0.0086
Oct-20	1.2645	-0.0077	-0.0054
Nov-20	1.2847	-0.0089	-0.0026
Dec-20	1.3044	-0.0094	-0.0012
Jan-21	1.3232	-0.0094	-0.0010
Feb-21	1.3384	-0.0093	-0.0013
Mar-21	1.3485	-0.0092	-0.0024
Apr-21	1.3538	-0.0091	-0.0039
May-21	1.3622	-0.0089	-0.0052
Jun-21	1.3724	-0.0089	-0.0061
Jul-21	1.3870	-0.0090	-0.0064
Aug-21	1.4010	-0.0089	-0.0067
Sep-21	1.4139	-0.0087	-0.0070
Oct-21	1.4255	-0.0088	-0.0074
Nov-21	1.4361	-0.0088	-0.0078
Dec-21	1.4444	-0.0088	-0.0082
Jan-22	1.4551	-0.0085	-0.0086

Sprague Heat Weighted Strip October -April 20/2021		\$1.3207
	Close	Change
Crude - WTI	Oct Brent- \$42.8200	-\$0.3500
Crude - Brent	WTI Spread \$44.9000	-\$0.4700
Natural Gas	\$2.08 \$2.3520	-\$0.0740
Gasoline	\$1.2965	\$0.0060

EIA Working Gas Storage Report

	14-Aug-20	07-Aug-20	Change	Year Ago
East	750	738	12	653
Midwest	880	856	24	751
Mountain	209	206	3	167
Pacific	313	314	-1	273
South Central	1,223	1,219	4	936
Salt	335	337	-2	208
Nonsalt	888	883	5	729
Total	3,375	3,332	43	2,780

Sprague Heat Curve October-April

ICE October Brent-WTI Spread

