

Market Commentary

Recap: Oil futures extended their rally on Thursday as proposed production cuts by OPEC+ began to take hold as tensions between the U.S. and Iran heat up. Oil prices have succumbed to tremendous pressure caused by depletion in demand due to Covid19 and a flooding of the market by Saudi Arabia and Russia, who were involved in a price war. After reaching an intraday peak of \$18.26, June WTI pared gains to settle at \$16.50 a barrel, up 2.72, or 19.7%. Brent for June delivery tacked on 96 cents, or 4.7%, to settle at \$21.33 a barrel. Petroleum product also climbed, with May RBOB up 0.8% at 64.36 cents a gallon and May heating oil up 0.5% at 73.45 cents a gallon.

Technical Analysis: Oil continued to rally on Thursday, as it has gotten a bit oversold. The June contract is approaching \$20, the area in which prices really began to break down from. We would expect to see a run at this level, with successful breaks taking us to the current 10-day moving average, which is currently set at \$20.72 and above that at \$21.75. To the downside, support is set at \$13.70 and below that at \$11.70.

Fundamental News: Company officials and industry groups said President Donald Trump's plan to fill the US SPR has become the centerpiece of his administration's strategy to shield drillers from a meltdown in energy demand will not be enough. Company officials and traders have cited the difficulty of transporting it from inland fields to delivery sites on the Gulf Coast, and worries that placing it in the reserve's vast salt caverns could compromise its quality. They also worry that the program is too small. Global oil demand generally averages about 100 million barrels per day, but the pandemic is estimated to have cut that by about a fifth. While major oil-producing nations led by Saudi Arabia have cut output and companies are closing wells, the oversupply is projected to linger for months or years leading to waves of bankruptcies in the U.S. energy industry. The Department of Energy said it was now negotiating contracts with nine companies to store a total of just 23 of the 30 million barrels initially offered in the reserve.

Genscape reported that crude oil stocks held in Cushing, Oklahoma in the week ending Tuesday, April 21st increased by 4,101,373 barrels and by 3,615,896 barrels from Friday, April 17th to 64,768,087 barrels.

According to data from oil analytics firm, Vortexa, the volume of key oil products that is currently held in floating storage around the globe has more than doubled in the past month to around 68 million barrels. The figure which includes gasoline, diesel and jet fuel as of April 22 compares with around 30 million barrels in the previous month.

A source familiar with official production data stated that Russia's average oil output in the first 22 days of April stood at 11.28 million bpd, largely unchanged from March levels.

Kuwait's Oil Minister, Khaled al-Fadhel, said the country began reducing oil supply to the international market without waiting for the deal agreed by oil exporting countries to come into effect. The agreement is due to come into effect on May 1st.

Early Market Call - as of 8:20 AM EDT

WTI - June \$17.09, up 59 cents

RBOB - May \$6.335, down 1.01 cents

HO - May \$7.109, down 2.36 cents

All NYMEX | Prior Settlements

| Month | ULSD (HO) Close | Prior Settle Change | Change In One Week |
|--------|--------------------|------------------------|-----------------------|
| May-20 | 0.7345 | 0.0034 | 0.2118 |
| Jun-20 | 0.7910 | 0.0077 | 0.1817 |
| Jul-20 | 0.8453 | 0.0087 | 0.1684 |
| Aug-20 | 0.8991 | 0.0078 | 0.1574 |
| Sep-20 | 0.9453 | 0.0049 | 0.1509 |
| Oct-20 | 0.9849 | 0.0009 | 0.1454 |
| Nov-20 | 1.0175 | -0.0025 | 0.1382 |
| Dec-20 | 1.0423 | -0.0048 | 0.1321 |
| Jan-21 | 1.0657 | -0.0052 | 0.1270 |
| Feb-21 | 1.0851 | -0.0045 | 0.1225 |
| Mar-21 | 1.1009 | -0.0040 | 0.1187 |
| Apr-21 | 1.1098 | -0.0039 | 0.1164 |
| May-21 | 1.1201 | -0.0041 | 0.1144 |
| Jun-21 | 1.1322 | -0.0039 | 0.1133 |
| Jul-21 | 1.1505 | -0.0038 | 0.1137 |
| Aug-21 | 1.1679 | -0.0039 | 0.1138 |
| Sep-21 | 1.1819 | -0.0040 | 0.1144 |

Sprague Heat Weighted Strip October -April 20/2021 \$1.0632

| Other Front Month NYMEX | Close | Change |
|-------------------------|-----------|-----------|
| Crude - WTI | \$16.5000 | \$2.7200 |
| Crude - Brent | \$21.3300 | \$0.9600 |
| Natural Gas | \$1.8150 | -\$0.1240 |
| Gasoline | \$0.6436 | \$0.0052 |

EIA Working Gas Storage Report

| | 17-Apr-20 | 10-Apr-20 | Change | Year Ago |
|---------------|-----------|-----------|--------|----------|
| East | 400 | 400 | 0 | 244 |
| Midwest | 493 | 487 | 6 | 261 |
| Mountain | 96 | 95 | 1 | 69 |
| Pacific | 210 | 203 | 7 | 135 |
| South Central | 941 | 912 | 29 | 603 |
| Salt | 301 | 286 | 15 | 199 |
| Nonsalt | 640 | 626 | 14 | 405 |
| Total | 2,140 | 2,097 | 43 | 1,313 |

Sprague HeatCurve October-April

ICE June Brent-WTI Spread

