

Market Commentary

All NYMEX | Prior Settlements

Recap: Oil futures posted modest gains on Tuesday, with WTI settling higher for the fourth straight session, as some economic data show signs of recovery. Bullish manufacturing data out of China aided in reinforcing the view that East Asia continues to move closer to pre-COVID demand levels. A weaker dollar also provided support. October WTI rose 15 cents, or nearly 0.4%, to settle at \$2.76 a barrel, while Brent for November delivery tacked on 30 cents, or 0.7%, to settle at \$45.58 a barrel. October RBOB rose 0.9% to \$1.2247 a gallon, while October heating oil added 1.1%, to close at \$1.2308 a gallon

Market Outlook: Oil prices continue to struggle to search for direction, as the sideways trading pattern persists. It appears that technical traders are still willing to buy on dips as long as WTI hold above the 200-day moving average, which is currently set at \$42.58. Without the influx of any fresh fundamentals, we could still see prices move sideways. Moving oscillators are trending sideways in neutral territory, supporting this move. As long as WTI stays above the 200-day moving average, buying on dips seems to be fruitful. A break below this average could push prices to the 50-day moving average, which is currently set at \$42.58. To the upside, resistance is set at the psychological level of \$45, with additional resistance up at \$46.43.

Fundamental News: The U.S. Department of Interior said U.S. Gulf of Mexico offshore oil output on Tuesday was down 525,099 bpd or 28.4% of the region's daily production. It reported that 71 of the U.S. Gulf of Mexico's 643 manned platforms remained evacuated, down from 117 production platforms on Monday. Producers were also resuming natural gas production, which was down 25% or 676.55 million cubic feet/day.

According to a Reuters survey, OPEC's oil production increased by about 1 million bpd in August as the group and its allies eased record oil supply cuts. The 13 members of OPEC produced 24.27 million bpd on average in August, up 950,000 bpd from July's figure and a further increase from a three-decade low reached in June. In August, OPEC countries bound by the deal delivered 99% of the pledged reduction, up from a revised 95% in July. The 10 OPEC members bound by the deal cut their output by 4.813 million bpd. The largest increase in supply came from Saudi Arabia, which produced 9 million bpd, up 600,000 bpd from July and close to its new quota. The second largest increase came from the UAE, which produced more than its quota due to increased local demand. Meanwhile, an output cut from Iraq was less than the volume pledged and Nigeria remains short of a 100% compliance rate.

The UAE's Energy Minister said the country remains fully committed to the OPEC+ agreement. He stated that Abu Dhabi National Oil Company produced 2.693 million bpd of crude oil in August, 103,000 bpd above its OPEC+ output quota, due to higher domestic demand for associated gas for power generation. ADNOC will compensate for the increase in August's production in by reducing its oil supply and exports in coming months.

Goldman Sachs raised its 2020 Brent price forecast to \$43.63/barrel from a previous estimate of \$40.51/barrel and its 2021 forecast to \$59.38/barrel from a previous estimate of \$55.63/barrel. It also raised its 2020 WTI price forecast to \$40.26/barrel from a previous forecast of \$36.88/barrel and its 2021 price forecast to \$55.88/barrel from a previous forecast of \$51.38/barrel.

Early Market Call - as of 8:40 AM EDT

WTI - Oct \$42.97, up 21 cents
 RBOB - Oct \$1.2415, up 1.68 cents
 HO - Oct \$1.2397, up 89 points

Month	ULSD (HO) Close	Prior Settle Change	Change In One Week
Oct-20	1.2308	0.0135	0.0438
Nov-20	1.2518	0.0115	0.0417
Dec-20	1.2733	0.0101	0.0400
Jan-21	1.2932	0.0089	0.0387
Feb-21	1.3097	0.0078	0.0380
Mar-21	1.3220	0.0075	0.0367
Apr-21	1.3281	0.0073	0.0359
May-21	1.3376	0.0072	0.0352
Jun-21	1.3483	0.0071	0.0348
Jul-21	1.3632	0.0069	0.0343
Aug-21	1.3773	0.0067	0.0337
Sep-21	1.3902	0.0065	0.0333
Oct-21	1.4020	0.0062	0.0328
Nov-21	1.4129	0.0058	0.0324
Dec-21	1.4216	0.0055	0.0320
Jan-22	1.4325	0.0048	0.0320
Feb-22	1.4399	0.0048	0.0314

Sprague Heat Weighted Strip October -April 20/2021		Close	Change
Crude - WTI	Nov Brent- WTI Spread \$2.50	\$43.0800	\$0.1800
Crude - Brent		\$45.5800	\$0.3000
Natural Gas		\$2.5270	-\$0.1030
Gasoline		\$1.2247	\$0.0110

API Report for the Week Ending August 28, 2019

	Actual	Mkt Expectations
Crude Oil Stocks(excl SPR)	Down 6.4 million barrels	Down 2 million barrels
Cushing, OK Crude Stocks	Down 200,000 barrels	
Gasoline Stocks	Down 5.8 million barrels	Down 3.6 million barrels
Distillate Stocks	Down 1.4 million barrels	Down 1.5 million barrels
Refinery Runs	Down 798,000 bpd	Down 7%
Crude Imports	Down 803,000 bpd	

Sprague HeatCurve October-April

WTI Forward Curve

